

CITY OF GRANITE CITY, ILLINOIS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

APRIL 30, 2018

Prepared By:
Scott Oney – Comptroller
City of Granite City, Illinois

CITY OF GRANITE CITY, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Granite City, Illinois

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 Granite City, Illinois as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 24 to the financial statements, the City adopted Governmental Accounting Standards Board (GABS) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

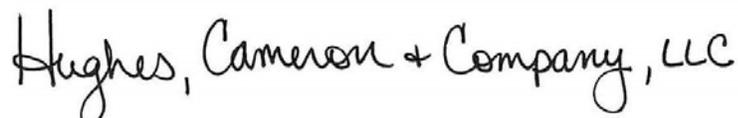
Accounting principles generally accepted in the United States of America require that the budgetary comparison information (pages 55 to 56) and schedules of funding progress and employer contributions (pages 58 to 64) be presented to supplement the basic financial statements. Such information, although not 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.

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Granite City, Illinois' basic financial statements as a whole. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Hughes, Cameron & Company, LLC
October 30, 2018

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,177,436	\$ 1,594,591	\$ 4,772,027
Certificates of Deposit	3,314,583	1,663,417	4,978,000
Restricted Investments	426,582	-	426,582
Investments	732,297	410,864	1,143,161
Receivables (Net of Allowance for Uncollectibles)	23,107,364	2,443,718	25,551,082
Internal Balances	(14,468)	14,468	-
Total Current Assets	30,743,794	6,127,058	36,870,852
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	536,885	19,482	556,367
Restricted Certificates of Deposit	-	353,000	353,000
Restricted Investments	22,359,776	-	22,359,776
General Real Estate Investment	1,272,210	-	1,272,210
Net Pension Asset - IMRF	280,168	141,969	422,137
Capital Assets (Net of Accumulated Depreciation)	47,918,276	29,920,064	77,838,340
Total Noncurrent Assets	72,367,315	30,434,515	102,801,830
Total Assets	103,111,109	36,561,573	139,672,682
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources:			
Prepaid Expenses and Deposits	221,122	72,203	293,325
Deferred Amounts Related to Pensions - IMRF	929,970	471,041	1,401,011
Deferred Amounts Related to Pensions - Police & Firefighter's	285,426	-	285,426
Deferred Charge on Bond Refunding	1,343,309	-	1,343,309
Total Deferred Outflows of Resources	2,779,827	543,244	3,323,071
LIABILITIES			
Current Liabilities:			
Accounts Payable	926,133	838,410	1,764,543
Accrued Workman's Compensation	1,863,233	-	1,863,233
Accrued Vacation Leave	674,560	105,668	780,228
Accrued Interest Payable	735,818	15,193	751,011
Other Accrued Obligations	163,684	-	163,684
Bonds/Notes Payable - Current Portion (Net of Unamortized Costs)	1,641,294	977,667	2,618,961
Total Current Liabilities	6,004,722	1,936,938	7,941,660
Noncurrent Liabilities:			
Bonds/Notes Payable - Noncurrent Portion (Net of Unamortized Costs)	46,702,707	12,597,380	59,300,087
Accrued Sick Leave	2,983,872	139,504	3,123,376
Net Pension Liability (Police & Firefighter's Pension)	130,567,152	-	130,567,152
Total Noncurrent Liabilities	180,253,731	12,736,884	192,990,615
Total Liabilities	186,258,453	14,673,822	200,932,275
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources:			
Deferred Gain on Installment Sale	99,813	-	99,813
Deferred Amounts Related to Pensions - IMRF	3,275,887	1,631,198	4,907,085
Deferred Amounts Related to Pensions - Police & Firefighter's	89,775	-	89,775
Deferred Real Estate Taxes	19,252,228	-	19,252,228
Total Deferred Inflows of Resources	22,717,703	1,631,198	24,348,901
NET POSITION			
Net Investment in Capital Assets	40,917,584	16,345,017	57,262,601
Restricted for:			
Debt Service	2,557,073	-	2,557,073
Development Loans	108,300	-	108,300
Drug Traffic Prevention	256,590	-	256,590
Public Safety	19,233,578	-	19,233,578
Redevelopment	5,625,402	-	5,625,402
Unrestricted	(171,783,747)	4,454,780	(167,328,967)
Total Net Position	\$ (103,085,220)	\$ 20,799,797	\$ (82,285,423)

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 4,148,365	\$ 758,753	\$ 589,777	\$ -	\$ (2,799,835)	\$ -	\$ (2,799,835)
Cinema	523,311	480,528	-	-	(42,783)	-	(42,783)
Public Safety	24,371,301	1,416,708	491,881	-	(22,462,712)	-	(22,462,712)
Public Works	5,376,828	97,178	762,135	-	(4,517,515)	-	(4,517,515)
Development	6,219,234	-	-	-	(6,219,234)	-	(6,219,234)
Interest on Long-Term Debt	1,162,024	-	-	-	(1,162,024)	-	(1,162,024)
Total Governmental Activities	<u>41,801,063</u>	<u>2,753,167</u>	<u>1,843,793</u>	<u>-</u>	<u>(37,204,103)</u>	<u>-</u>	<u>(37,204,103)</u>
Business-Type Activities:							
Wastewater	7,742,289	7,336,502	-	-	-	(405,787)	(405,787)
Total Business-Type Activities	<u>7,742,289</u>	<u>7,336,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(405,787)</u>	<u>(405,787)</u>
4 Total	<u>\$ 49,543,352</u>	<u>\$ 10,089,669</u>	<u>\$ 1,843,793</u>	<u>\$ -</u>	<u>(37,204,103)</u>	<u>(405,787)</u>	<u>(37,609,890)</u>
General Revenues:							
Property Tax, Levied for General Purposes					18,099,626	-	18,099,626
Home Rule Sales Tax					2,706,242	-	2,706,242
Sales and Use Tax					4,602,403	-	4,602,403
Replacement Tax					2,468,675	-	2,468,675
State Income Tax					2,905,200	-	2,905,200
Telecommunications Tax					851,311	-	851,311
Other State and Local Taxes					466,847	-	466,847
Investment Earnings					216,581	68,246	284,827
Miscellaneous					797,006	36,239	833,245
Total General Revenues and Transfers					<u>33,113,891</u>	<u>104,485</u>	<u>33,218,376</u>
Change in Net Position					(4,090,212)	(301,302)	(4,391,514)
Net Position - Beginning (As Originally Reported)					(34,568,008)	21,101,099	(13,466,909)
Restatement of Net Position (Note 24)					<u>(64,427,000)</u>	<u>-</u>	<u>(64,427,000)</u>
Net Position - Beginning (Restated)					<u>(98,995,008)</u>	<u>21,101,099</u>	<u>(77,893,909)</u>
Net Position - Ending					<u>\$ (103,085,220)</u>	<u>\$ 20,799,797</u>	<u>\$ (82,285,423)</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2018

	<u>General</u> <u>Fund</u>	<u>Tax Increment</u> <u>Financing</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and Cash Equivalents	\$ 1,900,353	\$ 858,279	\$ 418,804	\$ 3,177,436
Restricted Investments	-	426,582	-	426,582
Certificates of Deposit	1,982,378	895,326	436,879	3,314,583
Investments	489,647	134,741	107,909	732,297
Receivables (Net of Allowances for Uncollectibles):				
Property Taxes	9,930,168	9,614,466	-	19,544,634
Intergovernmental	2,578,692	-	115,975	2,694,667
Other	757,105	109,925	1,033	868,063
Due from Other Funds	2,091,217	72,441	13,244	2,176,902
Total Current Assets	<u>19,729,560</u>	<u>12,111,760</u>	<u>1,093,844</u>	<u>32,935,164</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalent	-	-	536,885	536,885
Restricted Investments	19,233,578	3,126,198	-	22,359,776
Rental Real Estate Investment	-	2,667,631	-	2,667,631
General Real Estate Investment	-	1,272,210	-	1,272,210
Total Noncurrent Assets	<u>19,233,578</u>	<u>7,066,039</u>	<u>536,885</u>	<u>26,836,502</u>
Total Assets	<u>38,963,138</u>	<u>19,177,799</u>	<u>1,630,729</u>	<u>59,771,666</u>
Deferred Outflows of Resources:				
Prepaid Expense	221,122	-	-	221,122
Total Deferred Outflows of Resources	<u>221,122</u>	<u>-</u>	<u>-</u>	<u>221,122</u>
Total Assets and Deferred Outflows of Resources	<u>39,184,260</u>	<u>19,177,799</u>	<u>1,630,729</u>	<u>59,992,788</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts Payable	715,319	54,542	156,272	926,133
Accrued Workman's Compensation	1,863,233	-	-	1,863,233
Due to Other Funds	173,910	1,175,953	841,507	2,191,370
Other Accrued Obligations	160,924	-	2,760	163,684
Total Liabilities	<u>2,913,386</u>	<u>1,230,495</u>	<u>1,000,539</u>	<u>5,144,420</u>
Deferred Inflows of Resources:				
Gain on Installment Sale	57,750	42,063	-	99,813
Deferred Income	647,624	-	-	647,624
Property Tax Revenue	9,637,762	9,614,466	-	19,252,228
Total Deferred Inflows of Resources	<u>10,343,136</u>	<u>9,656,529</u>	<u>-</u>	<u>19,999,665</u>
Fund Balance:				
Nonspendable:				
Prepaid Expenses	221,122	-	-	221,122
Restricted for:				
Redevelopment	-	5,625,402	-	5,625,402
Development Loans	-	108,300	-	108,300
Drug Traffic Prevention	-	-	256,590	256,590
Public Safety	19,233,578	-	-	19,233,578
Debt Service	-	2,557,073	-	2,557,073
Unassigned	6,473,038	-	373,600	6,846,638
Total Fund Balance	<u>25,927,738</u>	<u>8,290,775</u>	<u>630,190</u>	<u>34,848,703</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 39,184,260</u>	<u>\$ 19,177,799</u>	<u>\$ 1,630,729</u>	<u>\$ 59,992,788</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
YEAR ENDED APRIL 30, 2018

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$ 34,848,703
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	47,918,276
Rental Real Estate Investments are recorded as capital assets and depreciated and not maintained as investment real estate.	(2,667,631)
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(3,658,432)
Long-term debt (e.g., bonds, net of unamortized costs, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental funds.	(48,344,001)
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	280,168
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(130,567,152)
Differences between expected and actual experiences, assumptions changes, net differences between projected and actual earnings for IMRF are recognized as deferred outflows and inflows of resources on the statement of net position.	(2,345,917)
Differences between expected and actual experiences, assumptions changes, net differences between projected and actual earnings for Pension Trust Funds are recognized as deferred outflows and inflows of resources on the statement of net position.	195,651
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(735,818)
The governmental funds report deferred amount on refunding of bonds are not reported on the balance sheet of the governmental funds.	1,343,309
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes.	647,624
Net position of governmental activities	<u>\$ (103,085,220)</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018

	<u>General</u>	<u>Tax Increment</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Financing</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
Revenues:				
Property Taxes	\$ 8,181,569	\$ 9,918,057	\$ -	\$ 18,099,626
Intergovernmental:				
Home Rule Sales Tax	2,719,778	-	-	2,719,778
Sales and Use Tax	4,444,739	-	160,835	4,605,574
Replacement Tax	2,468,675	-	-	2,468,675
State Income Tax	3,305,264	-	-	3,305,264
Motor Fuel Tax	-	-	762,135	762,135
Telecommunications Tax	856,013	-	-	856,013
Grants	591,587	-	491,881	1,083,468
Other	413,400	-	-	413,400
Other Local Taxes	53,447	-	-	53,447
Licenses and Permits	622,870	-	-	622,870
Charges for Services	1,785,963	-	-	1,785,963
Fines and Forfeits	317,412	-	26,922	344,334
Investment Earnings	118,019	89,278	9,284	216,581
Miscellaneous	397,309	398,247	1,450	797,006
Total Revenues	<u>26,276,045</u>	<u>10,405,582</u>	<u>1,452,507</u>	<u>38,134,134</u>
Expenditures:				
Current:				
General Government	3,383,888	-	161,545	3,545,433
Cinema	523,311	-	-	523,311
Public Safety	36,149,080	-	254,275	36,403,355
Public Works	4,933,684	-	362,212	5,295,896
Development	-	6,219,234	-	6,219,234
Debt Service:				
Principal	-	2,932,330	257,166	3,189,496
Interest	-	505,123	12,511	517,634
Capital Outlay		152,332	141,879	294,211
Total Expenditures	<u>44,989,963</u>	<u>9,809,019</u>	<u>1,189,588</u>	<u>55,988,570</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,713,918)</u>	<u>596,563</u>	<u>262,919</u>	<u>(17,854,436)</u>
Other Financing Sources (Uses):				
Proceeds from Borrowings	40,291,042	10,728	-	40,301,770
Bond Expenses	(818,193)	-	-	(818,193)
Operating Transfers In	-	-	269,677	269,677
Operating Transfers (Out)	(204,677)	-	(65,000)	(269,677)
Total Other Financing Sources (Uses)	<u>39,268,172</u>	<u>10,728</u>	<u>204,677</u>	<u>39,483,577</u>
Net Change in Fund Balance	20,554,254	607,291	467,596	21,629,141
Fund Balance - Beginning	<u>5,373,484</u>	<u>7,683,484</u>	<u>162,594</u>	<u>13,219,562</u>
Fund Balance - Ending	<u>\$ 25,927,738</u>	<u>\$ 8,290,775</u>	<u>\$ 630,190</u>	<u>\$ 34,848,703</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018

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

Net change in fund balances - total governmental funds	\$ 21,629,141
 Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets for which funds were expended this year.	 1,049,265
 Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.	 (1,483,379)
 The amount of compensated absences is not recorded as expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending compensated absences balance that has been included in the statement of activities.	 80,478
 The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	 (37,112,274)
 The governmental funds report the effect of issuance costs premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	 (264,824)
 Interest accrued but not paid is not recorded as an expense until paid. This is the change in accrued interest payable between years.	 (644,390)
 Net pension obligations (IMRF) are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net pension obligations are not reported as expenditures in governmental funds. This is the change in the net pension obligation between years.	 3,267,001
 The amount of deferred employer IMRF contributions are not recorded as an expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending deferred employer IMRF contributions that has been included in the statement of activities.	 (3,434,232)
 Net pension liabilities (Police & Firefighter's Pension) are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net contribution deficiencies are not reported as expenditures in governmental funds. This is the change in the net pension liability between years.	 13,050,635

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (continued)
YEAR ENDED APRIL 30, 2018

The amount of deferred employer Police and Firefighter's contributions are not recorded as an expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending deferred employer Police and Firefighter's contributions that has been included in the statement of activities.	195,651
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes. This is the difference of deferred revenue for the sales and use tax from the beginning and end of the year.	<u>(423,284)</u>
Change in net position of governmental activities	<u>\$ (4,090,212)</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
APRIL 30, 2018

	<u>Business Type</u> <u>Activities</u> <u>Wastewater</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,594,591
Certificates of Deposit	1,663,417
Investments	410,864
Accounts Receivable (Net of Allowance for Uncollectibles of \$615,298)	2,439,681
Due From Other Funds	257,379
Interest Receivable	4,037
Total Current Assets	<u>6,369,969</u>
Noncurrent Assets:	
Restricted Certificates of Deposit	353,000
Restricted Cash	19,482
Net Pension Asset - IMRF	141,969
Capital Assets:	
Construction in Process	960,105
Building and Improvements	46,780,571
Treatment Facility and Lines	7,813,396
Equipment	2,067,149
Vehicles	1,493,843
Total	<u>59,115,064</u>
Less Accumulated Depreciation	<u>(29,195,000)</u>
Net Capital Assets	<u>29,920,064</u>
Total Noncurrent Assets	<u>30,434,515</u>
Total Assets	<u>36,804,484</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources:	
Prepaid Expenses	72,203
Deferred Amount Related to Pensions - IMRF	471,041
Total Deferred Outflows of Resources	<u>543,244</u>
Total Deferred Outflows of Resources	<u>543,244</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	838,410
Accrued Vacation Leave	105,668
Due to Other Funds	242,911
Accrued Interest	15,193
Bonds/Notes Payable - Current Portion	977,667
Total Current Liabilities	<u>2,179,849</u>
Noncurrent Liabilities:	
Accrued Sick Leave	139,504
Bonds/Notes Payable - Non Current Portion	12,597,380
Total Noncurrent Liabilities	<u>12,736,884</u>
Total Liabilities	<u>14,916,733</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Outflows of Resources:	
Deferred Amounts Related to Pensions - IMRF	1,631,198
Total Deferred Inflows of Resources	<u>1,631,198</u>
Total Deferred Inflows of Resources	<u>1,631,198</u>
NET POSITION	
Net Investment in Capital Assets	16,345,017
Unrestricted	4,454,780
Total Net Position	<u>\$ 20,799,797</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2018

	<u>Business Type</u> <u>Activities</u> <u>Wastewater</u>
Operating Revenues:	
Charges for Services	\$ 7,336,502
Total Operating Revenues	<u>7,336,502</u>
Operating Expenses:	
Personal Services	3,372,003
Industrial Pretreatment	107,895
Billings and Collection	155,734
Sewer Collection	810,025
Solids Handling	800,505
BOD Treatment	272,478
Primary Treatment	37,270
General and Administration	274,922
Dry Weather Pumping	183,295
Wet Weather Pumping	137,664
Other	232,561
Depreciation	1,078,145
Total Operating Expenses	<u>7,462,497</u>
Operating (Loss)	<u>(125,995)</u>
Non-Operating Revenues (Expenses)	
Investment Earnings	68,246
Other Income	36,239
Interest Expense and Fiscal Charges	(279,792)
Total Non-Operating Revenues (Expenses)	<u>(175,307)</u>
Change in Net Position	(301,302)
Net Position - Beginning	<u>21,101,099</u>
Net Position - Ending	<u>\$ 20,799,797</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2018

	<u>Business Type</u> <u>Activities</u> <u>Wastewater</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 6,963,582
Cash Paid to Suppliers for Goods and Services	(2,354,778)
Cash Paid to Employees for Services	(3,305,315)
Net Cash Provided By Operating Activities	1,303,489
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(759,536)
Proceeds From Borrowings	623,959
Proceeds From Capital Grant	413,132
Principal Paid on Borrowings	(878,581)
Amortization of Bond Premium	(11,893)
Interest Paid on Borrowings	(281,441)
Net Cash (Used) by Capital and Related Financing Activities	(894,360)
Cash Flows From Investing Activities:	
Purchase of Investments	(382,258)
Miscellaneous Income	36,239
Redemption of Investments	570,716
Investment Earnings	74,227
Net Cash Provided By Investing Activities	298,924
Net Decrease In Cash and Equivalents	708,053
Cash and Equivalents - Beginning	886,538
Cash and Equivalents - Ending	\$ 1,594,591
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (125,995)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	1,078,145
Increase in Allowance for Doubtful Accounts	50,421
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(423,341)
Decrease in Prepaid Expenses	48,232
(Increase) in Deferred Outflow - Employer IMRF Contributions	(72,159)
Increase in Accounts Payable	609,339
Increase in Net Pension Liability	143,933
(Decrease) in Accrued Vacation and Sick Pay	(5,086)
Net Cash Provided By Operating Activities	\$ 1,303,489

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2018

ASSETS

Cash and Cash Equivalents	\$ 1,575,609
Investments and Certificates of Deposit	46,947,910
Receivables:	
Employer Contribution - Property Taxes	1,550,986
Employer Contribution - Gaming Taxes	34,594
Accrued Interest	88,989
Total Assets	50,198,088

LIABILITIES

Liabilities	
Pension Benefits Payable	470,834
Total Liabilities	470,834

NET POSITION

Net Position Held in Trust for Pension Benefits	49,727,254
Total Net Position	49,727,254
 Total Liabilities and Net Position	 \$ 50,198,088

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2018

Additions:

Contributions:

Employee Contributions	\$ 761,167
Employer Contributions:	
Property Taxes	1,526,612
Gaming Taxes	275,934
Pension Bond Infusion	20,000,000
Total Contributions	22,563,713

Investment Income:

Interest and Dividends	926,151
Net Realized/Unrealized Gain on Investments	1,285,034
	2,211,185
Less: Investment Expense	(92,426)
Net Investment Income	2,118,759
Total Additions	24,682,472

Deductions:

Benefits Paid to Participants:	
Service and Disability	5,285,665
Dependents	782,223
Contractual Services	54,686
Total Deductions	6,122,574

Net Increase in Plan Net Position	18,559,898
Net Position Held in Trust for Pension Benefits, Beginning of Year	31,167,356
Net Position Held in Trust for Pension Benefits, End of Year	\$ 49,727,254

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Granite City, Illinois (the City) was incorporated March 9, 1896 under the provisions of “an act to provide for the incorporation of cities and villages”. The City is a Home Rule Unit under the provision of Article 7 of the Illinois Constitution of 1970. The City operates under the aldermanic-city form of government and provides the following services as authorized by its charter: public improvements, planning and zoning, wastewater treatment and general administrative services.

The financial statements of the City of Granite City (government) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

The City’s financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization’s board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized, when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The major sources of revenue for the special revenue funds are: Motor Fuel Tax Fund is motor fuel taxes, TIF Fund is real estate taxes, Community Development is Madison County Community Development funds, and Drug Traffic Prevention is fines and forfeitures and federal drug funds.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tax Increment Financing Fund accounts for incremental taxes and other revenues as well as all expenses related to improvements and promotional costs related to the tax increment financing areas.

The government reports the following major proprietary funds:

The Wastewater Treatment Plant and Sewer System Enterprise Funds account for all activities related to the billing, administration, and distribution and collection processes of the wastewater treatment plant. The City operates the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fiduciary fund type:

The Pension Trust Funds account for the activities of the police and firemen's pension funds, which accumulate resources for pension benefit payments to qualified public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. Short-term cash surpluses are generally maintained in sweep accounts in the individual funds.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan association or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United State of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. The Pension Trust Funds are also allowed to invest limited percentages of their monies in mutual funds and equity securities.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds operates in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold. See <http://www.treasurer.il.gov/programs/illinois-funds/about-illinois-funds.aspx> for information on the Illinois Funds.

Fixed-income securities are recorded in all funds at fair value. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal advances to other funds.”

The primary purpose of these interfund receivables and payables is to provide temporary loans for cash flow needs; all amounts are expected to be repaid within the next fiscal year.

All intergovernmental and property tax receivables are shown net of an allowance for uncollectible amounts. All accounts receivable related to the enterprise fund are shown at net of an allowance for uncollectible accounts based on management’s estimate of collectability.

Unbilled sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

The City levied its property taxes in December 2017, based upon the expected assessed valuation as of the December 31, 2017. Property taxes are due in four installments in the following year, and are considered delinquent after the due dates. Property taxes for 2017 become an enforceable lien in January 2018. The County has not mailed tax bills as of April 30, 2018 and past mailing practices of the County have generally been subsequent to April 30 of each year. The City receives significant distributions of tax receipts beginning in late June or early July of each year.

At fiscal year-end, the receivables represent 2017 taxes to be collected between June and December 2018. Taxes collected during the current year were from the 2016 tax levy.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

Inventory has not been recorded in the General Fund, Special Revenue Funds or Enterprise Funds. This cost is recorded as an expenditure and charged to operations at the time the items are purchased.

Investment in Real Estate

Through the use of tax increment financing, the City has purchased several parcels of land to be held for resale to developers or individuals in an effort to create future economic growth within the tax increment financing areas of the City. Such investments are recorded at cost.

In addition, the City has certain parcels of improved and unimproved real estate, which are rented to businesses within the tax increment financing areas.

Capital Assets

Capital assets, which include property, buildings, equipment and vehicles, are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 100
Treatment Facility	20 - 50
Equipment	5 - 18
Vehicles	5 - 10

Amortization

Bond issuance cost are capitalized and amortized over the life of the bond.

Compensated Absences

Under terms of the various City ordinances and negotiated contracts, City employees are granted vacation based on continuous employment service. Employee vacations vest as of their anniversary date. Employees are entitled to sick leave based on completed months of service. The City's policies and negotiated contract provisions regarding sick leave permit employees to accumulate a maximum accumulation of sick leave, usually ninety days. The City cancels accumulated sick leave on the date of employee termination except in the case of qualified retirement or employee death wherein 50% of the accumulated sick leave is paid.

At April 30, 2018, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$674,560 and \$2,983,872, respectively. Amounts reflected in the financial statements at April 30, 2018 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$105,668 and \$139,504, respectively.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The City first applies expenses to restricted positions when both restricted and unrestricted positions are available.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are descriptions and amounts of all reserves and designations recorded by the City in the fund financial statements:

Governmental Funds

Restricted for Debt Service	\$ 2,557,073
Restricted for Development Loans	108,300
Restricted for Drug Traffic Prevention	256,590
Restricted for Public Safety	19,233,578
Restricted for Redevelopment	5,625,402

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 49,727,254
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Fund Balances

Fund balances are divided into five classifications, as presented in the financial statements, based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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. It also includes the long-term amount of any interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislations, such as City ordinances.

Enabling legislation authorized the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary system to use resources created by enabling legislation only for the purposes specified by legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action, such as an ordinance or resolution, of the City’s council. Those committed amounts cannot be used for any other purpose unless the City’s council removes or changes the specified use by taking the same type of action, such as an ordinance or resolution; it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City council, separate from the authorization to raise the underlying revenue: therefore, compliance with these constraints is not considered to be legally enforceable. 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 currently has no committed fund balances.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City council or a City official delegated that authority by City ordinance. The City currently has no assigned fund balances.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

E. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

F. Advertising

Advertising costs of the City are expensed as incurred.

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE

Each year the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the fiscal year commencing May 1. The operating budgets include proposed expenditures and the means of financing them. The budgets are legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Annual budgets for Special Revenue Funds are not formally adopted by ordinance at the beginning of the fiscal year, but are approved throughout the fiscal year by formal resolution of the City Council or by City Council approval for the payment of expenditures. Operations in these funds are controlled by project budgets.

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

- Prior to July 31, the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the Fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to August 1, the budget is legally enacted through passage of an ordinance.
- The City Comptroller is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- Budgets for all funds are adopted on the cash basis. For financial statement presentation, budgeted amounts are also presented on the cash basis.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

The major differences between the budgetary and GAAP basis of accounting are:

- Revenues are recorded when received in cash (budgetary) as opposed to when they are measurable and available (GAAP).
- Expenditures are recorded when paid or when a liability has been incurred which has been budgeted to be paid with expendable financial resources (budgetary), as opposed to when the obligation is incurred (GAAP).

NOTE 3. FAIR VALUE MEASUREMENTS

The City reports its fair value measurements using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets in markets that are not active
 - Observable inputs other than quoted prices for the asset or liability
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the City measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. The primary uses of fair value in the Village's financial statements are:

- Initial measurement of noncash assets
- Recurring measurement of investments
- Recurring measurement of pension investments

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS

1. General Government and Business-Like Activities

At April 30, 2018, the carrying amount of the City's deposits was \$10,659,394 and the bank balance was \$10,027,842. The deposits were comprised of checking, interest checking, savings, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name. As of April 30, 2018, all of the deposits of the City were covered by FDIC insurance or collateralized by the financial institution.

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The City's investment policy required that all investments in excess of insurance limits be collateralized. At year-end, the City's investment in the Illinois Funds is not subject to custodial credit risk.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of April 30, 2018, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	-	\$ 1,229,564	\$ 1,229,564
Corporate Bonds	1.99	248,000	248,000
US Treasury	0.55	15,552,841	15,552,841
UMB Money Market	-	6,899,114	6,899,114
Total Investments		\$ 23,929,519	23,929,519
Deposits as Reported Above			10,659,394
Total Deposits and Investments			\$ 34,588,913
As Reported in the Statement of Net Position:			
Cash and Cash Equivalents			\$ 4,772,027
Certificates of Deposit			4,978,000
Restricted Investments - Current			426,582
Investments - Current			1,143,161
Restricted Cash and Cash Equivalents - Noncurrent			556,367
Restricted Certificates of Deposit - Noncurrent			353,000
Restricted Investments - Noncurrent			22,359,776
			\$ 34,588,913

Interest Rate Risk

The City's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2018, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Corporate Bonds	--	--
US Treasury	--	Aaa

Concentration of Credit Risk

As of April 30, 2018, the City's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Corporate Bonds	0.88%
US Treasury	54.90%
UMB Money Market	24.35%

Foreign Currency Risk

As of April 30, 2018, the City did not have foreign currency risk.

Fair Value

As of April 30, 2018, the City's investments are all classified as Level 1.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Firefighter's Pension Fund and Police Pension Fund

The Firefighter's Pension Fund and the Police Pension Funds are authorized to invest in: direct obligations of the United States of America; certain United States of America agency securities; interest bearing savings accounts or certificates of deposit issued by federally chartered banks or savings and loan associations, and investments in credit unions, to the extent insured by agencies or instrumentals of the federal government; interest bearing bonds of the State of Illinois or an political subdivision of the State of Illinois, pooled accounts managed by the Illinois Public Treasurer's Investment Pool or by banks in accordance with the State of Illinois; Municipal and Corporate Bonds, General and separate accounts of life insurance; money market mutual funds managed by registered investment companies limited to specific portfolios and; Equity securities and mutual funds.

2. Firefighter's Pension Fund

At April 30, 2018, the carrying amount of the Firefighter's Pension Fund's deposits was \$388,027 and the bank balance was \$432,794. The deposits were comprised of interest checking, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Firefighter's Pension's deposits may not be returned to it. The Firefighter's Pension requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Firefighter's Pension Fund's name.

As of April 30, 2018, the City's Firefighter's Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	6.08	\$ 215,680	\$ 210,960
Federal National Mortgage Association	5.74	25,930	24,793
Freddie Mac	4.71	64,815	61,254
Governmental National Mortgage Association	11.66	282,631	284,354
U.S. V.A. REMIC	10.51	28,510	28,881
U.S. Treasury Notes	8.91	1,992,672	1,890,801
Municipal Bonds	2.17	80,000	80,022
Corporate Bonds	4.84	2,888,941	2,797,328
Money Market Mutual Funds	--	6,939,949	6,939,949
Common Stock	--	1,643,862	2,203,149
Mutual Funds	--	6,376,894	7,168,272
Total Investments		\$ 20,539,884	21,689,763
Deposits as Reported Above			388,027
Total Deposits and Investments			\$ 22,077,790
As Reported in the Combining Statement of Plan Net Position - Fiduciary Funds:			
Cash and Cash Equivalents			\$ 388,027
Investments and Certificates of Deposit			21,689,763
			\$ 22,077,790

Interest Rate Risk

The Firefighter's Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

As of April 30, 2018, the Firefighter's Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>
Federal Home Loan Mortgage Corporation	AA+ to Aaa
Federal National Mortgage Association	Not Available
Freddie Mac	Not Available
Government National Mortgage Association	Not Available
U.S.V.A. REMIC	Not Available
U.S. Treasury Notes	AAA
Municipal Bonds	AA
Corporate Bonds	A+ to A-

Concentration of Credit Risk

As of April 30, 2018, the Firefighter's Pension Fund's investments had no reportable concentrations of credit risk.

The Firefighter's Pension Fund's investment portfolio allocation was as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	1.29%
Federal National Mortgage Association	0.11%
Freddie Mac	0.28%
Municipal Bonds	0.36%
U.S. Treasury Notes	8.56%
US Department of Veteran Affairs Remic	0.13%
Federal Home Loan Mortgage Corporation	0.96%
Corporate Bonds	12.67%
Mutual Funds	32.47%
Common and Preferred Stocks	9.98%
Deposits & Money Market Mutual Funds	33.19%
Total	<u>100.00%</u>

Foreign Currency Risk

As of April 30, 2018, the Firefighter's Pension Fund did not have foreign currency risk.

Fair Value

As of April 30, 2018, the Firefighter's Pension Fund investments are all classified as Level 1.

3. Police Pension Fund

At April 30, 2018, the carrying amount of the Police Pension Fund's deposits was \$1,187,582 and the bank balance was \$1,195,648. The deposits were comprised of interest checking, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Police Pension Fund's deposits may not be returned to it. The Police Pension Fund requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Police Pension Fund's name.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of April 30, 2018, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury	9.46	\$ 5,472,367	\$ 5,479,928
Fannie Mae	9.58	259,113	302,004
Federal Home Loan Bank	2.66	782,449	852,896
Federal Farm Credit Bank	7.29	1,000,000	981,211
Government National Mortgage Association	14.34	368,306	389,513
Tennessee Valley Authority	2.80	296,702	309,207
Municipal Bonds	4.59	180,763	188,396
Corporate Bond	4.46	2,288,580	2,273,237
Schwab US Treasury Money Market	--	-	106,331
Mutual Funds	--	-	14,375,424
Total Investments		<u>\$ 10,648,280</u>	<u>25,258,147</u>
Deposits as Reported Above			<u>1,187,582</u>
Total Deposits and Investments			<u>\$ 26,445,729</u>
As Reported in the Combining Statement of Plan Net Position - Fiduciary Funds:			
Cash and Cash Equivalents			\$ 1,187,582
Investments			<u>25,258,147</u>
			<u>\$ 26,445,729</u>

Interest Rate Risk

The Police Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2018, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Municipal Bonds	AA+	Aa1
Tennessee Valley Authority	AA+	Aaa
Fannie Mae	AA+	Aaa
Federal Home Loan Bank	AA+	Aaa
Federal Farm Credit Bank	AA+	Aaa
Governmental National Mortgage Association	Not Available	Not Available
Corporate Bond	AA+ to AA-	Aaa to Aa3

Concentration of Credit Risk

As of April 30, 2018, the Police Pension Fund's had no reportable concentrations of credit risk.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Police Pension Fund's investment portfolio allocation was as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	1.47%
Federal Home Loan Bank	3.23%
U.S. Treasury	20.72%
Fannie Mae	1.14%
Federal Farm Credit Bank	3.71%
Tennessee Valley Authority	1.17%
Corporate Bonds	8.60%
Municipal Bonds	0.71%
Mutual Funds	54.36%
US Treasury Money Market	0.40%
Deposits	4.49%
	100.00%

Foreign Currency Risk

As of April 30, 2018, the Police Pension Fund did not have foreign currency risk.

Fair Value

As of April 30, 2018, the Police Pension Fund investments are all classified as Level 1.

NOTE 5. RISK MANAGEMENT

The City began a self-insured workers' compensation program in 2001 by which the City pays claims from general revenues up to a certain amount at which point the City carries excess coverage. Non-incremental claims adjustment expense has not been included as part of the liability for claims and judgments. The liability for claims experienced as of April 30, 2018 that are to be paid in the subsequent year is \$1,863,233 and is included in accrued workman's compensation.

Changes in the funds' claims liability amount during the fiscal year were as follows:

	Year Ending April 30,	
	<u>2018</u>	<u>2017</u>
Liability beginning balance	\$ 2,879,534	\$ 3,302,074
Claims and changes in estimates	804,453	521,099
Claim payments	(1,820,754)	(943,639)
Liability ending balance	\$ 1,863,233	\$ 2,879,534

The City is also exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There has been no significant reduction in coverage from the prior year and settlements have not exceeded coverage's in the past three years.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 6. RECEIVABLES

Receivables as of April 30, 2018 for the City, as reported in the statement of net position, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Receivables:			
Sewer User Fees	\$ -	\$ 3,054,979	\$ 3,054,979
Ambulance Fees	436,206	-	436,206
Real Estate Taxes	19,544,634	-	19,544,634
Intergovernmental	2,802,967	-	2,802,967
Interest	7,456	4,037	11,493
Other	321,101	-	321,101
Total Receivables	<u>23,112,364</u>	<u>3,059,016</u>	<u>\$ 26,171,380</u>
Allowance for Uncollectible Accounts	<u>(5,000)</u>	<u>(615,298)</u>	<u>(620,298)</u>
Net Total Receivables	<u>\$ 23,107,364</u>	<u>\$ 2,443,718</u>	<u>\$ 25,551,082</u>

Real estate taxes of \$19,544,634 were not available for collection and payment of current liabilities at April 30, 2018 and are reported as deferred inflows. The governmental financial statements reported an additional \$647,624 of intergovernmental revenue as deferred income at April 30, 2018.

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

IMRF Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's employer plan is managed by the Illinois Municipal Retirement (IMRF), the administrator of the multi-employer public pension fund. A summary of IMRF's pension benefit is provided in the "Benefit 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 pension, 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 (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 OCO 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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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 services 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
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2016, the following employees were covered by the benefit terms:

Number of:	
Retirees and Beneficiaries currently receiving benefits	142
Inactive Plan Members entitled to but not yet receiving benefits	31
Active Plan Members	<u>116</u>
Total	<u><u>289</u></u>

Contributions

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2017 was 10.93%. For the fiscal year ended April 30, 2018, the Employer contributed \$726,078 to the plan. The Employer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Employer's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.75%.
- Salary Increases were expected to be 3.75% to 14.5%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the 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.
- The IMRF-specific rate for Mortality (for non-disabled retirees) 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 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The long-term expected rate of return on pension 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 expense, 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 to 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 as of December 31, 2017:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternative Investments	9%	2.65-7.35%
Cash Equivalents	1%	2.25%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.5% was used to measure the total pension liability. The projection of cash flow 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 actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Changes in the Net Pension Liability

A. Total Pension Liability

1. Service Cost	\$ 697,379
2. Interest on the Total Pension Liability	3,109,429
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	(565,271)
5. Changes of assumptions	(1,390,902)
6. Benefit payments, including refunds of employee contributions	<u>(2,427,066)</u>
7. Net change in total pension liability	(576,431)
8. Total pension liability - beginning	<u>42,323,896</u>
9. Total pension liability - ending	<u><u>\$ 41,747,465</u></u>

B. Plan fiduciary net position

1. Contributions - employer	\$ 717,748
2. Contributions - employee	295,506
3. Net investment income	6,744,645
4. Benefit payments, including refunds of employee contributions	(2,427,066)
5. Other (Net Transfer)	<u>(1,011,028)</u>
6. Net change in plan fiduciary net position	4,319,805
7. Plan fiduciary net position - beginning	<u>37,849,797</u>
8. Plan fiduciary net position - ending	<u><u>\$ 42,169,602</u></u>

C. Net Position Liability/(Asset) \$ (422,137)

D. Plan fiduciary net position as a percentage of the total pension liability 101.01%

E. Covered Valuation Payroll \$ 6,566,774

F. Net pension liability as a percentage of covered valuation payroll -6.43%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability	<u>\$ 46,843,220</u>	<u>\$ 41,747,465</u>	<u>\$ 37,548,026</u>
Plan Fiduciary Net Position	<u>42,169,602</u>	<u>42,169,602</u>	<u>42,169,602</u>
Net Pension Liability/(Asset)	<u><u>\$ 4,673,618</u></u>	<u><u>\$ (422,137)</u></u>	<u><u>\$ (4,621,576)</u></u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2018, the Employer recognized pension expense of \$726,078. At April 30, 2018, the Employer reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
<u>Deferred Amounts to be Recognized in Pension Expense in Future Periods</u>			
Differences between expected and actual experience	\$ -	\$ 592,233	\$ (592,233)
Changes of Assumptions	14,536	1,117,378	(1,102,842)
Net difference between projected and actual earnings on pension plan investments	<u>1,147,375</u>	<u>3,197,474</u>	<u>(2,050,099)</u>
Total Deferred Amounts to be recognized in pension expense in future periods	1,161,911	4,907,085	(3,745,174)
 Pension Contributions made subsequent to the Measurement Date	 <u>239,100</u>	 <u>-</u>	 <u>239,100</u>
 Total Deferred Amounts Related to Pensions	 <u>\$ 1,401,011</u>	 <u>\$ 4,907,085</u>	 <u>\$ (3,506,074)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ (570,345)
2019	(781,790)
2020	(1,227,236)
2021	(926,703)
2022	-
Thereafter	-
Total	<u>\$ (3,506,074)</u>

2. Police Pension

Plan Description and Contributions Information

The Police Pension Plan covers police sworn personnel, 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 governed by Illinois Compiled Statutes (Chapter 40, Act 5, Article 3) and may be amended only by the Illinois legislature.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2018 was \$4,213,497 out of a total payroll of \$14,651,841.

At April 30, 2018, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	56
Current employees:	
Vested	38
Nonvested	18
Total	<u>112</u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Police officers hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly 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 monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

Police officers hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A police officer who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by ½ of 1% for each month that the employee's age is under age 55. The annual salary based on the plan year for the police officer shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

The monthly pension of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or ½ of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute a sum sufficient to meet the annual actuarial requirements of the pension fund, as determined by an enrolled actuary. The annual actuarial requirements of the pension fund are equal to the normal cost of the pension fund of the salaries and wages to be paid to firefighters for the year involved, whichever is greater, plus an annual amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Summary of Significant Accounting Policies and Plan Position Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

Investment Policy

ILCS limits the Police Pension Fund's investments to those allowable by ILCS and require the Police Pension Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Police Pension Fund's investment policy authorizes the Police Pension Fund to make deposits/invest direct obligations of the United States of America; certain United States of America agency securities; interest bearing savings accounts or certificates of deposit issued by federally chartered banks or savings and loan associations, and investments in credit unions, to the extent insured by agencies or instrumentals of the federal government; interest bearing bonds of the State of Illinois or an political subdivision of the State of Illinois, pooled accounts managed by the Illinois Public Treasurer's Investment Pool or by banks in accordance with the State of Illinois; Municipal and Corporate Bonds, General and separate accounts of life insurance; money market mutual funds managed by registered investment companies limited to specific portfolios and; Equity securities and mutual funds. No changes to the investment policy were made during 2017.

The Police Pension Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>
Equities	60.0%
Fixed Income	37.5%
Cash	2.5%

ILCS limits the Police Pension Funds' investments in equities to 65%.

The expected rate of return on the Police Pension Fund's investments is desired to earn a real return above inflation of 3% per year. It is desired that the total fund earn a rate of return above the actuarial assumption of 6.75%

Concentration

The Police Pension Fund has a concentration of 5% or more investments in the following organizations:

Police Pension:	
U.S. Treasury Notes	20.72%
Corporate Bonds	12.00%
Mutual Funds	54.36%

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Net Pension Liability

The Police Pension's net pension liability was measured as of April 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at April 30, 2018:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- Assumptions
 - Discount Rate used for the Total Pension Liability – 4.62%
 - Long-Term Expected Rate of Return on Plan Assets – 6.25%
 - High Quality 20 Year Tax-Exempt G.O. Bond Rate – 3.97%
 - Projected Individual Salary Increases – 4.00% - 25.65%
 - Projected Increase in Total Payroll – 3.25%
 - Consumer Price Index (Urban) – 2.5%
 - Inflation Rate Included – 2.5%.
- Mortality Table – L&A 2016 Illinois Police Mortality Rates
 - Active Mortality follows the Sex District Raw Rates and Developed in the RP-2014 Study, with Blue Collar Adjustments. These Rates are Improved Generationally using MP-2016 Improvement Rates.
 - Retiree Mortality follows the L&A Assumption Study for Police 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improvement Generationally using the MP-2016 Improvement Rates.
 - Disabled Mortality flows the Sex District Raw Rates as Developed in the RP-2014 Study for Disabled Participants with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.
 - Spouse Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using MP-2016 Improvement Rates.
- Retirement Rates – L&A 2016 Illinois Police Retirement Rates Capped as age 65
- Disability Rates – L&A 2016 Illinois Police Disability Rate
- Termination Rates – L&A 2016 Illinois Police Termination Rates
- Percent Married – 80%
- The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return on assets shown here is from the State of Illinois Department of Insurance Actuarial Experience Study dated September 26, 2012. The best estimate of future real rates of return are developed for each of the major asset classes. Expected inflation as added back in. Adjustment is made to reflect geometric returns.

A summary of the best estimate of future real rates of return (annual arithmetic average) are included in the table below.

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Inflation Expectations	Long-Term Expected Real Rate of Return
Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Large Cap Equities	8.30%	2.50%	5.80%
US Mid Cap Equities	9.30%	2.50%	6.80%
US Small Cap Equities	9.30%	2.50%	6.80%
Non-US Developed Large Cap Equity	8.40%	2.50%	5.90%
Emerging Markets Equity Unhedged	10.50%	2.50%	8.00%
Global Real Estate - REITS	8.30%	2.50%	5.80%
Commodities - Long Only	4.90%	2.50%	2.40%

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Long-term expected real return under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures. The expected rate of 2.5% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report. Geometric rates of return are equal to arithmetic rates of return when then annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

- The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the April 26, 2018 rate. The 20-Bond GO Index is based on average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Discount Rate

The discount rate used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are listed above. The expected contributions are based on the funding policy of the plan.

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.25%, the municipal bond rate is 3.97%, and the resulting discount rate is 4.62%.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Changes in the Net Pension Liability

A. Total Pension Liability

1. Service Cost	\$ 1,996,441
2. Interest on the Total Pension Liability	3,790,837
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension	57,578
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	<u>(2,687,269)</u>
7. Net change in total pension liability	3,157,587
8. Total pension liability - beginning	<u>83,396,388</u>
9. Total pension liability - ending	<u><u>\$ 86,553,975</u></u>

B. Plan fiduciary net position

1. Contributions - employer	\$ 10,901,273
2. Contributions - employee	395,548
3. Net investment income	1,282,763
4. Benefit payments, including refunds of employee contributions	(2,687,269)
5. Administrative Costs	<u>(21,996)</u>
6. Net change in plan fiduciary net position	9,870,319
7. Plan fiduciary net position - beginning	<u>17,195,564</u>
8. Plan fiduciary net position - ending	<u><u>\$ 27,065,883</u></u>

C. Net Position Liability/(Asset) \$ 59,488,092

D. Plan fiduciary net position as a percentage of the total pension liability 31.27%

E. Covered Valuation Payroll \$ 4,213,497

F. Net pension liability as a percentage of covered valuation payroll 1411.85%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Discount Rate of 4.62%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower	Current Single Discount Rate Assumption	1% Increase
	<u>3.62%</u>	<u>4.62%</u>	<u>5.62%</u>
Employer Net Pension Liability	<u>\$ 75,222,012</u>	<u>\$ 59,488,092</u>	<u>\$ 47,126,483</u>

The sensitivity of the Net Pension Liability to the discount rate is based primarily on two factors:

1. The duration of the plan's expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the net position to the total pension liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The table below shows the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized are summarized below:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences between expected and actual experience	\$ 46,835	\$ -	\$ 46,835
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	<u>48,256</u>	<u>-</u>	<u>48,256</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u><u>\$ 95,091</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,091</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 22,808
2020	22,808
2021	22,808
2022	22,804
2023	3,863
Thereafter	<u>-</u>
Total	<u><u>\$ 95,091</u></u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

3. Firefighter's Pension

Plan Description and Contributions Information

The Firefighter's Pension Plan covers fire-sworn personnel, 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, Act 5, Article 4) and may be amended only by the Illinois legislature.

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firefighter's Pension Plan for the year ended April 30, 2018 was \$3,967,110 out of total payroll of \$14,651,841.

At April 30, 2018, the Firefighter's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	76
Current Employees:	
Vested	32
Nonvested	21
Total	129

The following is a summary of the Firefighters' Pension Plan as provided for in the Illinois Compiled Statutes:

The Firefighter's Pension Plan provides retirement benefits as well as death and disability benefits. Firefighters hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

Firefighters hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A firefighter who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by ½ of 1% for each month that the firefighter's age is under age 55. The annual salary based on the plan year for the firefighter shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

The monthly pension of a firefighter hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

The monthly pension of a firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or ½ of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Covered employees are required to contribute 9.455% of their base salary to the Firefighter’s Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute a sum sufficient to meet the annual actuarial requirements of the pension fund, as determined by an enrolled actuary. The annual actuarial requirements of the pension fund are equal to the normal cost of the pension fund, or 17.5% of the salaries and wages to be paid to firefighters for the year involved, whichever is greater, plus an annual amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary.

Summary of Significant Accounting Policies and Plan Position Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

Investment Policy

ILCS limits the Firefighter’s Pension Fund’s investments to those allowable by ILCS and require the Firefighter’s Pension Fund’s Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Firefighter’s Pension Fund’s investment policy authorizes the Firefighter’s Pension Fund to make deposits/invest direct obligations of the United States of America; certain United States of America agency securities; interest bearing savings accounts or certificates of deposit issued by federally chartered banks or savings and loan associations, and investments in credit unions, to the extent insured by agencies or instrumentals of the federal government; interest bearing bonds of the State of Illinois or an political subdivision of the State of Illinois, pooled accounts managed by the Illinois Public Treasurer’s Investment Pool or by banks in accordance with the State of Illinois; Municipal and Corporate Bonds, General and separate accounts of life insurance; money market mutual funds managed by registered investment companies limited to specific portfolios and; Equity securities and mutual funds. The Investment policy was updated in October 2017.

The Firefighter’s Pension Fund’s investment policy in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>
Large Cap	32.5%
Mid-Small Cap	7.5%
Developed International	12.0%
Emerging Markets	3%
Fixed Income	43%
Cash	2%

ILCS limits the Firefighter’s Pension Funds’ investments in equities to 65%.

The expected rate of return on the Firefighter’s Pension Fund’s investments is desired to earn a real return above inflation of 3% per year. It is desired that the total fund earn a rate of return above the target return of 7.5%

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Concentration

The Firefighter's Pension Fund has a concentration of 5% or more investments in the following organizations:

Firefighter's Pension:	
U.S. Treasury Notes	8.56%
Corporate Bonds	12.67%
Mutual Funds	32.47%

Net Pension Liability

The Police Pension's net pension liability was measured as of April 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at April 30, 2018:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- Assumptions
 - Discount Rate used for the Total Pension Liability – 4.24%
 - Long-Term Expected Rate of Return on Plan Assets – 6.00%
 - High Quality 20 Year Tax-Exempt G.O. Bond Rate – 3.97%
 - Projected Individual Salary Increases – 4.00% - 13.11%
 - Projected Increase in Total Payroll – 3.25%
 - Consumer Price Index (Urban) – 2.5%
 - Inflation Rate Included – 2.5%.
- Mortality Table – L&A 2016 Illinois Firefighters Mortality Rates
 - Active Mortality follows the Sex District Raw Rates and Developed in the RP-2014 Study, with Blue Collar Adjustments. These Rates are Improved Generationally using MP-2016 Improvement Rates.
 - Retiree Mortality follows the L&A Assumption Study for Firefighters 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improvement Generationally using the MP-2016 Improvement Rates.
 - Disabled Mortality flows the Sex District Raw Rates as Developed in the RP-2014 Study for Disabled Participants with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.
 - Spouse Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using MP-2016 Improvement Rates.
- Retirement Rates – L&A 2016 Illinois Firefighters Retirement Rates Capped as age 65
- Disability Rates – L&A 2016 Illinois Firefighters Disability Rate
- Termination Rates – L&A 2016 Illinois Firefighter Termination Rates
- Percent Married – 80%
- The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return on assets shown here is from the State of Illinois Department of Insurance Actuarial Experience Study dated September 26, 2012. The best estimate of future real rates of return are developed for each of the major asset classes. Expected inflation as added back in. Adjustment is made to reflect geometric returns.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

A summary of the best estimate of future real rates of return (annual arithmetic average) are included in the table below.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term Expected Real Rate of Return</u>
Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Large Cap Equities	8.30%	2.50%	5.80%
US Mid Cap Equities	9.30%	2.50%	6.80%
US Small Cap Equities	9.30%	2.50%	6.80%
Non-US Developed Large Cap Equity	8.40%	2.50%	5.90%
Emerging Markets Equity Unhedged	10.50%	2.50%	8.00%
Global Real Estate - REITS	8.30%	2.50%	5.80%
Commodities - Long Only	4.90%	2.50%	2.40%

Long-term expected real return under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures. The expected rate of 2.5% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report. Geometric rates of return are equal to arithmetic rates of return when then annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

- The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the April 26, 2018 rate. The 20-Bond GO Index is based on average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Discount Rate

The discount rate used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are listed above. The expected contributions are based on the funding policy of the plan.

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.00%, the municipal bond rate is 3.97%, and the resulting discount rate is 4.24%.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Changes in the Net Pension Liability

A. Total Pension Liability

1. Service Cost	\$ 2,038,985
2. Interest on the Total Pension Liability	3,803,214
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension	(109,904)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(3,380,619)
7. Net change in total pension liability	<u>2,351,676</u>
8. Total pension liability - beginning	<u>91,388,755</u>
9. Total pension liability - ending	<u><u>\$ 93,740,431</u></u>

B. Plan fiduciary net position

1. Contributions - employer	\$ 10,901,273
2. Contributions - employee	365,619
3. Net investment income	835,996
4. Benefit payments, including refunds of employee contributions	(3,380,619)
5. Administrative Costs	(32,690)
6. Net change in plan fiduciary net position	<u>8,689,579</u>
7. Plan fiduciary net position - beginning	<u>13,971,792</u>
8. Plan fiduciary net position - ending	<u><u>\$ 22,661,371</u></u>

C. Net Position Liability/(Asset) \$ 71,079,060

D. Plan fiduciary net position as a percentage of the total pension liability 24.17%

E. Covered Valuation Payroll \$ 3,967,110

F. Net pension liability as a percentage of covered valuation payroll 1791.71%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Discount Rate of 4.24%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower 3.24%	Current Single Discount Rate Assumption 4.24%	1% Increase 5.24%
Employer Net Pension Liability	\$ 86,561,287	\$ 71,079,060	\$ 58,776,049

The sensitivity of the Net Pension Liability to the discount rate is based primarily on two factors:

1. The duration of the plan's expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the net position to the total pension liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 7. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The table below shows the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized are summarized below:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods			
Differences between expected and actual experience	\$ -	\$ 89,775	\$ (89,775)
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	<u>190,335</u>	<u>-</u>	<u>190,335</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>\$ 190,335</u>	<u>\$ 89,775</u>	<u>\$ 100,560</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending April 30</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 27,455
2020	27,455
2021	27,455
2022	27,454
2023	(9,259)
Thereafter	-
Total	<u>\$ 100,560</u>

NOTE 8. CONTINGENCIES

The City has not contributed the required minimum contributions to the police and fire pension trust funds for the current and prior fiscal years. Beginning in the fiscal year 2016, if the City fails to contribute the required minimum contributions to the pension funds, the pension funds may certify to the State Comptroller the amounts of the delinquent payments, after giving notice to the City. The State Comptroller must deduct and deposit into the pension fund the certified amounts or a portion of those amounts from state funds to the City.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 9. WASTEWATER TREATMENT PLANT ENTERPRISE FUND

Regionalization of Wastewater Treatment Plant

Pursuant to an intergovernmental cooperation agreement originally agreed to in April 1984 between the City; the Metro East Sanitary District; Madison County, Illinois; and the Village of Glen Carbon, Illinois, the Wastewater Treatment Plant began to accept and treat wastewater from the Lansdown Service Area of the Metro East Sanitary District, Madison County Special Service Area No. 1, and from the Village of Glen Carbon, Illinois. The participants have agreed to purchase wastewater treatment services from the City at rates and charges established by the Granite City Regional Treatment Board. The rates and charges are intended to allocate the cost of services provided to each participant based on percentage of flow and wastewater content, which will reduce the City's operation cost burden. Total revenue earned by the Wastewater Treatment Plant Enterprise Fund from the three regional participants for the year ended April 30, 2018 was \$2,938,301.

NOTE 10. TRANSFERS

Transfers are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTE 11. ACCOUNTS PAYABLE

Liabilities reported as Accounts Payable on the government-wide statement of net positions are comprised of the following components:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Current payables due to vendors	\$ 926,133	\$ 838,410
Retainage on contracts payable	-	-
Total Accounts Payable	\$ 926,133	\$ 838,410

NOTE 12. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at April 30, 2018:

<u>Funds Due To</u>	<u>Funds Due From</u>	<u>Balance</u> <u>4/30/2017</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>4/30/2018</u>
General Fund	Community Development	\$ 11,820	\$ (2,652)	\$ 9,168
General Fund	Capital Projects	44,287	-	44,287
General Fund	Drug Traffic Prevention	245,350	-	245,350
General Fund	Motor Fuel Tax Fund	542,702	-	542,702
General Fund	Tax Increment Financing Fund	1,457,723	(281,770)	1,175,953
General Fund	Wastewater Treatment Plant	73,757	-	73,757
Capital Projects	General Fund	10,484	-	10,484
TIF Funds	Sewer System Fund	29,797	-	29,797
TIF Funds	General Fund	42,645	-	42,645
Business District	General Fund	2,760	-	2,760
Sewer System Fund	Wastewater Treatment Plant	139,356	-	139,356
Sewer System Fund	General Fund	118,022	-	118,022
		\$ 2,718,703	\$ (284,422)	\$ 2,434,281

The primary purpose of these interfund receivables and payables is to provide temporary loans for cash flow needs, all amounts are expected to be repaid within one year.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 13. COMMITMENTS

A commitment under a lease agreement for the Port District wastewater treatment plant provides for minimum annual rental payments of \$1.00 for land facilities, the lease expires May 31, 2035. The City will pay the costs to maintain Pump Station 408.

Minimum annual rental payments for the land facilities are as follows:

<u>Year</u> <u>Ending</u> <u>April 30,</u>	<u>Land</u> <u>Facilities</u>
2019	\$ 1
2020	1
2021	1
2022	1
2023	1
2024 and thereafter	<u>12</u>
Total	<u>\$ 17</u>

NOTE 14. COMMITMENTS UNDER CONSTRUCTION CONTRACTS

At April 30, 2018, the City had outstanding construction contracts for various projects totaling approximately \$27,332.

NOTE 15. DEFICIT NET POSITION

The City has deficit net positions in the following nonmajor funds: Capital Projects Fund of \$33,803 as of April 30, 2018.

NOTE 16. BUSINESS DISTRICT SPECIAL REVENUE FUNDS

In August, 2014, the City approved the Bellemore Village Business District in order to help with major repairs to and modernizing the appearance of Bellemore Village. The anticipated source of funds to pay for development costs are those tax revenues raised by the retailers' occupation tax and the service occupation tax to be imposed by the Business District.

NOTE 17. TAX INCREMENT FINANCING SPECIAL REVENUE FUND

On July 1, 1986, the City adopted and approved a Tax Increment Redevelopment Plan and Project and ordinances adopting Tax Increment Financing, aimed at financing, through incremental property and sales taxes, the public improvements of a plan to revitalize and develop a designated Redevelopment Project area in the City's Downtown Central Business District. On September 23, 1997, the City adopted and approved an Industrial Park Conservation Area Redevelopment Plan that also will use Tax Increment Financing to develop the project area along Route 3 as an industrial park. Four additional TIF Districts have also been formed that allows the incremental taxes to be returned to the business that generates the increment as a reimbursement for capital outlay until expiration of the TIF or a predetermined minimum dollar amount is reimbursed by the City.

In May of 2005, the Nameoki Village Tax Increment Financing District of the City issued a TIF Revenue Note, Series 2005 for \$700,000 and two Consumer Tax Revenue Notes, Series 2005 (Phase 1 for \$1,400,000 and Phase 2 for \$3,400,000). These notes were issued for the purpose of paying a portion of the costs of redevelopment projects in the Nameoki TIF and Business Districts. A portion, \$1,280,000 of the Consumer Tax Revenue Notes was retired by \$1,635,000 in Special Business District Sales Tax Revenue Bonds issued by the Southwestern Illinois Development Authority.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 17. TAX INCREMENT FINANCING SPECIAL REVENUE FUND (continued)

The TIF Revenue Note, Consumer Tax Revenue Notes and the Special Business District Sales Tax Revenue Bonds are payable solely from the incremental taxes or from other taxes generated by the development and are not an obligation of the City.

NOTE 18. LEASE REVENUE

The City of Granite City leases certain properties to area businesses. These leases are non-cancelable operating leases. A summary of the leases is as follows:

<u>Location</u>	<u>Annual Payment</u>	<u>(Including Extensions)</u>
2679 Missouri Ave	\$ 12,000	November 2028
Iowa & 24th Street	3,900	September 2013
2001 Madison Avenue	226,600	January 2060
Signage	1,600	June 2011
1815 Delmar	1,200	October 2016

Minimum rentals on non-cancelable leases for the next five years and thereafter are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 244,493
2020	240,200
2021	239,800
2022	238,600
2023	238,600
2024 - 2028	1,193,000
2029 - 2033	1,139,000
2034 - 2038	1,133,000
2039 - 2043	1,133,000
2044 - 2048	1,133,000
2049 - 2053	1,133,000
2054 - 2058	1,133,000
2059 - 2060	396,550
Total	<u>\$ 9,595,243</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 19. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 9,585,458	\$ -	\$ (178,477)	\$ 9,406,981
Construction in Process	322,812	407,076	-	729,888
Total Capital Assets Not Being Depreciated	<u>9,908,270</u>	<u>407,076</u>	<u>(178,477)</u>	<u>10,136,869</u>
Capital Assets, being Depreciated				
Buildings and Improvements	17,603,302	-	-	17,603,302
Equipment	6,726,550	287,266	-	7,013,816
Vehicles	6,836,499	533,400	-	7,369,899
Infrastructure	26,054,510	-	-	26,054,510
Total Capital Assets being Depreciated	<u>57,220,861</u>	<u>820,666</u>	<u>-</u>	<u>58,041,527</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	5,941,917	426,256	-	6,368,173
Equipment	5,945,212	249,077	-	6,194,289
Vehicles	5,424,495	502,088	-	5,926,583
Infrastructure	1,465,117	305,958	-	1,771,075
Total Accumulated Depreciation	<u>18,776,741</u>	<u>1,483,379</u>	<u>-</u>	<u>20,260,120</u>
Total Capital Assets being Depreciated, Net	<u>38,444,120</u>	<u>(662,713)</u>	<u>-</u>	<u>37,781,407</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,352,390</u>	<u>\$ (255,637)</u>	<u>\$ (178,477)</u>	<u>\$ 47,918,276</u>
Business-Type Activities				
Capital Assets:				
Construction in Process	\$ 1,957,836	\$ 635,043	\$ (1,632,774)	\$ 960,105
Buildings	1,764,561	-	-	1,764,561
Treatment Facility	51,072,139	1,757,267	-	52,829,406
Equipment	2,067,149	-	-	2,067,149
Vehicles	1,493,843	-	-	1,493,843
Total Capital Assets	<u>58,355,528</u>	<u>2,392,310</u>	<u>(1,632,774)</u>	<u>59,115,064</u>
Less Accumulated Depreciation for:				
Buildings	1,709,769	9,531	-	1,719,300
Treatment Facility	23,260,150	954,465	-	24,214,615
Equipment	1,798,591	70,528	-	1,869,119
Vehicles	1,348,345	43,621	-	1,391,966
Total Accumulated Depreciation	<u>28,116,855</u>	<u>1,078,145</u>	<u>-</u>	<u>29,195,000</u>
Business-Type Activities Capital Assets, Net	<u>\$ 30,238,673</u>	<u>\$ 1,314,165</u>	<u>\$ (1,632,774)</u>	<u>\$ 29,920,064</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 19. CAPITAL ASSETS (Continued)

Depreciation expense was charge to the various functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 390,131
Public Safety	715,407
Public Works	377,841
Total Depreciation Expense - Governmental Activities	<u>\$ 1,483,379</u>
Business-Type Activities:	
Wastewater Treatment Plant	\$ 603,304
Sewer System Fund	474,841
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,078,145</u>

NOTE 20. CONDUIT DEBT OBLIGATIONS

During the year ended April 30, 2007, the City issued two Industrial Project Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The bonds for the two projects are \$1,800,000 and \$2,650,000 respectively. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

During the year ended April 30, 2006, the City issued \$1,000,000 of Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, these bonds are also not reported as liabilities in the accompanying financial statements.

NOTE 21. LONG-TERM DEBT

GOVERNMENTAL ACTIVITY DEBT

Bonded Indebtedness

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009 (City of Granite City Project) in May 2009. The bonds, totaling \$3,640,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 8.00% and mature in varying amounts from 2009 to 2019. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of commercial and retail development including a Lowe's Home Improvement store along with eight lots. The balance of the bonds was retired during the fiscal year ended April 30, 2018.

The City issued Local Government Program Revenue Bonds, Series 2009-A in December 2009. The bonds, totaling \$4,210,000 are payable from the incremental taxes of the Route 203 Tax Increment Financing District (TIF 7). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 203 Redevelopment Project Area including construction of street improvements and related costs. The bonds were renegotiated to bear interest at 3.75% on July 1, 2015, with the maturity schedule remaining the same. The balance of the bonds at April 30, 2018 is \$1,655,000.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 21. LONG-TERM DEBT (Continued)

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009-B (City of Granite City Project) in December 2009. The bonds, totaling \$3,805,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of water and sewer improvements, the construction of street improvements and related costs. The bonds were renegotiated to bear interest at 3.75% on July 1, 2015, with the maturity schedule staying the same. The balance of the bonds at April 30, 2018 is \$1,490,000.

On December 1, 2012, the City issued \$9,820,000 in General Obligation Alternative Source Bonds with an average interest of 5.25% to advance refund \$8,060,000 of outstanding 2008 Series bonds with an average interest rate of approximately 7.00%. The net proceeds of the issuance (after the addition of the bond premium of \$186,580 and subtraction of the cost of issuance and underwriter's discount totaling \$340,120) plus an additional \$1,325,805 of 2008 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series bonds.

As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position. The balance of the defeased bond at April 30, 2018 is \$4,150,000. The balance of the 2012 refunding bond issue at April 30, 2018 is \$4,485,000.

The advance refunding resulted in an initial difference between the reacquisition price and the net carrying amount of the old debt of \$2,547,675. This difference is being charged to operations through the year 2023 using the effective-interest method. The unamortized balance at April 30, 2018 was \$1,343,308 and is reported in the accompanying financial statements as a deduction from bonds payable. The City completed the advance refunding to remove undesirable covenants of the old bond issue and reduce current annual debt service requirements resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$570,984. The current year amortization of the deferred charge is \$268,661.

The City issued General Obligation Bonds Series 2017 in December 2017. The bonds, totaling \$40,000,000 are payable from the general real estate tax levy of the City. The bonds bear interest of 3.09 to 4.680% and mature in varying amounts from 2019 to 2047. The proceeds of the bond are to be used to finance the police and firefighter's pension plans of the City. The balance of the bonds at April 30, 2018 is \$40,000,000.

Notes Payable

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park in May 1999. The loan of \$725,914 is to be repaid by twenty annual installments through May 24, 2019. The annual installments, including interest at 3.00%, are \$48,793. The balance of the loan at April 30, 2018 is \$47,373.

The City entered into two lease purchases with the Bank of Edwardsville for two International trucks in January and February 2014. The lease of \$106,938 and \$105,538 are to be repaid in five annual installments through March 2018. The annual installments, including interest at 2.5%, are \$22,502 and \$22,239. The leases were paid in full April 30, 2018.

The City entered into a lease purchase with US Bancorp to purchase an ambulance, police vehicles, and public works trucks. The lease of \$319,686 is to be repaid by four annual installments through September 2019. The annual installments, including interest at 1.62%, are \$81,858. The balance of the lease at April 30, 2018 is \$159,822.

The City entered into a lease purchase with US Bancorp to purchase an ambulance, police vehicles, and public works vehicle and tractor. The lease of \$291,042 is to be repaid by four annual installments through August 2020. The annual installments, including interest at 1.9%, are \$74,825. The balance of the lease at April 30, 2018 is \$216,217.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 21. LONG-TERM DEBT (Continued)

The City entered into a loan with Madison County Community Development to purchase a fire pumper truck in November 2015. The loan of \$369,995 is to be repaid in annual installments. The annual installments, including interest at 3.00%, are \$68,300. The balance of the loan at April 30, 2018 is \$193,195.

The City entered into an infrastructure loan with Madison County Community Development to finance projects in the City. The maximum amount of the loan is \$300,000, the City took one draw on the loan of \$10,728 in fiscal year 2018. The loan is to be repaid in monthly installments including interest at 3.00%. The balance of the loan at April 30, 2018 is \$102,777.

BUSINESS TYPE ACTIVITY DEBT

The City was awarded a loan of \$3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water in August 2003. This loan financed the upgrade of the City's Regional Wastewater Treatment Facilities. Payments are due semiannually on January 27 and July 27 through January 2025, including interest at 2.50%. As of April 30, 2018, the balance outstanding on the loan was \$1,627,580.

The City was awarded a loan of \$1,660,939 through the State of Illinois Environment Protection Agency Bureau of Water in October 2008. This loan financed manhole and sewer projects. Payments are due semiannually on March 1 and September 1 through September 2029, including interest at 2.50%. As of April 30, 2018, the balance outstanding on the loan was \$1,201,296.

The City was awarded a loan of \$8,000,000 through the State of Illinois Environment Protection Agency Water Pollution Control Loan Program in September 2011. Upon completion of the project \$2,000,000 of the loan will be forgiven and the additional funds will be repaid with an interest rate of 1.25%. This loan financed sewer rehabilitation projects. Payments are due semiannually on May 1 and November 1 through 2032. As of April 30, 2018, the balance outstanding on the loan was \$5,226,045.

The City was awarded a loan of \$2,000,000 through the State of Illinois Environment Protection Agency Water Pollution Control Loan Program in September 2011. Upon completion of the project \$500,000 of the loan was forgiven and the additional funds are to be repaid with an interest rate of 1.25%. This loan financed improvement to the wastewater treatment plant. Payments are due semiannually on March 1 and September 1 through 2032. As of April 30, 2018, the balance outstanding on the loan was \$1,205,035.

The City issued Local Government Program Revenue and Revenue Refunding Bonds, Series 2015 in August 2015. The bonds totaling \$4,080,000 are payable from the net revenues derived from the payments made pursuant to the Intergovernmental Agreements by the parties to the Intergovernmental Agreements. The bonds bear interest between 2.0% and 4.25% and mature in varying amounts from 2015 to 2030. The proceeds of the bonds are to be used to pay off the Series 2010 bonds and to finance the acquisition and construction of extensions, improvements, and additions to the system, including but not limited to the construction of improvements to the wastewater treatment plant. The balance of the bonds at April 30, 2018 is \$3,435,000.

The City entered into an infrastructure loan with Madison County Community Development to finance storm water projects in the City. The maximum amount of the loan is \$750,000, as of April 30, 2017 the City has borrowed \$750,000, which is to be repaid in monthly installments. The monthly installments include interest at 3.00%. The balance of the loan at April 30, 2018 is \$733,910.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 21. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term liabilities, net of unamortized costs, for the year ended April 30, 2018:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Government Activities:					
Bond Payable:					
Tax Increment Revenue					
Bond Series 2012 Refunding	\$ 5,810,000	\$ -	\$ 1,325,000	\$ 4,485,000	\$ -
Deferred Charge on Refunding	(1,611,970)	-	(268,661)	(1,343,309)	-
Tax Increment Revenue					
Bonds Series 2009-C	1,865,000	-	375,000	1,490,000	415,000
Tax Increment Revenue					
Bonds Series 2009-B	665,000	-	665,000	-	-
Tax Increment Revenue					
Bonds Series 2009-A	2,170,000	-	515,000	1,655,000	575,000
General Obligation Bond					
Series 2017	-	40,000,000	-	40,000,000	380,000
Less Unamortized Costs:					
Bond Discount	(66,650)	-	(21,216)	(45,434)	-
Bond Premium	65,102	-	25,051	40,051	-
Total Bond Payable	<u>8,896,482</u>	<u>40,000,000</u>	<u>2,615,174</u>	<u>46,281,308</u>	<u>1,370,000</u>
Notes Payable:					
US Bancorp	237,828	-	78,006	159,822	78,006
US Bancorp	-	291,042	74,825	216,217	70,721
IL Dept of Transportation	93,365	-	45,992	47,373	47,373
Bank of Edwardsville	21,953	-	21,953	-	-
Bank of Edwardsville	21,698	-	21,698	-	-
Madison County	253,879	-	60,684	193,195	62,504
Madison County	98,387	10,728	6,338	102,777	12,690
Total Long-Term Liabilities	<u>9,623,592</u>	<u>40,301,770</u>	<u>2,924,670</u>	<u>47,000,692</u>	<u>1,641,294</u>
Other Liabilities:					
Net Pension Liability-IMRF	2,986,833	-	2,986,833	-	-
Net Pension Liability-Police					
and Firefighter's Pension	79,190,787	51,376,365	-	130,567,152	-
Compensated Absences	3,738,910	1,325,589	1,406,067	3,658,432	674,560
Total Other Liabilities	<u>85,916,530</u>	<u>52,701,954</u>	<u>4,392,900</u>	<u>134,225,584</u>	<u>674,560</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 95,540,122</u>	<u>\$ 93,003,724</u>	<u>\$ 7,317,570</u>	<u>\$ 181,226,276</u>	<u>\$ 2,315,854</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 21. LONG-TERM DEBT (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
Bond Payable:					
Revenue Bonds					
Series 2015	\$ 3,645,000	\$ -	\$ 210,000	\$ 3,435,000	\$ 215,000
Less Unamortized Costs:					
Bond Premium	158,074	-	11,893	146,181	-
Total Bond Payable	<u>3,803,074</u>	<u>-</u>	<u>221,893</u>	<u>3,581,181</u>	<u>215,000</u>
Notes Payable:					
IL EPA (1)	1,842,965	-	215,385	1,627,580	220,803
IL EPA (2)	1,282,238	-	80,942	1,201,296	82,978
IL EPA (3)	5,509,602	-	283,557	5,226,045	287,122
IL EPA (4)	1,277,642	-	72,607	1,205,035	73,518
Madison County	336,868	413,132	16,090	733,910	98,246
Total Long-Term Liabilities	<u>14,052,389</u>	<u>413,132</u>	<u>890,474</u>	<u>13,575,047</u>	<u>977,667</u>
Other Liabilities:					
Net Pension Liabilities-IMRF	1,487,265	-	1,487,265	-	-
Compensated Absences	250,258	198,092	203,178	245,172	105,668
Total Other Liabilities	<u>1,737,523</u>	<u>198,092</u>	<u>1,690,443</u>	<u>245,172</u>	<u>105,668</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 15,789,912</u>	<u>\$ 611,224</u>	<u>\$ 2,580,917</u>	<u>\$ 13,820,219</u>	<u>\$ 1,083,335</u>

The annual requirements to retire the notes payable as of April 30, 2018 are as follows:

<u>Fiscal</u> <u>Year Ended</u> <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,642,557	\$ 2,536,266	\$ 977,669	\$ 292,174
2020	2,060,073	2,099,431	997,821	270,498
2021	1,773,218	2,030,885	1,023,313	248,255
2022	1,108,884	1,970,767	1,044,153	225,439
2023	5,349,306	1,930,204	2,120,350	489,722
2024-2028	4,805,346	7,951,739	4,282,597	418,366
2029-2033	5,890,000	6,822,986	2,463,114	122,040
2034-2038	7,375,000	5,314,333	519,849	6,509
2039-2043	9,255,000	3,466,242	-	-
2044-2047	9,090,000	1,087,632	-	-
	<u>\$ 48,349,384</u>	<u>\$ 35,210,485</u>	<u>\$ 13,428,866</u>	<u>\$ 2,073,003</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2018

NOTE 22. STATEMENT OF LEGAL DEBT MARGIN

Assessed Valuation as of December 31, 2017	\$ 301,279,356
Debt Limit, 8.625% of Assessed Valuation	\$ 25,985,344
Less, Contractual Indebtedness	1,453,294
Legal Debt Margin	\$ 24,532,050

NOTE 23. POST EMPLOYMENT BENEFITS

The City provides certain healthcare insurance benefits for retired and disabled employees who meet the eligibility requirements as described in the personnel policy, the premiums are paid entirely by the retired and/or disabled employee. The Governmental Accounting Standards Board (GASB) pronouncement Number 45, requires systematic accrual-basis measurement and recognition of *other post retirement benefit* (OPEB) costs over a period that approximates employees' years of service and provide information about actuarial accrued liabilities associated with OPEB and whether to what extent progress is made in funding the plan.

The City has not calculated or recorded the other post-employment benefit (OPEB) liability but believes it to be immaterial to the financial statements. The City continues to expense the other post employment benefit expenses as they are incurred.

NOTE 24. RESTATEMENT OF NET POSITION - CHANGE IN ACCOUNTING PRINCIPLE

During the year ending April 30, 2018, the City adopted GASB No. 67, *Financial Reporting for Pension Plans* and GABS No. 68, *Accounting and Financial Reporting for Pensions*, for the Police and Firefighter's Pension funds. The City recorded a restatement of beginning net position of the governmental activities in the current year for the recognition of a net pension liability under GASB 68. The beginning net position of governmental activities was restated as follows:

	<u>Fund</u>
Beginning Net Position, as Originally Reported	\$ (34,568,008)
Adjustment for Net Pension Liability - Police Pension	(30,052,089)
Adjustment for Net Pension Liability - Fire Pension	(34,374,911)
Beginning Net Position, as Restated	\$ (98,995,008)

NOTE 25. SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 30, 2018, the date on which the financial statements were available to be issued.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over (Under)</u> <u>Budget</u>
Receipts:				
Taxes	\$ 21,752,283	\$ 21,752,283	\$ 22,004,343	\$ 252,060
Intergovernmental Revenue (Grants)	410,400	410,400	600,330	189,930
Charges for Services	2,431,793	2,431,793	1,479,695	(952,098)
Cinema Charges	580,000	580,000	480,528	(99,472)
Licenses and Permits	674,500	674,500	622,879	(51,621)
Fines and Forfeits	328,000	328,000	317,412	(10,588)
Investment Earnings	60,000	60,000	121,630	61,630
Miscellaneous	115,050	115,050	663,038	547,988
Total Receipts	<u>26,352,026</u>	<u>26,352,026</u>	<u>26,289,855</u>	<u>(62,171)</u>
Disbursements				
Mayor	747,694	747,694	689,896	57,798
Alderman	92,298	92,298	91,563	735
Clerk	281,350	281,350	267,434	13,916
Treasurer	308,216	308,216	331,271	(23,055)
Informational Technology	476,019	476,019	382,740	93,279
Financial	2,720,880	2,720,880	2,214,154	506,726
Police	8,771,492	8,771,492	8,401,149	370,343
Fire	7,400,141	7,400,141	6,898,590	501,551
Public Works	3,683,422	3,683,422	3,515,172	168,250
Building & Zoning	1,026,326	1,026,326	956,362	69,964
Safety and Risk	170,050	170,050	170,895	(845)
Civil Defense	33,822	33,822	13,070	20,752
Cinema	578,574	578,574	492,361	86,213
Summer Help	54,000	54,000	50,486	3,514
Total Disbursements	<u>26,344,284</u>	<u>26,344,284</u>	<u>24,475,143</u>	<u>1,869,141</u>
Excess (Deficit) of Receipts over Disbursements	<u>7,742</u>	<u>7,742</u>	1,814,712	<u>1,806,970</u>
Other Financing Sources (Uses):				
Proceeds from Borrowings	-	-	20,001,622	20,001,622
Bond Expenses	-	-	(818,193)	(818,193)
Operating Transfers In (Out)	-	-	(204,677)	(204,677)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>18,978,752</u>	<u>(204,677)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ 7,742</u>	<u>\$ 7,742</u>	20,793,464	<u>\$ 1,602,293</u>
Change in Intergovernmental Revenue on Modified Accrual Basis			255,671	
Change in Prepaid Insurance			(347,677)	
Change in Interest Receivable			(3,675)	
Change in Accrued Workman's Compensation			1,016,301	
Change in Other Accrued Obligations			(140,924)	
Change in Accounts Payable on Modified Accrual Basis			(487,406)	
Donated Assets			<u>(531,500)</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 20,554,254</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over (Under)</u>
				<u>Budget</u>
Receipts:				
Real Estate Taxes - Downtown	\$ 1,660,000	\$ 1,660,000	\$ 1,657,756	\$ (2,244)
Real Estate Taxes - GCS	1,095,000	1,095,000	1,084,058	(10,942)
Real Estate Taxes - AS	150,000	150,000	145,384	(4,616)
Real Estate Taxes - Rt 3	1,300,000	1,300,000	1,357,340	57,340
Real Estate Taxes - Port	48,000	48,000	50,570	2,570
Real Estate Taxes - Rt 203	5,643,431	5,643,431	5,622,949	(20,482)
Rent	226,600	226,600	226,600	-
Investment Earnings	101,786	101,786	87,876	(13,910)
Other	91,000	91,000	251,655	160,655
Total Receipts	<u>10,315,817</u>	<u>10,315,817</u>	<u>10,484,188</u>	<u>168,371</u>
Disbursements				
Downtown TIF	3,622,686	3,622,686	2,103,834	1,518,852
Granite City Steel TIF	1,095,000	1,095,000	1,084,019	10,981
American Steel TIF	145,000	145,000	291,290	(146,290)
Route 3 TIF	1,130,000	1,130,000	1,358,570	(228,570)
Port District TIF	14,285	14,285	14,223	62
Route 203 TIF	5,120,000	5,120,000	5,003,193	116,807
Total Disbursements	<u>11,126,971</u>	<u>11,126,971</u>	<u>9,855,129</u>	<u>1,271,842</u>
Excess (Deficit) of Receipts Over Disbursements	<u>(811,154)</u>	<u>(811,154)</u>	<u>629,059</u>	<u>1,440,213</u>
Other Financing Sources (Uses):				
Proceeds from Borrowings	\$ -	\$ -	10,728	10,728
Operating Transfers From (To) other Funds	<u>276,000</u>	<u>276,000</u>	-	<u>(276,000)</u>
Total Other Financing Sources (Uses)	<u>276,000</u>	<u>276,000</u>	<u>10,728</u>	<u>(276,000)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (535,154)</u>	<u>\$ (535,154)</u>	639,787	<u>\$ 1,164,213</u>
Change in Revenue on Modified Accrual Basis			(80,008)	
Change in Accounts Payable on Modified Accrual Basis			46,110	
Change in Interest Receivable			<u>1,402</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 607,291</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
APRIL 30, 2018

BASIS OF ACCOUNTING

The budget is prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

LINE ITEM EXPENDITURES IN EXCESS OF BUDGET

During the year ended April 30, 2018, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 55 to 56.

CITY OF GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Fund
Most Recent Fiscal Year

Fiscal Year Ending April 30,	<u>2018</u>
Total Pension Liability	
Service Cost	\$ 1,996,441
Interest on the Total Pension Liability	3,790,837
Benefit Changes	-
Difference between Expected and Actual Experience	57,578
Assumption Changes	-
Benefit Payments and Refunds	<u>(2,687,269)</u>
Net Change in Total Pension Liability	3,157,587
Total Pension Liability - Beginning	83,396,388
Total Pension Liability - Ending (A)	<u><u>\$ 86,553,975</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 10,901,273
Employee Contributions	395,548
Pension Plan Net Investment Income	1,282,763
Benefit Payments and Refunds	(2,687,269)
Administrative Costs	<u>(21,996)</u>
Net Change in Plan Fiduciary Net Position	9,870,319
Plan Fiduciary Net Position - Beginning	17,195,564
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 27,065,883</u></u>
Net Pension Liability - Ending (A) - (B)	<u><u>\$ 59,488,092</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u><u>31.27%</u></u>
Covered Valuation Payroll	<u><u>\$ 4,213,497</u></u>
Net Pension Liability as a Percentage of Covered Valuation Payroll	<u><u>1411.85%</u></u>

Notes to Schedule:

These schedules are 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 GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Employer Contributions - Police Pension Fund
Most Recent Fiscal Year

Fiscal Year Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 2,123,955	\$ 1,061,615	\$ 1,062,340	\$ 3,915,201	27.1%
2015	2,308,678	1,084,874	1,223,804	4,073,149	26.6%
2016	2,502,479	1,322,316	1,180,163	4,066,262	32.5%
2017	2,640,078	1,321,026	1,319,052	4,080,869	32.4%
2018	3,240,756	10,901,273	(7,660,517)	4,213,497	258.7%

Notes to Schedule:

The actuarially determined contribution shown for the current year is from the May 1, 2017 actuary's report completed by the Illinois Department of Insurance for the tax levy recommendation for the December, 2017 tax levy. The ADC determined used the Projected Unit Credit Cost method, with a 90% funding target in 23 years.

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate – Police Pension Fund*

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of May 1 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2018 Contribution Rates – Police Pension Fund:

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Normal costs
Remaining Amortization Period:	Additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset Valuation Method:	Investment gain and losses are recognized over a 5-year period
Interest Rate:	6.25%
Payroll Growth:	3.50%
Tier 2 costs-of-living adjustment:	1.25%
Salary Increases:	Service related table with rates grading from 11.00% to 3.50% at 33 years of service
Rate of Service-Related Deaths:	10%
Rate of Service-Related Disabilities:	60%
Marital Assumptions:	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses
Healthy Mortality Rates – Male:	RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Healthy Mortality Rates – Female:	RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Disability Mortality Rates – Male:	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Disability Mortality Rates – Female:	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Decrements other than Mortality:	Experience Tables

Other Information:

Notes

There were no benefits changes during the year.

*Based on Valuation Assumptions used in the May 1, 2017 actuarial valuation.

CITY OF GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Changes in Net Pension Liability and Related Ratios
Firefighter's Pension Fund
Most Recent Fiscal Year

Fiscal Year Ending April 30,	<u>2018</u>
Total Pension Liability	
Service Cost	\$ 2,038,985
Interest on the Total Pension Liability	3,803,214
Benefit Changes	-
Difference between Expected and Actual Experience	(109,904)
Assumption Changes	-
Benefit Payments and Refunds	<u>(3,380,619)</u>
Net Change in Total Pension Liability	2,351,676
Total Pension Liability - Beginning	<u>91,388,755</u>
Total Pension Liability - Ending (A)	<u><u>\$ 93,740,431</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 10,901,273
Employee Contributions	365,619
Pension Plan Net Investment Income	835,996
Benefit Payments and Refunds	(3,380,619)
Administrative Costs	<u>(32,690)</u>
Net Change in Plan Fiduciary Net Position	8,689,579
Plan Fiduciary Net Position - Beginning	<u>13,971,792</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>\$ 22,661,371</u></u>
Net Pension Liability - Ending (A) - (B)	<u><u>\$ 71,079,060</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u><u>24.17%</u></u>
Covered Valuation Payroll	<u><u>\$ 3,967,110</u></u>
Net Pension Liability as a Percentage of Covered Valuation Payroll	<u><u>1791.71%</u></u>

Notes to Schedule:

These schedules are 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 GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Employer Contributions - Firefighter's Pension Fund
Most Recent Fiscal Year

Fiscal Year Ending April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 2,265,896	\$ 1,061,616	\$ 1,204,280	\$ 3,754,274	28.3%
2015	2,470,768	1,084,874	1,385,894	3,824,742	28.4%
2016	2,654,277	1,322,316	1,331,961	3,827,038	34.6%
2017	2,821,719	1,321,026	1,500,693	3,842,237	34.4%
2018	3,698,426	10,901,273	(7,202,847)	3,967,110	274.8%

Notes to Schedule:

The actuarially determined contribution shown for the current year is from the May 1, 2017 actuary's report completed by the Illinois Department of Insurance for the tax levy recommendation for the December, 2017 tax levy. The ADC determined used the Projected Unit Credit Cost method, with a 90% funding target in 23 years.

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate – Firefighter's Pension Fund*

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of May 1 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2018 Contribution Rates – Firefighter's Pension Fund:

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Normal costs
Remaining Amortization Period:	Additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset Valuation Method:	Investment gain and losses are recognized over a 5-year period
Interest Rate:	6.00%
Payroll Growth:	3.50%
Tier 2 costs-of-living adjustment:	1.25%
Salary Increases:	Service related table with rates grading from 12.50% to 3.50% at 31 years of service
Rate of Service-Related Deaths:	20%
Rate of Service-Related Disabilities:	80%
Marital Assumptions:	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses
Healthy Mortality Rates – Male:	RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Healthy Mortality Rates – Female:	RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Disability Mortality Rates – Male:	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Disability Mortality Rates – Female:	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Decrements other than Mortality:	Experience Tables

Other Information:

Notes There were no benefits changes during the year.

*Based on Valuation Assumptions used in the May 1, 2017 actuarial valuation.

CITY OF GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Changes in Net Pension Liability and Related Ratios - IMRF
Most Recent Calendar Year

Calendar Year Ending December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 697,379	\$ 675,179	\$ 713,988
Interest on the Total Pension Liability	3,109,429	3,019,848	2,930,360
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	(565,271)	(184,504)	(212,931)
Assumption Changes	(1,390,902)	(99,717)	48,613
Benefit Payments and Refunds	<u>(2,427,066)</u>	<u>(2,243,234)</u>	<u>(2,180,690)</u>
Net Change in Total Pension Liability	(576,431)	1,167,572	1,299,340
Total Pension Liability - Beginning	42,323,896	41,145,324	39,856,984
Total Pension Liability - Ending (A)	<u>\$ 41,747,465</u>	<u>\$ 42,312,896</u>	<u>\$ 41,156,324</u>
Plan Fiduciary Net Position			
Employer Contributions	\$ 717,748	\$ 863,262	\$ 724,220
Employee Contributions	295,506	290,802	284,877
Pension Plan Net Investment Income	6,744,645	2,503,329	182,615
Benefit Payments and Refunds	(2,427,066)	(2,243,234)	(2,180,690)
Other	<u>(1,011,028)</u>	<u>(183,866)</u>	<u>499,682</u>
Net Change in Plan Fiduciary Net Position	4,319,805	1,230,293	(489,296)
Plan Fiduciary Net Position - Beginning	37,849,797	36,649,504	37,108,800
Plan Fiduciary Net Position - Ending (B)	<u>\$ 42,169,602</u>	<u>\$ 37,879,797</u>	<u>\$ 36,619,504</u>
Net Pension Liability - Ending (A) - (B)	<u>\$ (422,137)</u>	<u>\$ 4,474,099</u>	<u>\$ 4,536,820</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>101.01%</u>	<u>89.43%</u>	<u>88.98%</u>
Covered Valuation Payroll	<u>\$ 6,566,774</u>	<u>\$ 6,462,248</u>	<u>\$ 6,330,593</u>
Net Pension Liability as a Percentage of Covered Valuation Payroll	<u>-6.43%</u>	<u>69.23%</u>	<u>71.67%</u>

Notes to Schedule:

These schedules are 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 GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Schedule of Employer Contributions - IMRF
Most Recent Calendar Year

<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</u> <u>Contribution as</u> <u>a Percentage of</u> <u>Covered</u> <u>Valuation</u> <u>Payroll</u>
2015	\$ 724,220	\$ 724,220	\$ -	\$ 6,330,593	11.44%
2016	765,130	863,262	(98,132)	6,462,248	13.36%
2017	717,748	717,748	-	6,566,774	10.93%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2017 Contribution Rate - IMRF*

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine 2017 Contribution Rates - IMRF:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 26-year closed period
	Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
	SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).
Asset Valuation Method:	5-Year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75% - approximate: No explicit price inflation assumption issued in this valuation.
Salary Increases:	3.75% to 14.50% including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updates for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.

CITY OF GRANITE CITY, ILLIOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES ON PENSION PLAN
APRIL 30, 2018

Methods and Assumptions Used to Determine 2017 Contribution Rates - IMRF(continued)

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 projections 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 experience.

Other Information:

Notes

There were no benefits changes during the year.

*Based on Valuation Assumptions used in the December 31, 2015 actuarial valuation.

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

APRIL 30, 2018

	<u>Special Revenue Funds</u>					<u>Total</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Bellemore Village Business District</u>	<u>Nameoki Business District</u>	<u>Motor Fuel Tax Fund</u>				
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Current Assets:									
Cash and Cash Equivalents	\$ 10,608	\$ -	\$ 3,700	\$ 7,480	\$ 397,016	\$ 418,804	\$ -	\$ -	\$ 418,804
Certificates of Deposit	11,065	-	3,860	7,803	414,151	436,879	-	-	436,879
Investments	2,733	-	954	1,927	102,295	107,909	-	-	107,909
Receivables:									
Intergovernmental	-	9,168	12,447	26,028	68,332	115,975	-	-	115,975
Other	-	-	9	19	1,005	1,033	-	-	1,033
Due From Other Funds	-	-	-	2,760	-	2,760	10,484	-	13,244
Total Current Assets	24,406	9,168	20,970	46,017	982,799	1,083,360	10,484	-	1,093,844
Noncurrent Assets:									
Restricted Cash and Cash Equivalents	536,885	-	-	-	-	536,885	-	-	536,885
Total Noncurrent Assets	536,885	-	-	-	-	536,885	-	-	536,885
Total Assets	561,291	9,168	20,970	46,017	982,799	1,620,245	10,484	-	1,630,729
Deferred Outflows of Resources									
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 561,291	\$ 9,168	\$ 20,970	\$ 46,017	\$ 982,799	\$ 1,620,245	\$ 10,484	\$ -	\$ 1,630,729
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts Payable	59,351	-	6,857	8,333	81,731	156,272	-	-	156,272
Due to Other Funds	245,350	9,168	-	-	542,702	797,220	44,287	-	841,507
Due to Other Governments	-	-	-	2,760	-	2,760	-	-	2,760
Total Liabilities	304,701	9,168	6,857	11,093	624,433	956,252	44,287	-	1,000,539
Deferred Inflows of Resources									
Property Tax Revenue	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Fund Balances:									
Restricted for:									
Drug Traffic Prevention	256,590	-	-	-	-	256,590	-	-	256,590
Unassigned	-	-	14,113	34,924	358,366	407,403	(33,803)	-	373,600
Total Fund Balances	256,590	-	14,113	34,924	358,366	663,993	(33,803)	-	630,190
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 561,291	\$ 9,168	\$ 20,970	\$ 46,017	\$ 982,799	\$ 1,620,245	\$ 10,484	\$ -	\$ 1,630,729

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2018

	<u>Special Revenue Funds</u>					<u>Total</u>	<u>Capital</u> <u>Projects</u>	<u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Drug</u> <u>Traffic</u> <u>Prevention</u>	<u>Community</u> <u>Development</u>	<u>Bellemore</u> <u>Village</u> <u>Business District</u>	<u>Nameoki</u> <u>Business</u> <u>District</u>	<u>Motor</u> <u>Fuel Tax</u> <u>Fund</u>				
Revenues:									
Intergovernmental:									
Grants	\$ 312,937	\$ 178,944	\$ -	\$ -	\$ -	\$ 491,881	\$ -	\$ -	\$ 491,881
Sales Tax	-	-	53,732	107,103	-	160,835	-	-	160,835
Motor Fuel Tax	-	-	-	-	762,135	762,135	-	-	762,135
Fines and Forfeitures	26,922	-	-	-	-	26,922	-	-	26,922
Investment Earnings	1,045	-	2	864	7,373	9,284	-	-	9,284
Miscellaneous	1,450	-	-	-	-	1,450	-	-	1,450
Total Revenues	<u>342,354</u>	<u>178,944</u>	<u>53,734</u>	<u>107,967</u>	<u>769,508</u>	<u>1,452,507</u>	<u>-</u>	<u>-</u>	<u>1,452,507</u>
Expenditures:									
General Government	-	-	52,557	108,988	-	161,545	-	-	161,545
Public Safety	140,331	113,944	-	-	-	254,275	-	-	254,275
Public Works	-	-	-	-	362,212	362,212	-	-	362,212
Debt Service	-	-	-	-	-	-	-	269,677	269,677
Capital Outlay	78,469	-	-	-	63,410	141,879	-	-	141,879
Total Expenditures	<u>218,800</u>	<u>113,944</u>	<u>52,557</u>	<u>108,988</u>	<u>425,622</u>	<u>919,911</u>	<u>-</u>	<u>269,677</u>	<u>1,189,588</u>
Revenues Over (Under) Expenditures	<u>123,554</u>	<u>65,000</u>	<u>1,177</u>	<u>(1,021)</u>	<u>343,886</u>	<u>532,596</u>	<u>-</u>	<u>(269,677)</u>	<u>262,919</u>
Other Financing Sources:									
Operating Transfers From Other Funds	-	-	-	-	-	-	-	269,677	269,677
Operating Transfers (To) Other Funds	-	(65,000)	-	-	-	(65,000)	-	-	(65,000)
Total other Financing Sources	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>269,677</u>	<u>204,677</u>
Net Change in Fund Balance	123,554	-	1,177	(1,021)	343,886	467,596	-	-	467,596
Fund Balance - Beginning	<u>133,036</u>	<u>-</u>	<u>12,936</u>	<u>35,945</u>	<u>14,480</u>	<u>196,397</u>	<u>(33,803)</u>	<u>-</u>	<u>162,594</u>
Fund Balance - Ending	<u>\$ 256,590</u>	<u>\$ -</u>	<u>\$ 14,113</u>	<u>\$ 34,924</u>	<u>\$ 358,366</u>	<u>\$ 663,993</u>	<u>\$ (33,803)</u>	<u>\$ -</u>	<u>\$ 630,190</u>

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CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
YEAR ENDED APRIL 30, 2018

	Business Type Activities		
	Enterprise Funds		
	<u>Wastewater</u>	<u>Sewer</u>	<u>Total</u>
	<u>Treatment</u>	<u>System</u>	<u>Enterprise</u>
	<u>Plant</u>	<u>Fund</u>	<u>Funds</u>
Operating Revenues:			
Charges for Services	\$ 2,938,301	\$ 4,398,201	\$ 7,336,502
Total Revenues	<u>2,938,301</u>	<u>4,398,201</u>	<u>7,336,502</u>
Operating Expenses:			
Personal Services	3,372,003	-	3,372,003
Industrial Pretreatment	-	107,895	107,895
Billings and Collection	-	155,734	155,734
Sewer Collection	-	810,025	810,025
Solids Handling	800,505	-	800,505
BOD Treatment	272,478	-	272,478
Primary Treatment	37,270	-	37,270
General and Administrative	274,922	-	274,922
Dry Weather Pumping	183,295	-	183,295
Wet Weather Pumping	137,664	-	137,664
Other	232,561	-	232,561
Depreciation	603,304	474,841	1,078,145
Total Operating Expenses	<u>5,914,002</u>	<u>1,548,495</u>	<u>7,462,497</u>
Operating (Loss)	<u>(2,975,701)</u>	<u>2,849,706</u>	<u>(125,995)</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	48,383	19,863	68,246
Other Income	11,469	24,770	36,239
Interest Expense and Fiscal Charges	(176,512)	(103,280)	(279,792)
Total Non-Operating Revenues (Expenses)	<u>(116,660)</u>	<u>(58,647)</u>	<u>(175,307)</u>
Change in Net Position	(3,092,361)	2,791,059	(301,302)
Net Position - Beginning	<u>(6,759,542)</u>	<u>27,860,641</u>	<u>21,101,099</u>
Net Position - Ending	<u>\$ (9,851,903)</u>	<u>\$ 30,651,700</u>	<u>\$ 20,799,797</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF PLAN NET POSITION
FIDUCIARY FUNDS
APRIL 30, 2018

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighter's</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,187,582	\$ 388,027	\$ 1,575,609
Investments and Certificates of Deposits	25,258,147	21,689,763	46,947,910
Receivables:			
Employer Contribution - Property Taxes	775,493	775,493	1,550,986
Employer Contribution - Gaming Taxes	17,297	17,297	34,594
Accrued Interest	50,588	38,401	88,989
Total Assets	<u>27,289,107</u>	<u>22,908,981</u>	<u>50,198,088</u>
LIABILITIES			
Liabilities			
Pension Benefits Payable	<u>223,224</u>	<u>247,610</u>	<u>470,834</u>
Total Liabilities	<u>223,224</u>	<u>247,610</u>	<u>470,834</u>
NET POSITION			
Net Position Held in Trust for Pension Benefits	<u>27,065,883</u>	<u>22,661,371</u>	<u>49,727,254</u>
Total Net Position	<u>27,065,883</u>	<u>22,661,371</u>	<u>49,727,254</u>
 Total Liabilities and Net Position	 <u>\$ 27,289,107</u>	 <u>\$ 22,908,981</u>	 <u>\$ 50,198,088</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2018

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Firefighter's</u>	
Additions			
Contributions:			
Employee Contributions	\$ 395,548	\$ 365,619	\$ 761,167
Employer Contributions:			
Property Taxes	763,306	763,306	1,526,612
Video Gaming Tax	137,967	137,967	275,934
Pension Bond Infusion	10,000,000	10,000,000	20,000,000
Total Contributions	<u>11,296,821</u>	<u>11,266,892</u>	<u>22,563,713</u>
Investment Income:			
Interest and Dividends	564,873	361,278	926,151
Net Realized/Unrealized Gain(Loss) on Investments	747,576	537,458	1,285,034
	<u>1,312,449</u>	<u>898,736</u>	<u>2,211,185</u>
Less: Investment Expense	(29,686)	(62,740)	(92,426)
Net Investment Income	<u>1,282,763</u>	<u>835,996</u>	<u>2,118,759</u>
Total Additions	<u>12,579,584</u>	<u>12,102,888</u>	<u>24,682,472</u>
Deductions:			
Benefits Paid to Participants:			
Service and Disability	2,334,195	2,951,470	5,285,665
Dependents	353,074	429,149	782,223
Contractual Services	21,996	32,690	54,686
Total Deductions	<u>2,709,265</u>	<u>3,413,309</u>	<u>6,122,574</u>
Net Decrease in Plan Net Position	9,870,319	8,689,579	18,559,898
Net Position - Beginning	<u>17,195,564</u>	<u>13,971,792</u>	<u>31,167,356</u>
Net Position - Ending	<u>\$ 27,065,883</u>	<u>\$ 22,661,371</u>	<u>\$ 49,727,254</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUNDS
APRIL 30, 2018

	<u>TIF</u> <u>District #1</u>	<u>TIF</u> <u>District #2</u>	<u>TIF</u> <u>District #3</u>	<u>TIF</u> <u>District #4</u>	<u>TIF</u> <u>District #6</u>	<u>TIF</u> <u>District #7</u>	<u>Total</u>	<u>TIF</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
<u>Assets and Deferred Outflows of Resources</u>									
Current Assets:									
Cash and Cash Equivalents	\$ -	\$ 54,392	\$ 206,595	\$ 74,360	\$ 47,375	\$ 167,022	\$ 549,744	\$ 308,535	\$ 858,279
Certificates of Deposit	-	56,740	215,512	77,570	49,420	174,231	573,473	321,853	895,326
Restricted Investments	-	14,014	53,232	19,160	-	-	86,406	340,176	426,582
Investments	-	-	-	-	12,207	43,035	55,242	79,499	134,741
Receivables:									
Property Taxes	1,586,729	145,379	1,084,019	1,235,386	48,401	5,514,552	9,614,466	-	9,614,466
Development Loans	108,300	-	-	-	-	-	108,300	-	108,300
Accrued Interest	661	-	-	421	120	423	1,625	-	1,625
Due from Other Funds	29,797	-	-	-	42,644	-	72,441	-	72,441
Total Current Assets	<u>1,725,487</u>	<u>270,525</u>	<u>1,559,358</u>	<u>1,406,897</u>	<u>200,167</u>	<u>5,899,263</u>	<u>11,061,697</u>	<u>1,050,063</u>	<u>12,111,760</u>
Noncurrent Assets:									
Restricted Investments	-	-	-	-	-	1,619,188	1,619,188	1,507,010	3,126,198
Rental Real Estate Investment	2,667,631	-	-	-	-	-	2,667,631	-	2,667,631
General Real Estate Investment	1,195,325	-	-	76,885	-	-	1,272,210	-	1,272,210
Total Noncurrent Assets	<u>3,862,956</u>	<u>-</u>	<u>-</u>	<u>76,885</u>	<u>-</u>	<u>1,619,188</u>	<u>5,559,029</u>	<u>1,507,010</u>	<u>7,066,039</u>
Total Assets	<u>5,588,443</u>	<u>270,525</u>	<u>1,559,358</u>	<u>1,483,782</u>	<u>200,167</u>	<u>7,518,451</u>	<u>16,620,726</u>	<u>2,557,073</u>	<u>19,177,799</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>									
Liabilities:									
Accounts Payable	5,749	-	-	48,793	-	-	54,542	-	54,542
Due to Other Funds	1,163,473	-	-	12,480	-	-	1,175,953	-	1,175,953
Total Liabilities	<u>1,169,222</u>	<u>-</u>	<u>-</u>	<u>61,273</u>	<u>-</u>	<u>-</u>	<u>1,230,495</u>	<u>-</u>	<u>1,230,495</u>
Deferred Inflows of Resources:									
Gain on Sale of Property	42,063	-	-	-	-	-	42,063	-	42,063
Property Tax Revenue	1,586,729	145,379	1,084,019	1,235,386	48,401	5,514,552	9,614,466	-	9,614,466
Total Deferred Inflows of Resources	<u>1,628,792</u>	<u>145,379</u>	<u>1,084,019</u>	<u>1,235,386</u>	<u>48,401</u>	<u>5,514,552</u>	<u>9,656,529</u>	<u>-</u>	<u>9,656,529</u>
Fund Balance:									
Restricted for:									
Debt Service	-	-	-	-	-	-	-	2,557,073	2,557,073
Development Loans	108,300	-	-	-	-	-	108,300	-	108,300
Redevelopment	2,682,129	125,146	475,339	187,123	151,766	2,003,899	5,625,402	-	5,625,402
Total Fund Balance	<u>2,790,429</u>	<u>125,146</u>	<u>475,339</u>	<u>187,123</u>	<u>151,766</u>	<u>2,003,899</u>	<u>5,733,702</u>	<u>2,557,073</u>	<u>8,290,775</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,588,443</u>	<u>\$ 270,525</u>	<u>\$ 1,559,358</u>	<u>\$ 1,483,782</u>	<u>200,167</u>	<u>7,518,451</u>	<u>\$ 16,620,726</u>	<u>\$ 2,557,073</u>	<u>\$ 19,177,799</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TAX INCREMENT FINANCING FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2018

	<u>TIF</u> <u>District #1</u>	<u>TIF</u> <u>District #2</u>	<u>TIF</u> <u>District #3</u>	<u>TIF</u> <u>District #4</u>	<u>TIF</u> <u>District #6</u>	<u>TIF</u> <u>District #7</u>	<u>Total</u>	<u>TIF</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
<u>Revenues:</u>									
Property Taxes	\$ 1,657,756	\$ 145,384	\$ 1,084,058	\$ 1,357,340	\$ 50,570	\$ 5,622,949	\$ 9,918,057	\$ -	\$ 9,918,057
Investment Earnings	56,485	-	-	10,882	1,398	20,513	89,278	-	89,278
Miscellaneous	259,051	-	-	139,196	-	-	398,247	-	398,247
Total Revenues	<u>1,973,292</u>	<u>145,384</u>	<u>1,084,058</u>	<u>1,507,418</u>	<u>51,968</u>	<u>5,643,462</u>	<u>10,405,582</u>	<u>-</u>	<u>10,405,582</u>
<u>Expenditures:</u>									
Development	324,238	291,290	1,084,019	98,646	14,223	4,406,818	6,219,234	-	6,219,234
Debt Service - Interest	-	-	-	-	-	-	-	505,123	505,123
Debt Service - Principal	-	-	-	-	-	-	-	2,932,330	2,932,330
Capital Outlay	152,332	-	-	-	-	-	152,332	-	152,332
Total Expenditures	<u>476,570</u>	<u>291,290</u>	<u>1,084,019</u>	<u>98,646</u>	<u>14,223</u>	<u>4,406,818</u>	<u>6,371,566</u>	<u>3,437,453</u>	<u>9,809,019</u>
Excess of Revenues over Expenditures	1,496,722	(145,906)	39	1,408,772	37,745	1,236,644	4,034,016	(3,437,453)	596,563
<u>Other Financing Sources (Uses):</u>									
Proceeds from Borrowings	-	-	-	-	-	-	-	10,728	10,728
Operating Transfers From (To) other Fund	(1,607,520)	-	-	(1,211,131)	-	(596,375)	(3,415,026)	3,415,026	-
Total Other Financing Sources (Uses)	<u>(1,607,520)</u>	<u>-</u>	<u>-</u>	<u>(1,211,131)</u>	<u>-</u>	<u>(596,375)</u>	<u>(3,415,026)</u>	<u>3,425,754</u>	<u>10,728</u>
Net Change in Fund Balance	(110,798)	(145,906)	39	197,641	37,745	640,269	618,990	(11,699)	607,291
Fund Balance - Beginning	<u>2,901,227</u>	<u>271,052</u>	<u>475,300</u>	<u>(10,518)</u>	<u>114,021</u>	<u>1,363,630</u>	<u>5,114,712</u>	<u>2,568,772</u>	<u>7,683,484</u>
Fund Balance - Ending	<u>\$ 2,790,429</u>	<u>\$ 125,146</u>	<u>\$ 475,339</u>	<u>\$ 187,123</u>	<u>\$ 151,766</u>	<u>\$ 2,003,899</u>	<u>\$ 5,733,702</u>	<u>\$ 2,557,073</u>	<u>\$ 8,290,775</u>

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH TAX INCREMENT FINANCING ACT

To the Honorable Mayor and
City Council of the City of
Granite City, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Granite City, Illinois as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

Other Matters

The management of the City of Granite City, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

The results of our tests indicate that for the items tested, the City of Granite City, Illinois, complied with Subsection (q) of Section 11-74.4-3, "Tax Increment Allocation Redevelopment Act". Nothing came to our attention that caused us to believe that, for the items not tested, the City of Granite City, Illinois was not in compliance with Subsection (q) of Section 11-74.4-3, "Tax Increment Allocation Redevelopment Act".

Hughes, Cameron + Company, LLC

Hughes, Cameron & Company, LLC
October 30, 2018