

**CITY OF LINCOLN, ILLINOIS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED APRIL 30, 2016**

City of Lincoln, Illinois  
Annual Financial Report  
For the Year Ended April 30, 2016

Table of Contents

		<u>Page</u>
Independent Auditor’s Report on the Financial Statements		1-3
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		4-5
Schedule of Findings and Responses		6
Summary Schedule of Prior Audit Findings		7
 <b>BASIC FINANCIAL STATEMENTS:</b>		
	<u>Statement</u>	
<i>Government-Wide Financial Statements:</i>		
Statement of Net Position	1	8
Statement of Activities	2	9
 <i>Fund Financial Statements:</i>		
Balance Sheet – Governmental Funds	3	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds		11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	12-13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Funds		14
Statement of Net Position – Proprietary Funds	5	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	6	16
Statement of Cash Flows – Proprietary Funds	7	17
Statement of Fiduciary Net Position – Fiduciary Funds	8	18
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	9	19
Notes to the Basic Financial Statements		20-62

City of Lincoln, Illinois  
Annual Financial Report  
For the Year Ended April 30, 2016

Table of Contents

		<u>Page</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		
	<u>Schedule</u>	
<u>Schedule of Funding Progress:</u>		
Illinois Municipal Retirement Fund – Regular	1	63
Illinois Municipal Retirement Fund – Sheriff's Law Enforcement Personnel	2	64
Police Pension Fund	3	65
Firefighters' Pension Fund	4	66
Other Post-Employment Benefits Plan	5	67
<u>Schedule of Employer Contributions:</u>		
Illinois Municipal Retirement Fund – Regular	6	68
Illinois Municipal Retirement Fund – Sheriff's Law Enforcement Personnel	7	69
Police Pension Fund	8	70
Firefighters' Pension Fund	9	71
Other Post-Employment Benefits Plan	10	72
<u>Budgetary Comparison Schedules-Major Funds:</u>		
General Fund	11	73-78
Motor Fuel Tax Fund	12	79
TIF Fund	13	80
Notes to Required Supplementary Information -- Budgetary Comparison Schedules		81

City of Lincoln, Illinois  
Annual Financial Report  
For the Year Ended April 30, 2016

Table of Contents

		<u>Page</u>
<b>SUPPLEMENTARY FINANCIAL INFORMATION:</b>		
	<u>Schedule</u>	
<u>Combining Non-Major Fund Statements:</u>		
Combining Balance Sheet – Special Revenue Funds	14	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -- Special Revenue Funds	15	83
Comparative Statements of Financial Position – Sewer Fund	16	84
Comparative Statements of Revenue, Expenses and Changes in Net Position -- Sewer Fund	17	85
Schedule of Assessed Valuations, Tax Rates, Extensions and Collections	18	86-87
Schedule of Legal Debt Margin	19	88

# Estes, Bridgewater & Ogden

LORI K. MILOSEVICH, C.P.A., C.F.E.  
TERRI L. PHELPS, C.P.A.  
JAMES C. LEGG, C.P.A.

RICHARD W. OGDEN, C.P.A.  
RICHARD L. GRAFTON, C.P.A.  
ROY A. BALLINGER, C.P.A., M.B.A.  
MICHAEL A. FAFOLIA, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

901 South Second Street  
Springfield, Illinois 62704  
217/528-8473  
Fax 217/528-6506

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS CPA SOCIETY  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
And City Council  
City of Lincoln, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois as of April 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincoln, Illinois' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, comparative statements of financial position – sewer fund, comparative statements of revenue, expenses and changes in net position – sewer fund, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, comparative statements of financial position – sewer fund, and comparative statements of revenue, expenses and changes in net position – sewer fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of the City of Lincoln, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lincoln, Illinois' internal control over financial reporting and compliance.

*Estes, Bridgewater & Ogden*

Certified Public Accountants  
Springfield, Illinois

December 16, 2016

# Estes, Bridgewater & Ogden

LORI K. MILOSEVICH, C.P.A., C.F.E.  
TERRI L. PHELPS, C.P.A.  
JAMES C. LEGG, C.P.A.

RICHARD W. OGDEN, C.P.A.  
RICHARD L. GRAFTON, C.P.A.  
ROY A. BALLINGER, C.P.A., M.B.A.  
MICHAEL A. FAFOGLIA, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

901 South Second Street  
Springfield, Illinois 62704  
217/528-6473  
Fax 217/528-8506

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

ILLINOIS CPA SOCIETY  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor  
And City Council  
City of Lincoln, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Lincoln, Illinois' basic financial statements and have issued our report thereon dated December 16, 2016.

### Internal Control Over Financial Reporting

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lincoln, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Estes, Bridgewater + Pohlen*

Certified Public Accountants  
Springfield, Illinois

December 16, 2016

City of Lincoln, Illinois  
**SCHEDULE OF FINDINGS AND RESPONSES**  
April 30, 2016

There are no findings to report at April 30, 2016.

City of Lincoln, Illinois  
**SUMMARY SCHEDULE OF FINDINGS AND RESPONSES**  
Prior Year Findings  
April 30, 2016

There were no findings to report at April 30, 2015.

City of Lincoln, Illinois  
**STATEMENT OF NET POSITION**  
 April 30, 2016

Statement 1

	Primary Government		
<u>Assets</u>	Governmental Activities	Business-Type Activities	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents.....	\$ 3,452,038	\$ 534,953	\$ 3,986,991
Restricted cash and cash equivalents .....	250,424	272,505	522,929
Investments .....	529,287	-	529,287
Accounts receivable.....	10,255	717,719	727,974
Taxes receivable.....	1,867,200	-	1,867,200
Prepaid expenses.....	5,000	3,560	8,560
Due from other governments .....	<u>1,582,576</u>	<u>-</u>	<u>1,582,576</u>
Total Current Assets .....	<u>7,696,780</u>	<u>1,528,737</u>	<u>9,225,517</u>
<b>CAPITAL ASSETS</b>			
Capital assets, not being depreciated.....	574,836	-	574,836
Property and equipment .....	22,729,581	-	22,729,581
Utility systems.....	-	16,062,701	16,062,701
Total Cost of Capital Assets .....	23,304,417	16,062,701	39,367,118
Less accumulated depreciation.....	<u>( 11,396,206)</u>	<u>( 8,785,156)</u>	<u>( 20,181,362)</u>
Net Capital Assets.....	<u>11,908,211</u>	<u>7,277,545</u>	<u>19,185,756</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions .....	<u>6,351,441</u>	<u>-</u>	<u>6,351,441</u>
<b>TOTAL ASSETS.....</b>	<u>25,956,432</u>	<u>8,806,282</u>	<u>34,762,714</u>
<u>Liabilities and Net Position</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable .....	61,772	-	61,772
Premium on bonds .....	-	86,602	86,602
Current Portion – notes and bonds payable.....	<u>320,520</u>	<u>535,000</u>	<u>855,520</u>
Total Current Liabilities.....	<u>382,292</u>	<u>621,602</u>	<u>1,003,894</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues – property taxes .....	<u>1,916,185</u>	<u>-</u>	<u>1,916,185</u>
<b>NONCURRENT LIABILITIES</b>			
Notes and bonds payable (less current portion) .....	2,486,252	3,915,000	6,401,252
Net pension liability .....	38,316,696	-	38,316,696
OPEB obligation .....	<u>611,296</u>	<u>-</u>	<u>611,296</u>
Total Noncurrent Liabilities.....	<u>41,414,244</u>	<u>3,915,000</u>	<u>45,329,244</u>
<b>TOTAL LIABILITIES .....</b>	<u>43,712,721</u>	<u>4,536,602</u>	<u>48,249,323</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	9,101,439	2,740,943	11,842,382
Restricted.....	250,424	1,149,892	1,400,316
Unrestricted.....	<u>( 27,108,152)</u>	<u>378,845</u>	<u>( 26,729,307)</u>
<b>TOTAL NET POSITION.....</b>	<u>(\$17,756,289)</u>	<u>\$ 4,269,680</u>	<u>(\$13,486,609)</u>

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

City of Lincoln, Illinois  
**STATEMENT OF ACTIVITIES**  
For the Year Ended April 30, 2016

Statement 2

FUNCTIONS/PROGRAMS:	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		<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>
<b>Primary Government:</b>							
Governmental activities:							
General government.....	(\$ 2,801,618)	\$ 400,557	\$ 4,347	\$ -	(\$ 2,396,714)	\$ -	(\$ 2,396,714)
Public safety.....	( 4,443,919)	139,217	39,848	-	( 4,264,854)	-	( 4,264,854)
Economic development.....	( 797,866)	-	-	-	( 797,866)	-	( 797,866)
Public works.....	( 2,331,393)	162,135	370,996	-	( 1,798,262)	-	( 1,798,262)
Interest on long-term debt.....	( 120,137)	-	-	-	( 120,137)	-	( 120,137)
Total governmental activities.....	<u>( 10,494,932)</u>	<u>701,909</u>	<u>415,191</u>	<u>-</u>	<u>( 9,377,832)</u>	<u>-</u>	<u>( 9,377,832)</u>
Business-type activities:							
Sewer Utility.....	( 2,351,564)	<u>3,031,311</u>	-	-	-	<u>679,747</u>	<u>679,747</u>
<b>Total Primary Government.....</b>	<b><u>(\$12,846,496)</u></b>	<b><u>\$ 3,733,220</u></b>	<b><u>\$ 415,191</u></b>	<b><u>\$ -</u></b>	<b><u>( 9,377,832)</u></b>	<b><u>679,747</u></b>	<b><u>( 8,698,085)</u></b>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					904,859	-	904,859
Replacement taxes					152,098	-	152,098
Road and bridge taxes					71,928	-	71,928
Sales and use taxes					3,759,214	-	3,759,214
Income taxes					1,483,568	-	1,483,568
Telecommunications taxes					356,817	-	356,817
Utility taxes					594,764	-	594,764
Video gaming taxes					180,871	-	180,871
Hotel/motel taxes					183,416	-	183,416
Other taxes					21,761	-	21,761
Interest income					9,288	986	10,274
Refunds and reimbursements					250,260	-	250,260
Other income					<u>40,200</u>	<u>9,087</u>	<u>49,287</u>
Total general revenues					<u>8,009,044</u>	<u>10,073</u>	<u>8,019,117</u>
Change in net position					( 1,368,788)	689,820	( 678,968)
Net Position – Beginning					13,426,525	3,579,860	17,006,385
Change in method of accounting for pensions					( 29,814,026)	-	( 29,814,026)
Net Position - Ending					<u>(\$17,756,289)</u>	<u>\$4,269,680</u>	<u>(\$13,486,609)</u>

The accompanying notes are an integral part of the financial statements

City of Lincoln, Illinois  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 April 30, 2016

<u>Assets</u>	<u>General Corporate</u>	<u>Motor Fuel Tax</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents.....	\$1,947,637	\$ 547,882	\$ 29,160	\$ 927,359	\$3,452,038
Restricted cash and cash equivalents.....	232,799	-	-	17,625	250,424
Investments.....	529,287	-	-	-	529,287
Taxes receivable.....	1,686,000	-	-	181,200	1,867,200
Due from other governments.....	1,549,568	33,008	-	-	1,582,576
Accounts receivable.....	10,255	-	-	-	10,255
Prepaid expenses.....	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$5,960,546</u></b>	<b><u>\$ 580,890</u></b>	<b><u>\$ 29,160</u></b>	<b><u>\$1,126,184</u></b>	<b><u>\$7,696,780</u></b>
<u>Liabilities and Fund Balances</u>					
<b>LIABILITIES</b>					
Accounts payable.....	\$ 33,191	\$ -	\$ -	\$ 28,581	\$ 61,772
Deferred income.....	<u>1,734,985</u>	<u>-</u>	<u>-</u>	<u>181,200</u>	<u>1,916,185</u>
Total Liabilities.....	<u>1,768,176</u>	<u>-</u>	<u>-</u>	<u>209,781</u>	<u>1,977,957</u>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service.....	-	-	-	17,625	17,625
Special projects.....	232,799	580,890	29,160	898,778	1,741,627
Unassigned:					
General fund.....	<u>3,959,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,959,571</u>
Total Fund Balances.....	<u>4,192,370</u>	<u>580,890</u>	<u>29,160</u>	<u>916,403</u>	<u>5,718,823</u>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$5,960,546</u></b>	<b><u>\$ 580,890</u></b>	<b><u>\$ 29,160</u></b>	<b><u>\$1,126,184</u></b>	<b><u>\$7,696,780</u></b>

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

City of Lincoln, Illinois  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 April 30, 2016

Total Fund Balances – Total Governmental Funds .....	\$ 5,718,823
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	11,908,211
Deferred Outflows related to pensions .....	6,351,441
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
G.O. bonds payable, current .....	( 163,000)
T.I.F. G.O. bond payable, current.....	( 90,000)
Notes payable, current .....	( 67,520)
G.O. bonds payable, noncurrent .....	-
T.I.F. G.O. bonds payable, noncurrent .....	( 2,195,000)
Notes payable, noncurrent .....	( 291,252)
OPEB obligation.....	( 611,296)
Net pension obligation .....	( <u>38,316,696</u> )
Net position of governmental activities .....	( <u>\$17,756,289</u> )

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

City of Lincoln, Illinois  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended April 30, 2016

	<u>General Corporate</u>	<u>Motor Fuel Tax</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property taxes.....	\$ 705,043	\$ -	\$ 23,182	\$ 176,634	\$ 904,859
Replacement taxes.....	152,098	-	-	-	152,098
Road and bridge taxes.....	71,928	-	-	-	71,928
Sales and use taxes.....	3,759,214	-	-	-	3,759,214
Income taxes.....	1,483,568	-	-	-	1,483,568
Motor fuel taxes.....	-	370,996	-	-	370,996
Telecommunications taxes.....	356,817	-	-	-	356,817
Hotel/motel taxes.....	-	-	-	183,416	183,416
Utility taxes.....	594,764	-	-	-	594,764
Video gaming taxes.....	180,871	-	-	-	180,871
Other taxes.....	21,761	-	-	-	21,761
Interest income.....	6,489	959	192	1,648	9,288
Charges for services.....	269,982	-	-	162,135	432,117
Fines and forfeitures.....	139,217	-	-	-	139,217
Licenses and permits.....	130,575	-	-	-	130,575
Refunds and reimbursements.....	250,260	-	-	-	250,260
Miscellaneous.....	40,200	-	-	-	40,200
<b>Total Revenues.....</b>	<b><u>8,162,787</u></b>	<b><u>371,955</u></b>	<b><u>23,374</u></b>	<b><u>523,833</u></b>	<b><u>9,081,949</u></b>
<b>EXPENDITURES:</b>					
Current:					
General Government.....	2,226,171	-	837	220,043	2,447,051
Public safety.....	3,260,275	-	-	-	3,260,275
Public works.....	1,045,577	514,888	300,000	71,987	1,932,452
Economic Development.....	-	-	797,855	11	797,866
Debt service:					
Principal.....	-	-	-	218,811	218,811
Interest.....	-	-	108,209	11,928	120,137
Capital outlay.....	344,798	-	-	463,143	807,941
<b>Total Expenditures.....</b>	<b><u>6,876,821</u></b>	<b><u>514,888</u></b>	<b><u>1,206,901</u></b>	<b><u>985,923</u></b>	<b><u>9,584,533</u></b>

(Continued)

City of Lincoln, Illinois  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended April 30, 2016

	<u>General Corporate</u>	<u>Motor Fuel Tax</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES).....</b>	<b><u>\$1,285,966</u></b>	<b><u>(\$ 142,933)</u></b>	<b><u>(\$1,183,527)</u></b>	<b><u>(\$ 462,090)</u></b>	<b><u>(\$ 502,584)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in.....	16,734	-	108,209	-	124,943
Operating transfers (out).....	( 108,209)	-	-	( 16,734)	( 124,943)
Grant proceeds.....	39,848	-	-	4,347	44,195
Loan proceeds.....	-	-	-	<u>216,980</u>	<u>216,980</u>
Total Other Financing Sources (Uses).....	( <u>51,627</u> )	-	<u>108,209</u>	<u>204,593</u>	<u>261,175</u>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,234,339</b>	<b>( 142,933)</b>	<b>( 1,075,318)</b>	<b>( 257,497)</b>	<b>( 241,409)</b>
FUND BALANCE – BEGINNING.....	<u>2,958,031</u>	<u>723,823</u>	<u>1,104,478</u>	<u>1,173,900</u>	<u>5,960,232</u>
<b>FUND BALANCE – ENDING.....</b>	<b><u>\$4,192,370</u></b>	<b><u>\$ 580,890</u></b>	<b><u>\$ 29,160</u></b>	<b><u>\$ 916,403</u></b>	<b><u>\$5,718,823</u></b>

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

City of Lincoln, Illinois  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES**  
April 30, 2016

Net changes in fund balances – Total Governmental Funds ..... (\$ 241,409)

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

Governmental funds report capital outlays 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. The following is the amount by which capital outlays exceeded depreciation in the current year:

Capital Outlays .....	847,093
Depreciation.....	( 747,953)

The increase in OPEB obligation resulting from annual required contributions in excess of the contributions do not require the use of current financial resources and, therefore, is not reported as expenditures in the funds .....	( 304,544)
--	------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net Pension Liability/Deferred Outflows.....	( 923,807)
--	------------

The issuance of long-term debt (e.g. bonds, loans, 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 transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of G.O. bond payable .....	171,000
Repayment of debt certificates .....	21,946
Repayment of notes payable.....	25,866
T.I.F. G.O. bonds proceeds.....	( 216,980)

Change in net position of governmental activities .....	( <u>\$1,368,788</u> )
---	------------------------

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

City of Lincoln, Illinois  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
April 30, 2016

Statement 5

	<u>Sewer Fund</u>
<u>Assets</u>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents.....	\$ 534,953
Restricted cash and cash equivalents .....	272,505
Accounts receivable .....	717,719
Prepaid expenses.....	<u>3,560</u>
Total Current Assets .....	<u>1,528,737</u>
<b>CAPITAL ASSETS</b>	
Sewerage system .....	16,062,701
Less: Accumulated depreciation .....	( 8,785,156)
Net Capital Assets .....	<u>7,277,545</u>
<b>TOTAL ASSETS</b> .....	<u>8,806,282</u>
<u>Liabilities and Net Position</u>	
<b>CURRENT LIABILITIES</b>	
Notes and bonds payable -- current portion.....	<u>535,000</u>
<b>LONG-TERM LIABILITIES</b>	
Notes and bonds payable (less current portion).....	3,915,000
Bond premium .....	<u>86,602</u>
Total Long-Term Liabilities .....	<u>4,001,602</u>
<b>TOTAL LIABILITIES</b> .....	<u>4,536,602</u>
<b>NET POSITION</b>	
Net investment in capital assets .....	2,740,943
Restricted.....	1,149,892
Unrestricted.....	<u>378,845</u>
<b>TOTAL NET POSITION</b> .....	<u>\$ 4,269,680</u>

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

City of Lincoln, Illinois  
**STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 PROPRIETARY FUNDS**  
 For the Year Ended April 30, 2016

Statement 6

	<u>Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services .....	\$3,031,311
Other income.....	<u>9,087</u>
<b>Total Operating Revenues .....</b>	<b><u>3,040,398</u></b>
<b>OPERATING EXPENSES</b>	
Personnel service.....	74,448
Contractual maintenance.....	1,310,762
Supplies and materials .....	24,829
Other fees and charges .....	25,376
Depreciation .....	437,822
Repairs and maintenance .....	104,334
Office supplies .....	1,956
Postage .....	15,880
Telephone.....	826
Insurance .....	6,963
Facility utilities.....	<u>243,068</u>
<b>Total Operating Expenses.....</b>	<b><u>2,246,264</u></b>
<b>Net Operating Income .....</b>	<b><u>794,134</u></b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income .....	986
Interest (expense) .....	( 105,300)
Operating transfers in.....	641,875
Operating transfers (out).....	( <u>641,875</u> )
<b>Total Nonoperating (Expenses).....</b>	<b>( <u>104,314</u>)</b>
<b>NET CHANGE IN NET POSITION .....</b>	<b>689,820</b>
<b>NET POSITION - BEGINNING .....</b>	<b><u>3,579,860</u></b>
<b>NET POSITION - ENDING.....</b>	<b><u>\$4,269,680</u></b>

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

City of Lincoln, Illinois  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended April 30, 2016

Statement 7

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Collections from customers .....	\$2,665,275
Other income.....	9,087
Payments for personnel services .....	( 74,448)
Payments for goods and services .....	( 1,733,994)
Net cash provided by (used for) operating activities .....	<u>865,920</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating transfers in.....	641,875
Operating transfers (out).....	( 641,875)
Net cash provided by (used for) noncapital financing activities .....	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets .....	( 107,545)
Principal paid on bonds.....	( 525,000)
Interest paid on bonds .....	( 116,125)
Net cash provided by (used for) capital and related financing activities .....	( 748,670)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income .....	<u>986</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>118,236</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING.....</b>	<b><u>689,222</u></b>
<b>CASH AND CASH EQUIVALENTS – ENDING.....</b>	<b><u>\$ 807,458</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Operating income (loss).....	\$ 794,134
Adjustment to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation.....	437,822
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable .....	( 369,529)
(Increase) decrease in prepaid expenses .....	<u>3,493</u>
Net cash provided by (used for) operating activities.....	<u>\$ 865,920</u>

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

City of Lincoln, Illinois  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 April 30, 2016

<u>Assets</u>	Pension Trust Funds		<u>Total</u>
	Police Pension	Firefighters' Pension	
Cash and cash equivalents.....	\$ 96,702	\$ 730,437	\$ 827,139
Investments.....	9,248,975	5,012,057	14,261,032
Accrued income.....	16,587	35,915	52,502
<b>TOTAL ASSETS.....</b>	<b>\$ 9,362,264</b>	<b>\$ 5,778,409</b>	<b>\$15,140,673</b>
<u>Liabilities and Net Position</u>			
<b>LIABILITIES .....</b>	\$ -	\$ -	\$ -
<b>NET POSITION</b>			
Reserved for employee retirement commitments .....	9,362,264	5,778,409	15,140,673
<b>TOTAL LIABILITIES AND NET POSITION.....</b>	<b>\$ 9,362,264</b>	<b>\$ 5,778,409</b>	<b>\$15,140,673</b>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
April 30, 2016**

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer – property taxes.....	\$ 457,213	\$ 411,696	\$ 868,909
Employer – replacement taxes.....	53,483	48,158	101,641
Employer – utility taxes.....	122,276	149,449	271,725
Employee.....	201,349	113,615	314,964
Investment income.....	436,069	704,694	1,140,763
Unrealized loss on investments.....	( 436,218)	( 123,451)	( 559,669)
 Total Additions.....	 <u>834,172</u>	 <u>1,304,161</u>	 <u>2,138,333</u>
<b>DEDUCTIONS</b>			
Benefit payments.....	1,284,352	984,676	2,269,028
Administrative expenses.....	<u>46,418</u>	<u>23,209</u>	<u>69,627</u>
 Total Deductions.....	 <u>1,330,770</u>	 <u>1,007,885</u>	 <u>2,338,655</u>
 <b>NET INCREASE (DECREASE).....</b>	 <b>( 496,598)</b>	 <b>296,276</b>	 <b>( 200,322)</b>
 NET POSITION HELD IN TRUST FOR			
PENSION BENEFITS – BEGINNING OF YEAR.....	<u>9,858,862</u>	<u>5,482,133</u>	<u>15,340,995</u>
 NET POSITION HELD IN TRUST FOR			
PENSION BENEFITS – END OF YEAR.....	<u>\$ 9,362,264</u>	<u>\$ 5,778,409</u>	<u>\$15,140,673</u>

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

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lincoln, Illinois (the "City") was incorporated on February 16, 1865. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: general government, public safety and public works.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). 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 City's accounting policies are described below.

**A. – Financial Reporting Entity**

The financial reporting entity includes its governing board and all related organizations for which the City exercises oversight responsibility.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of and special financing relationships.

The City has determined that no other outside agency meets the above criteria. In addition, the City is not aware of any entity which would exercise such oversight on it in a manner in which the City would be considered its component unit.

**B. – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

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. Other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In determining when to recognize intergovernmental revenue (grants and shared revenue), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, monies are virtually unrestricted as to the purpose of expenditure and are nearly irrevocable; therefore, these amounts are recognized as revenue at the time of their receipt or earlier if they meet the criteria of availability. In the other, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenue is recognized based upon the expenditures recorded.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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 current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales and telecommunication taxes collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences, are recorded only when payment is due.

Property taxes, sales taxes, telecommunications taxes, licenses and permits, charges for services, fines and forfeits, miscellaneous revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Personal property replacement taxes are considered to be measurable when they have been collected and allocated by the state and are recognized as revenue at that time. All other revenue items are considered to be measurable and available only when cash is received by the City.

**D. – Fund Accounting**

The accounts of the City are organized on the basis of funds or accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad fund categories.

The following fund types and account groups are used by the City:

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

D. – Fund Accounting, (Continued)

**Government Fund Types**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds.

General Corporate Fund

The General Corporate Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes general administration as well as the Special Fire Department, Police Task Force, DARE, Drug Forfeiture, DUI, and ERT Programs.

The Motor Fuel Tax Fund receives and expends the City's allocations of the highway user revenue money. The amount available is allocated on a population basis, which is determined by the latest federal census. Money allocated to this fund must be used for street construction, reconstruction, and maintenance.

The TIF District Fund is used to account for the activities relating to the Tax Increment Financing District.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are maintained by the City:

The Revolving Loan Fund accounts for the Community Block Grant the City received. The Grant is to be used for the purpose of providing financial assistance to local businesses as approved by the Illinois Department of Commerce and Economic Opportunity.

DCEO Grant Fund accounts for the grant revenues for the downtown revitalization.

Internal Service Fund

The Equipment Rental Fund provides services to all funds on a fee basis.

Debt Service Funds

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

Capital Projects Fund

The Capital Project Fund is used to account for the accumulation of resources for, and payment of, construction projects other than those for proprietary fund construction.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**D. – Fund Accounting, (Continued)**

**Proprietary Fund Types**

**Enterprise Fund**

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to that of private business enterprises, where the intent of the governing body is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Grants and interest income are considered as non-operating revenues for proprietary funds.

The Sewer Operations and Maintenance Fund accounts for the operation of the sewer system for the City.

The Contingency and Depreciation Fund is required to accumulate money for replacements and repairs to the system as may be necessary for the continued effective and efficient operation of the system.

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following Fiduciary Funds are maintained by the City:

The Police Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

The Firefighters' Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

**E. – Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the City receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized when received and eligibility requirements have been satisfied.

**F. – Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In: by the recipient fund, and "Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payables." These amounts are eliminated on the statement of net position.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**G. – Cash and Cash Equivalents**

For purposes of the statement of cash flows for proprietary and similar fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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

**H. – Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is computed on the straight line basis over a period of from 5 to 40 years based on asset class.

**I. – Compensated Absences**

The City does not record compensatory time for sick and vacation time.

**J. – Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded when earned by the City.

**K. – Adoption of new GASB pronouncements**

During the fiscal year ended April 30, 2016, the City implemented the following GASB Pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the City are detailed below.

Net pension liability—Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

Deferred inflows of resources and deferred outflows of resources—Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between expected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period. In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This statement requires that contributions made by participating employers to pension plans after the Measurement Date for the Net Pension Liability but before the end of the financial statement period for the employer be reported as deferred outflows of resources.

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the government-wide financial statements as of April 30, 2015:

	<u>As Originally Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
<b>Statement of Net Position</b>			
<b>Noncurrent liabilities:</b>			
Net Pension obligation	\$ 1,266,576	\$ -	(\$ 1,266,576)
Net Pension Liability	-	31,080,602	31,080,602
Net position	\$ 1,266,576	\$31,080,602	\$29,814,026

L. – Fund Balance/Net Position

*Government-Wide Statements:*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position – Consist of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

*Fund Financial Statements:*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Council. Assigned fund balances is a limitation imposed by a designee of the City Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net position is classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the city that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

M. – Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. – Budgets and Budgetary Accounting

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

1. In April each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.
7. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a cash basis, which differs from the basis used for the financial statements. Budgeted amounts shown in the financial statements have been adjusted to reflect appropriation transfers between certain expenditure categories during the year; as a result, the final budget presented differs from that which was originally adopted.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

O. – Investments

Per Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, the City of Lincoln may invest any public funds (1) in bonds, notes, certificates of indebtedness, treasury bills, or other securities issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (2) in bonds, notes, debentures, or other obligations of the United States of America or its agencies, or (3) in interest-bearing savings accounts, certificates of deposit or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (4) in certain short-term obligations of corporations organized in the United States limited to the terms set forth in Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, or (5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Chapter 30, Act 235, Section 2 of the Illinois compiled Statutes. Investments may be made only in banks insured by the Federal Deposit Insurance Corporation (FDIC), savings and loan associations insured by the Federal Savings and Loan Insurance Corporation, or credit unions chartered under the laws of this state or the laws of the United States, provided the principal office of such credit union is located within the State of Illinois and the accounts re insured. The City follows the same investment policy for the pension trust funds. Investment balances, consisting of U.S. Treasury Notes and Bills, are stated at fair value. Assets of the different funds are commingled for investment purposes, where permitted, and investment earnings are prorated back to various funds when recognized as revenues. Investments are stated at fair value based on quoted market prices at April 30, 2016. Non-negotiable certificates of deposit are reported at cost.

P. – Transaction Between Funds

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

Q. – Cash Flows

For purposes of the Statement of Cash Flows, the City considers all time deposits with a maturity of less than three months as cash and cash equivalents.

R. – Long-Term Obligations

In the government-wide financial statements and proprietary funds 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 statement of net position. Bond premiums and discounts 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 expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

**S. – Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**NOTE 2 – PROPERTY TAX CALENDAR**

The following information gives significant dates on the property tax calendar of the City.

- The property tax lien date is January 1, 2014.
- The annual tax levy ordinance for 2014 taxes received during fiscal year 2016 was passed December 2014.
- The first installment of property taxes is due to the County Collector on July 1 and the second installment is due to the County Collector on September 1.
- Significant amounts of property taxes for 2014 were distributed to the City in July and September of 2015.

The 2015 taxes are intended to finance the 2017 fiscal year and are not considered available for current operations and are, therefore, shown as unavailable revenue. The 2016 tax levy has not been recorded as a receivable at April 30, 2016. Although the tax attached as a lien on property as of January 1, 2016, the tax will not be levied until December 2016, and, accordingly, is not measurable at April 30, 2016.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of deposits and investments as of April 30, 2016:

	<u>Primary Government</u>
<b>Statement of Net Position:</b>	
Cash and cash equivalents	\$ 3,435,304
Restricted cash and cash equivalents	250,424
Investments	<u>529,827</u>
	<u>4,215,555</u>
 <b>Statement of Fiduciary Net Position:</b>	
Cash and cash equivalents	827,139
Investments	<u>14,261,032</u>
	<u>15,088,171</u>
 <b>Total</b>	 <u>\$19,303,726</u>

City of Lincoln, Illinois  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS, (CONTINUED)

GOVERNMENTAL FUNDS

A. – DEPOSITS WITH FINANCIAL INSTITUTIONS

*Custodial credit risk* for deposits with financial institutions is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of April 30, 2016, \$0 of the City's bank balance of \$5,890,905 (total book balance was \$4,512,867) was exposed to custodial credit risk.

B. – INVESTMENTS

The Illinois Metropolitan Investment Fund (IMET) is a governmental investment fund created under the Illinois Municipal Code. IMET actively manages two investment funds for municipal treasurers. Official custodians of municipal funds, and other public agencies in the State of Illinois. Official custodians of municipal funds, and other public agencies in the State of Illinois. The funds are the IMET 1-3 Year Series and the IMET Convenience Series. The 1-3 Year Funds provides the highest U.S. Government Securities' rating.

*Interest rate risk* is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Pension Fund's investment policy does not specifically address credit risk.

*Custodial credit risk* for investments in the risk that, in the event of the failure of the counterparty to the investment, the IMET Fund will not be able to recover the value of its investments that are in possession of an outside party. IMET 1-3 Year Fund invests exclusively in U.S. government backed securities and provides the Highest U.S. Government Securities' rating. The IMET Convenience Fund is a short-term money market instrument collateralized via FDIC insurance, the FHLB LOC Program, and Government Securities at 110% on bank deposits.

*Concentration of credit risk* – At April 30, 2016, 100% of total investments were in Illinois Metropolitan Investment Fund. State statutes do not limit the percentage of investment in the Fund.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 3 – DEPOSITS AND INVESTMENTS, (CONTINUED)**

**POLICE AND FIRE PENSION FUNDS**

The City has adopted an investment policy to invest in instruments allowed by Illinois Compiled Statutes (ILCS). The statutes allow pension funds to invest in the same securities as the City.

**A. – DEPOSITS WITH FINANCIAL INSTITUTIONS**

*Custodial credit risk* for deposits with financial institutions is the risk that in the event of a bank's failure, the Pension Fund's deposits may not be returned to them. To guard against credit risk for deposits with financial institutions the Pension Fund's investment policy requires all deposits with financial institutions in excess of federal depository insurance be collateralized and held at an independent third party institution in the name of the Police and Fire Pension Fund and evidenced by a written collateral agreement.

**B. – INVESTMENTS**

*Interest rate risk* is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Pension Fund's investment policy does not specifically address credit risk.

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counterparty to the investment, the Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds and the open ended mutual funds are not subject to custodial credit risk. The Pension Fund's investment policy limits its exposure to custodial credit risk for investments by requiring the purchase of certificates of deposit from financial institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

*Concentration of credit risk* – The Pension Fund places no limit on the amount the Pension Fund may invest in any one issuer. The Pension Fund's investments consist of certificates of deposit, mutual funds, and corporate and municipal bonds.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 4 – RESTRICTED ASSETS**

The City reports restricted cash in the Sewer Utility Fund due to the issuance of the IPEA notes in 2004 and in the Debt Service Fund for issuance of General Obligation (Limited Tax) Bonds issued in 2013 and various funds in the General Fund used for specific purposes.

**SEWER UTILITY FUND**

The note payable to the Illinois Environmental Protection Agency requires funding by the utility of certain reserve accounts. These reserve accounts are required to be segregated from other funds. The following accounts were so segregated at April 30, 2016:

Plant Contingency and Depreciation	\$112,450
Sewer and Drainage	<u>160,055</u>
<b>Total</b>	<b><u>\$272,505</u></b>

The following requirements of these accounts are outlined as follows:

*Plant Contingency and Depreciation*, established to accumulate funds for payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies for which no other funds are available.

*Sewer and Drainage*, established to accumulate funds for the purpose of acquiring repairs, replacements or improvements for which no other funds are available.

**GENERAL FUND AND DEBT SERVICE FUND**

The General Fund has various restricted accounts that are restricted for law enforcement and the fire department as well as other accounts.

Police and Fire accounts	\$106,790
Other	<u>126,009</u>
<b>Total</b>	<b><u>\$232,799</u></b>

The Debt Service Fund is used to accumulate the taxes received for the payment of the bonds and used solely and only for paying the bonds.

Debt Service Fund	<u>\$ 17,625</u>
-------------------	------------------

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ending April 30, 2016 consists of the following:

<u>Primary Government</u>	<u>May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>April 30, 2016</u>
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 134,085	\$ -	\$ -	\$ 134,085
Construction in progress, not being depreciated	<u>13,153</u>	<u>466,751</u>	( <u>39,153</u> )	<u>440,751</u>
Total capital assets not being depreciated	<u>147,238</u>	<u>466,751</u>	( <u>39,153</u> )	<u>574,836</u>
Capital assets, being depreciated:				
Streets/Traffic signals	7,838,430	120,062	-	7,958,492
Building and Improvements	8,804,865	68,825	-	8,873,690
Vehicles	4,539,215	101,263	-	4,640,478
Equipment	<u>1,166,729</u>	<u>90,192</u>	-	<u>1,256,921</u>
Total assets being depreciated	<u>22,349,239</u>	<u>380,342</u>	-	<u>22,729,581</u>
Total capital assets	<u>22,496,477</u>	<u>847,093</u>	( <u>39,153</u> )	<u>23,304,417</u>
Less total accumulated depreciation	( <u>10,648,253</u> )	( <u>747,953</u> )	-	( <u>11,396,206</u> )
Total capital assets being depreciated, net	<u>11,700,986</u>	( <u>367,611</u> )	-	<u>11,333,375</u>
Governmental Activities Capital Assets, net	<u>\$11,848,224</u>	<u>\$ 99,140</u>	( <u>\$ 39,153</u> )	<u>\$11,908,211</u>
Depreciation expense for the current year is \$747,953.				
<i>Business-Type Activities:</i>				
Capital assets, not being depreciated:				
Construction in Progress	\$ 788,361	\$ 4,849	\$ -	\$ 793,210
Total capital assets not being depreciated	<u>788,361</u>	<u>4,849</u>	-	<u>793,210</u>
Capital assets, being depreciated:				
Utility services	1,846,021	-	-	1,846,021
Building and improvements	7,303,860	-	-	7,303,860
Equipment	5,338,490	102,696	-	5,441,186
Vehicles	<u>678,424</u>	-	-	<u>678,424</u>
Total assets being depreciated	<u>15,166,795</u>	<u>102,696</u>	-	<u>15,269,491</u>
Total capital assets	<u>15,955,156</u>	<u>107,545</u>	-	<u>16,062,701</u>
Less total accumulated depreciation	( <u>8,347,334</u> )	( <u>437,822</u> )	-	( <u>8,785,156</u> )
Total capital assets being depreciated, net	<u>6,819,461</u>	( <u>335,126</u> )	-	<u>6,484,335</u>
Business-Type Activities Capital Assets, net	<u>\$ 7,607,822</u>	( <u>\$ 330,277</u> )	-	<u>\$ 7,277,545</u>

Depreciation expense for the current year is \$437,822.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 5 – CAPITAL ASSETS, (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 299,181
Public safety	112,193
Public works/transportation	<u>336,579</u>
Total depreciation expense – governmental activities	\$ <u>747,953</u>
<b>Business-type activities:</b>	
Sewer utility	\$ <u>437,822</u>

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of the long-term debt transactions of the City for the year ended April 30, 2016:

	<u>May 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2016</u>
<b>Governmental Funds:</b>				
General Obligation Bonds, Series 2013	\$ 334,000	\$ -	(\$ 171,000)	\$ 163,000
General Obligation Bond, Series 2014 – TIF	2,285,000	-	-	2,285,000
Note Payable – 2012	27,103	-	( 13,365)	13,738
Note Payable – Fire Truck	162,500	-	( 12,500)	150,000
Note Payable – 2016	<u>-</u>	<u>216,980</u>	<u>( 21,946)</u>	<u>195,034</u>
	<u>\$2,808,603</u>	<u>\$ 216,980</u>	<u>(\$ 218,811)</u>	<u>\$2,806,772</u>
<b>Enterprise Funds:</b>				
General Obligation Bond, Series 2014 – Sewer	<u>\$4,975,000</u>	<u>\$ -</u>	<u>(\$ 525,000)</u>	<u>\$4,450,000</u>

**Governmental Activities:**

General Obligation (Limited Tax) Bonds, Series 2013 – The City issued \$493,000 General Obligation (Limited Tax) Bonds, Series 2013, for which the proceeds will be used to finance certain capital expenditures in and for the City (the “Project”) and pay costs associated with the issuance of the bonds.

Future principal and interest payments on the general obligation (Limited Tax) Bonds are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ <u>163,000</u>	\$ <u>7,455</u>	\$ <u>170,455</u>

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 6 – LONG-TERM DEBT, (CONTINUED)**

Tax Increment Financing General Obligation Bonds (Alternate Revenue Source), Series 2014 – The City issued bonds for the purpose to improve streets, curbs, and sidewalks and rehabilitate, reconstruct, repair or remodel existing public and private buildings within the Central Business Tax Increment Financing District. The City pays debt service expenditures from increment property taxes collected within the Tax Increment Financing District.

The bonds are dated September 1, 2014 and are payable though December 1, 2034 with interest rates ranging from 3% to 4.75%.

Future principal and interest payments on the Tax Incrementing Financing General Obligation Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 90,000	\$ 86,568	\$ 176,568
2018	90,000	83,867	173,867
2019	95,000	81,168	176,168
2020	95,000	78,317	173,317
2021	100,000	75,468	175,468
2022-2026	545,000	324,427	869,427
2027-2031	650,000	226,310	876,310
2032-2035	<u>620,000</u>	<u>75,288</u>	<u>695,288</u>
	<u>\$2,285,000</u>	<u>\$1,031,413</u>	<u>\$3,316,413</u>

Note Payable – Fire Truck – The City has a loan agreement with the Illinois Finance Authority from the Fire Truck Loan Program for the purchase of a fire truck. As of April 30, 2016 the City owed \$150,000 to the Illinois Finance Authority. The loan was dated April 2008 for \$250,000 with zero percent interest and payments of \$12,500 for 20 years ending November 1, 2028.

The following is a summary of changes in the loans for the year ended April 30, 2016:

	Balance April 30, <u>2015</u>	<u>Additions</u>	<u>Payments</u>	Balance April 30, <u>2016</u>
Fire Truck Loan	\$ <u>162,500</u>	\$ <u>      </u> -	\$ <u>12,500</u>	\$ <u>150,000</u>

Annual requirements are as follows:

2017	\$ 12,500
2018	12,500
2019	12,500
2020	12,500
2021	12,500
2022-2026	62,500
2027-2028	<u>25,000</u>
<b>Totals</b>	<u>\$150,000</u>

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 6 – LONG-TERM DEBT, (CONTINUED)**

**Note Payable** – The City borrowed \$65,800 from Illini Bank on September 12, 2012 for purchase of fire equipment. The interest rate is 2.75% and is due April 15, 2017. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
10/15/2016	\$ 6,823	2.75%	\$ 192	
04/15/2017	<u>6,915</u>	2.75%	<u>96</u>	\$ <u>14,026</u>
<b>Totals</b>	<b>\$ <u>13,738</u></b>		<b>\$ <u>288</u></b>	<b>\$ <u>14,026</u></b>

**Note Payable** – The City borrowed \$216,980 on September 30, 2015 for the purchase of various vehicles and equipment. The interest rate is 2.75% and is due June 15, 2020. The repayment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 41,282	\$ 5,095	\$ 46,377
2018	42,440	3,937	46,377
2019	43,615	2,762	46,377
2020	44,823	1,555	46,378
2021	<u>22,874</u>	<u>316</u>	<u>23,190</u>
	<b>\$<u>195,034</u></b>	<b>\$ <u>13,665</u></b>	<b>\$<u>208,699</u></b>

**Business-Type Activities:**

**General Obligation Refunding Bonds Series 2014.** – The City issued \$4,975,000 General Obligation Refunding Bonds, Series 2014 for which the proceeds were used to payoff the IEPA Wastewater loan. The bonds are dated October 2014 and are payable through December 1, 2023 with interest rates ranging from 2% to 3%. The repayment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 535,000	\$ 105,625	\$ 640,625
2018	545,000	94,925	639,925
2019	555,000	84,025	639,025
2020	565,000	72,925	637,925
2021	580,000	61,625	641,625
2022-2024	<u>1,670,000</u>	<u>93,475</u>	<u>1,763,475</u>
	<b>\$<u>4,450,000</u></b>	<b>\$ <u>512,600</u></b>	<b>\$<u>4,962,600</u></b>

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 7 – LEASES**

Operating Lease – The City entered into a 5 year operating lease agreement with John Deere Financial for a John Deere End Loader. The lease payment are \$8,359 per year for five years and the lease expires in 2018.

Minimum future lease payments under operating lease as of April 30, 2016, are as follows:

2017		\$ 8,359
2018		<u>8,359</u>
Net minimum lease payments		<u>\$ 16,718</u>

**NOTE 8 – INTERFUND BALANCES**

Interfund Receivables and Payables – There were no interfund receivables and payables to report at April 30, 2016.

Interfund Transfer – Interfund transfers consisted of the following at April 30, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Nonmajor Governmental Funds	\$ 16,734	\$ -
TIF Fund	108,209	-
Nonmajor Governmental Funds:		
General Fund	-	16,734
TIF Fund:		
General Fund	<u>-</u>	<u>108,209</u>
<b>Total Interfund Transfers</b>	<u>\$124,943</u>	<u>\$124,943</u>

The purpose of the interfund transfers are as follows:

The transfers to and from the General Fund, Nonmajor Governmental Funds and TIF Fund were for capital projects and debt service expenditures.

**NOTE 9 – DEFICIT FUND EQUITY**

The following net position deficit exists as of April 30, 2016:

Governmental Funds	( <u>\$17,756,289</u> )
--------------------	-------------------------

The deficit balance is primarily the result of insufficient assets to fund the Net Pension Liability. The City will be developing strategies to reduce the deficit.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 10 – ILLINOIS MUNICIPAL RETIREMENT FUND PLAN**

*Plan Description.* The City of Lincoln's (City) defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Benefits Provided.* IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

*Employees Covered by Benefit Terms.* Were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	63
Inactive, Non-Retired Members	21
Active Members	<u>18</u>
<b>Total</b>	<b><u>102</u></b>

*Contributions.* As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City annual required contribution rate for calendar year 2015 was 13.26 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2015. The total pension liability was determined by an actuarial valuation as of that date.

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – ILLINOIS MUNICIPAL RETIREMENT FUN PLAN, (CONTINUED)**

*Actuarial Assumptions.* Valuation Date: Actuarially determined contributions rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

The following are methods and assumptions used to determine total pension liability at December 31, 2015:

- Actuarial Cost Method – Aggregate Entry Age Normal
- Asset Valuation Method – Market Value of Assets
- Price Inflation – 2.75%
- Salary Increases – 3.75% to 14.50% including inflation
- Investment Rate of Return – 7.48%
- Retirement Age – Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
- Mortality – For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Morality Table with adjustments to match current IMRF experience.
- Long-Term Expected Rate of Return – 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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	5.25-8.15%
Cash Equivalents	1%	2.25%
<b>Total</b>	<b>100%</b>	

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – ILLINOIS MUNICIPAL RETIREMENT FUND PLAN, (CONTINUED)**

*Single Discount Rate.* A Single Discount Rate of 7.50% 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) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits.).

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

*Changes in the Net Pension Liability.*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Position Liability (a) – (b)</b>
<b>Balances at December 31, 2014</b>	<u>\$ 8,959,097</u>	<u>\$ 8,787,184</u>	<u>\$ 171,913</u>
<b>Changes for the year:</b>			
Service Cost	80,584	-	80,584
Interest on the Total Pension Liability	652,112	-	652,112
Difference between expected and actual experience of the Total Pension Liability	( 31,278)	-	( 31,278)
Changes in assumptions	16,361	-	16,361
Contributions – employer	-	118,302	118,302
Contributions – employee	-	34,862	34,862
Net investment income	-	42,796	42,796
Benefit payments, including refunds of employee contributions	( 609,135)	( 609,135)	-
Other (Net Transfers)	<u>-</u>	<u>60,572</u>	<u>60,572</u>
<b>Net Changes</b>	<u>108,644</u>	<u>( 352,603)</u>	<u>461,247</u>
<b>Balances at December 31, 2015</b>	<u>\$9,067,741</u>	<u>\$8,434,581</u>	<u>\$ 633,160</u>

*Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate Assumption.*

	<b>1% Decrease 6.48%</b>	<b>Current Single Discount Rate Assumption 7.48%</b>	<b>1% Increase 8.48%</b>
Net Pension Liability/(Asset)	\$1,547,976	\$ 633,160	(\$ 109,777)

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – ILLINOIS MUNICIPAL RETIREMENT FUND PLAN, (CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Difference between expected and actual experience	(\$ 12,286)	\$ -
Net difference between projected and actual earnings on pension plan investments	481,132	-
Changes in assumptions	<u>6,427</u>	<u>-</u>
Total	\$ <u>475,273</u>	\$ <u>-</u>

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows Of Resources</u>
2016	\$ 114,424
2017	120,283
2018	120,283
2019	120,283
2020	-
Thereafter	<u>-</u>
<b>Total</b>	<b>\$ <u>475,273</u></b>

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 11 – IMRF PLAN – SHERIFF’S LAW ENFORCEMENT PERSONNEL**

*Plan Description.* The City’s defined benefit pension plan for Sheriff’s Law Enforcement Personnel employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at on-line at [www.imrf.org](http://www.imrf.org).

*Benefits Provided.* IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

*Employees Covered by Benefit Terms.* As of December 31, 2015, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and Beneficiaries currently receiving benefits	1
Inactive Plan Members entitled to but not yet receiving benefits	0
Active Plan Members	<u>0</u>
<b>Total</b>	<b><u>1</u></b>

*Contributions.* As set by statute, the City’s Sheriff’s Law Enforcement Personnel plan members are required to contribute 7.5 percent of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City contribution rate for calendar year 2015 used by the employer was 13.69 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Net Pension Liabilities.* The City’s net pension liability was measured as of December 31, 2015. The total pension liability was determined by an actuarial valuation as of that date.

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – IMRF PLAN – SHERIFF’S LAW ENFORCEMENT PERSONNEL, (CONTINUED)**

*Actuarial Assumptions.* Valuation Date: Actuarially determined contributions rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

The following are methods and assumptions used to determine total pension liability at December 31, 2015:

- Actuarial Cost Method – Aggregate Entry Age Normal
- Asset Valuation Method – Market Value of Assets
- Price Inflation – 2.75%
- Salary Increases – 3.75% to 14.50% including inflation
- Investment Rate of Return – 7.46%
- Retirement Age – Experience based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
- Mortality – For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). 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 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Morality Table with adjustments to match current IMRF experience.
- Long-Term Expected Rate of Return – 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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	5.25-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – IMRF PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL, (CONTINUED)**

*Single Discount Rate.* A Single Discount Rate of 7.50% 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) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits.).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57%; and the resulting single discount rate is 6.84%.

*Changes in the Net Pension Liability.*

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Position Liability</b>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
<b>Balances at December 31, 2014</b>	\$ <u>94,648</u>	\$ <u>61,069</u>	\$ <u>33,579</u>
<b>Changes for the year:</b>			
Service Cost	-	-	-
Interest on the Total Pension Liability	6,242	-	6,242
Difference between expected and actual experience of the Total Pension Liability	722	-	722
Changes in assumptions	( 96)	-	( 96)
Contributions – employer	-	3,308	3,308
Contributions – employee	-	-	-
Net investment income	-	297	297
Benefit payments, including refunds of employee contributions	( 6,522)	( 6,522)	-
Other (Net Transfers)	<u>-</u>	<u>4,319</u>	<u>4,319</u>
<b>Net Changes</b>	<u>346</u>	<u>1,402</u>	<u>( 1,056)</u>
<b>Balances at December 31, 2015</b>	\$ <u>94,994</u>	\$ <u>62,471</u>	\$ <u>32,523</u>

*Sensitivity of Net Pension Liability/(Asset) to the Single Discount Rate Assumption.*

	<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
	<u>6.46%</u>	<u>7.46%</u>	<u>8.46%</u>
Net Pension Liability/(Asset)	\$ 43,069	\$ 32,523	\$ 23,646

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – IMRF PLAN – SHERIFF'S LAW ENFORCEMENT PERSONNEL, (CONTINUED)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Difference between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	3,460	-
Changes in assumptions	<u>-</u>	<u>-</u>
Total	\$ <u>3,460</u>	\$ <u>-</u>

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

<u>Year Ending December 31</u>	<u>Net Deferred Outflows Of Resources</u>
2016	\$ 865
2017	865
2018	865
2019	865
2020	-
Thereafter	<u>-</u>
<b>Total</b>	<b>\$ <u>3,460</u></b>

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 12 – POLICE PENSION FUND**

*Plan Description:* The Police Pension Fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to police officers and their dependents. The plan issues an annual report to the Illinois Department of Insurance; however, they do not issue their own stand-alone financial statements. The City accounts for the plan as a pension trust fund. The fund is established and administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code. Plan members’ contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made formal commitment to provide the contributions.

*Benefits Provided:*

The Plan offers two tiers of benefits as well as early retirement, death and disability and termination benefits as outlined below:

**NORMAL RETIREMENT PENSION BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* Age 55 with at least 20 years of creditable service and no longer a police officer.

*Benefit:* 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service in excess of 20 years of service (not to exceed 75% of final salary). “Final salary” is the salary attached to rank held on the last day of services or for 1 year prior to the last day, whichever is greater.

*Annual Increase in Benefit:* An officer will receive an initial increase of 1/12 of 3% for each month that has elapsed since retirement. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount (including prior increases) will be provided in each January thereafter.

Hired On or After January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service and no longer a police officer.

*Benefit:* 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). “Final average salary” is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be January 1<sup>st</sup> following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

**EARLY RETIREMENT PENSION BENEFIT**

Hired Prior to January 1, 2011

None

Hired On or After January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service and no longer a police officer.

*Benefit:* The normal retirement pension benefit reduced by ½ of 1% for each month that the police officer's age is under age 55.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.

**PENSION TO SURVIVORS**

Hired Prior to January 1, 2011

Death – Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

Death – Non-Duty

*Current Pensioners (Including Disabled Pensioners):* Surviving spouse to receive continuation of the pension.

*Active Employee with 20+ Years of Service:* Surviving spouse is entitled to the full pension earned by the police officer at the time of death.

*Active Employee with 10-20 Years of Service:* Surviving spouse is entitled to 50% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

*Annual Increase in Benefit:* None.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

Hired On or After January 1, 2011

Death – Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

Death – Non-Duty

*Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of Service:* Surviving spouse to receive 66 ⅔% of the police officer's earned pension at the date of death.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's benefit amount.

**TERMINATION BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* At least 8 years but less than 20 years of creditable service.

*Benefit:* 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment.

*Annual Increase in Benefit:* An officer will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Hired On or After January 1, 2011

*Eligibility:* At least 10 years but less than 20 years of creditable service.

*Benefit:* 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the first payment. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit amount.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

**DISABILITY BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* Disability (duty or non-duty).

*Benefit:* A police officer who becomes disabled on duty is entitled to receive a pension equal to the greatest of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. “Final salary” is based on the pay rate for the police officer on the last day of service.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases will be the 3% of the original pension benefit amount.

Hired On or After January 1, 2011

*Eligibility:* Disability (duty or non-duty).

*Benefit:* A police officer who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. “Final salary” is based on the pay rate for the police officer on the last day of service.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit amount.

*Contributions:* Covered employees are required to contribute 9.991% of their base salary. The City’s annual contribution to the plan is provided by property tax levy. These taxes are required to be of an amount necessary to finance the plan as actuarially determined by an enrolled actuary. The current funding policy for the pension fund is to be 100% funded on an actuarial basis by year 2040.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

*Net Pension Liability.* The City’s net pension liability was measured as of April 30, 2016, and the total pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the April 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Economic Rates:**

Inflation	2.5%
Salary Increases	3.50% - 51.11%
Projected Increase in Total Payroll	3.25%
Discount Rate used for Total Pension Liability	5.57%
Long-Term Expected Rate of Return on Plan Assets	7.00%

Mortality rates were used based on the L&A 2016 Illinois Police Mortality Rates and the Retirement Rates were based on L&A 2016 Illinois Police Retirement Rates Capped at Age 60.

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis.

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 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. Long-term real rates of return are shown as the expected rate of return, net the assumed inflation rate.

The rates provided in the table below are based on the arithmetic average. The Investment Policy Statement will provide more detail regarding the Fund’s policies on asset allocation targets and acceptable ranges.

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap Equity	8.30%	2.50%	5.80%
US Mid Cap Equity	9.30%	2.50%	6.80%
US Small Cap Equity	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%
US Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Cash	3.00%	2.50%	0.50%
Global Real Estate - REITS	8.30%	2.50%	5.80%
Commodities - Long Only	4.90%	2.50%	2.40%

Long-term expected real returns 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.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

The expected inflation rate is 2.50% 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 the 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.

*Discount Rates.* The discount rates 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 pension will be able to cover benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investment 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 position liability associated with those payments.

*Changes in Net Pension Liability.* The table below illustrates the change in the Net Position Liability (NPL) from the prior Measurement Date to the current Measurement Date. Under Statement 68, the difference between the NPL from the prior measurement date to the current measurement date should be recognized as an expense, unless permitted to be recognized as a deferred outflow or inflow of resources.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
<b>Balances Beginning at 05/01/15</b>	<u>\$24,586,357</u>	<u>\$ 9,840,084</u>	<u>\$14,746,273</u>
<b>Changes for the year:</b>			
Service Cost	448,785	-	448,785
Interest on the Total Pension Liability	1,333,691	-	1,333,691
Difference between expected and actual experience of the Total Pension Liability	( 239,283)	-	( 239,283)
Change in assumptions	3,146,580	-	3,146,580
Contributions - Employer	-	616,437	616,437
Contributions - Employee	-	201,349	201,349
Net Investment Income	-	( 12,175)	( 12,175)
Benefit payments, including refunds of employee contributions	( 1,284,352)	( 1,284,352)	-
Other (Net Transfers)	-	921	921
<b>Net Changes</b>	<u>3,405,420</u>	<u>( 477,820)</u>	<u>3,883,240</u>
<b>Balances Beginning at 04/30/16</b>	<u>\$27,991,777</u>	<u>\$ 9,362,264</u>	<u>\$18,629,513</u>

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

*Sensitivity of the Discount Rate.* The Net Pension Liability has been determined using the discount rate listed in the assumption section. Below is a table illustrating the sensitivity of the Net Pension Liability to the discount rate assumption.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<u>4.57%</u>	<u>5.57%</u>	<u>6.57%</u>
Employer Net Pension Liability	\$23,089,370	\$18,629,513	\$15,061,106

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.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended April 30, 2016, the City recognized pension expense of \$559,890. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>Deferred Amounts to be Recognized in Pension Expense in Future Periods</b>		
Differences Between Expected and Actual Experience	\$ -	\$ 200,056
Changes of Assumptions	2,630,747	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	547,220	-
Contributions Subsequent to the Measurement Date *	<u>-</u>	<u>-</u>
Total	<u>\$ 3,177,967</u>	<u>\$ 200,056</u>

\* Contributions subsequent to the measurement date may be recognized as a reduction to the NPL. The amount is not known as of the date of this report. Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – POLICE PENSION FUND, (CONTINUED)**

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

<u>Year Ending</u> <u>April 30,</u>	<u>Net Deferred Outflows</u> <u>Of Resources</u>
2017	\$ 613,412
2018	613,412
2019	613,412
2020	613,408
2021	<u>476,606</u>
Thereafter	<u>\$2,977,911</u>

**NOTE 13 – FIREFIGHTERS' PENSION FUND**

*Plan Description:* The Firefighters' Pension Fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to firemen and their dependents. The plan issues an annual report to the Illinois Department of Insurance; however, they do not issue their own stand-alone financial statements. The City accounts for the plan as a pension trust fund. The fund is established and administered as prescribed by "Article 4. Firefighters' Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code. Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made formal commitment to provide the contributions.

*Benefits Provided:*

The Plan offers two tiers of benefits as well as early retirement, death and disability and termination benefits as outlined below:

**NORMAL RETIREMENT PENSION BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* Age 50 with at least 20 years of creditable service and no longer a firefighter.

*Benefit:* 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service (prorated monthly) in excess of 20 years of service (not to exceed 75% of final salary). "Final salary" is based on the pay rate for the firefighter at retirement.

*Annual Increase in Benefit:* A firefighter is entitled to an initial pension increase equal to 1/12 of 3% of the original monthly benefit for each full month that has passed since the pension began. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE 13 – FIREFIGHTERS' PENSION FUND**

Hired After January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service and no longer a firefighter.

*Benefit:* 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). "Final average salary" is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be January 1<sup>st</sup> following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

**EARLY RETIREMENT PENSION BENEFIT**

Hired Prior to January 1, 2011

None

Hired Prior to January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service and no longer a firefighter.

*Benefit:* The normal retirement pension benefit reduced by ½ of 1% for each month that the firefighter's age is under age 55.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

City of Lincoln, Illinois  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2016

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

**PENSION TO SURVIVORS**

Hired Prior to January 1, 2011

Death – Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death – Non-Duty

*Current Pensioners (Including Disabled Pensioners):* Surviving spouse to receive continuation of the pension at the time of death or 54% of pensionable salary at the time pension began, if greater.

*Active Employee with 20+ Years of Service:* Surviving spouse is entitled to the full pension earned by the firefighter at the time of death, or 54% of the pensionable salary at death if greater.

*Active Employee with 10-20 Years of Service:* Surviving spouse is entitled to 54% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

*Annual Increase in Benefit:* None.

Hired On or After January 1, 2011

Death – Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death – Non-Duty

*Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of Service:* Surviving spouse to receive 66 ⅔% of the firefighter's earned pension at the date of death.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's pension amount.

City of Lincoln, Illinois  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2016

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

**TERMINATION BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* At least 10 years but less than 20 years of creditable service.

*Benefit:* An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1.5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the pay rate for the firefighter on the date of separation.

*Annual Increase in Benefit:* A firefighter will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Hired On or After January 1, 2011

*Eligibility:* At least 10 years but less than 20 years of creditable service.

*Benefit:* An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1/5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the firefighter at termination of employment. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the first payment. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

City of Lincoln, Illinois  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2016

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

**DISABILITY BENEFIT**

Hired Prior to January 1, 2011

*Eligibility:* Disability (duty; or non-duty with 7 years of service).

*Benefit:* A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greatest of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. "Final salary" is based on the pay rate for the firefighter at retirement.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases are 3% of the original pension benefit amount.

Hired On or After January 1, 2011

*Eligibility:* Disability (duty; or non-duty with 7 years of service).

*Benefit:* A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. "Final salary" is based on the pay rate for the firefighter at last day of service.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

*Contributions:* Covered employees are required to contribute 9.455% of their base salary. The City's annual contribution to the plan is provided by property tax levy. These taxes are required to be of an amount necessary to finance the plan as actuarially determined by an enrolled actuary. The current funding policy for the pension fund is to be 100% funded on an actuarial basis by year 2040.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

*Net Pension Liability.* The City's net pension liability was measured as of April 30, 2016, and the total pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the April 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Economic Rates:**

Inflation	2.5%
Salary Increases	3.50% - 20.19%
Projected Increase in Total Payroll	3.25%
Discount Rate used for Total Pension Liability	4.73%
Long-Term Expected Rate of Return on Plan Assets	7.00%

Mortality rates were used based on the L&A 2016 Illinois Firefighters Mortality Rates and the Retirement Rates were based on L&A 2016 Illinois Firefighters Retirement Rates Capped at Age 62.

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis.

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 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. Long-term real rates of return are shown as the expected rate of return, net the assumed inflation rate.

The rates provided in the table below are based on the arithmetic average. The Investment Policy Statement will provide more detail regarding the Fund's policies on asset allocation targets and acceptable ranges.

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap Equity	8.30%	2.50%	5.80%
US Mid Cap Equity	9.30%	2.50%	6.80%
US Small Cap Equity	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%
US Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Cash	3.00%	2.50%	0.50%
Global Real Estate - REITS	8.30%	2.50%	5.80%
Commodities - Long Only	4.90%	2.50%	2.40%

Long-term expected real returns 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.

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

The expected inflation rate is 2.50% 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 the 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.

*Discount Rates.* The discount rates 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 pension will be able to cover benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investment 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 position liability associated with those payments.

*Changes in Net Pension Liability.* The table below illustrates the change in the Net Position Liability (NPL) from the prior Measurement Date to the current Measurement Date. Under Statement 68, the difference between the NPL from the prior measurement date to the current measurement date should be recognized as an expense, unless permitted to be recognized as a deferred outflow or inflow of resources.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
<b>Balances Beginning at 05/01/15</b>	<u>\$21,543,342</u>	<u>\$ 5,453,659</u>	<u>\$16,089,683</u>
<b>Changes for the year:</b>			
Service Cost	445,277	-	445,277
Interest on the Total Pension Liability	995,712	-	995,712
Difference between expected and actual experience of the Total Pension Liability	( 370,137)	-	( 370,137)
Change in assumptions	3,170,391	-	3,170,391
Contributions - Employer	-	609,350	609,350
Contributions - Employee	-	113,615	113,615
Net Investment Income	-	575,552	575,552
Benefit payments, including refunds of employee contributions	( 984,676)	( 984,676)	-
Other (Net Transfers)	-	<u>10,910</u>	<u>10,910</u>
<b>Net Changes</b>	<u>3,256,567</u>	<u>324,750</u>	<u>2,931,817</u>
<b>Balances Beginning at 04/30/16</b>	<u>\$24,799,909</u>	<u>\$ 5,778,409</u>	<u>\$19,021,500</u>

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

*Sensitivity of the Discount Rate.* The Net Pension Liability has been determined using the discount rate listed in the assumption section. Below is a table illustrating the sensitivity of the Net Pension Liability to the discount rate assumption.

	<u>1% Decrease 5.25%</u>	<u>Current Discount Rate 6.25%</u>	<u>1% Increase 7.25%</u>
Employer Net Pension Liability	\$22,960,546	\$19,021,500	\$15,851,030

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.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended April 30, 2016, the City recognized pension expense of \$559,890. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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:

**Deferred Amounts to be Recognized  
in Pension Expense in Future Periods**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 311,385
Changes of Assumptions	2,667,154	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	162,856
Contributions Subsequent to the Measurement Date *	-	-
<b>Total</b>	<b><u>\$ 2,667,154</u></b>	<b><u>\$ 474,241</u></b>

\* Contributions subsequent to the measurement date may be recognized as a reduction to the NPL. The amount is not known as of the date of this report. Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

City of Lincoln, Illinois  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – FIREFIGHTERS' PENSION FUND, (CONTINUED)**

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

<u>Year Ending</u> <u>April 30,</u>	<u>Net Deferred Outflows</u> <u>Of Resources</u>
2017	\$ 403,771
2018	403,771
2019	403,771
2020	403,771
2021	444,485
Thereafter	<u>133,344</u>
Total	<u>\$2,192,913</u>

**NOTE 14 – POST-RETIREMENT BENEFITS**

**PLAN DESCRIPTION**

In addition to providing pension benefits described, the City provides certain post-retirement benefits to full-time employees meeting certain requirements. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

**BENEFITS PROVIDED**

The following benefits are provided to newly retired full-time employees of the City of Lincoln:

20 years of service with the City and age 55 = City pays 50% of employee-only portion of health insurance.

20 years of service with the City and not reached age 55 = City pays the health insurance premium until age 55 reached, then 50% of the premium.

**MEMBERSHIP**

At May 1, 2015 (latest information available), membership consisted of:

Retirees and dependents currently receiving benefits	29
Active vested plan members	4
Active not fully eligible to retire	<u>54</u>
TOTAL	<u>87</u>
Participating employers	1

**FUNDING POLICY**

The City negotiates the contribution percentages between the City and employees through union and personnel policy. The City contributes the cost of providing the benefits to retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2016, the City contributed \$271,759.

City of Lincoln, Illinois  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 April 30, 2016

**NOTE 14 – POST-RETIREMENT BENEFITS, (CONTINUED)**

**ANNUAL OPEB COSTS AND NET OPEB OBLIGATION**

The City had an actuarial valuation performed for the plan as of May 1, 2015 to determine the Employer’s annual required contribution (ARC) for the fiscal year ended April 30, 2016. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2016 were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2016	<u>\$576,303</u>	<u>\$271,759</u>	<u>47%</u>	<u>\$611,296</u>

The net OPEB obligation (NOPEBO) at April 30, 2016 was calculated as follows:

Annual required contribution	\$581,773
Interest on net OPEB obligation	12,270
Adjustment to annual required contribution	( <u>17,739</u> )
 Annual OPEB Cost	 576,303
Contributions made	( <u>271,759</u> )
 Change in net OPEB obligation	 304,544
Net OPEB obligation beginning of year	<u>306,752</u>
 NET OPEB OBLIGATION END OF YEAR	 <u>\$611,296</u>

*Funded Status and Funding Progress.* The funded status of the plan as of May 1, 2013 (latest information available), was as follows:

Actuarial accrued liability (AAL)	\$4,867,764
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$4,867,764
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$3,334,750
UAAL as a percentage of covered payroll	146%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Lincoln, Illinois  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2016

**NOTE 14 – POST-RETIREMENT BENEFITS, (CONTINUED)**

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2015 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual healthcare cost trend rate of 4.9% - 8.3% with an ultimate healthcare inflation rate of 3.0%. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2016, was 30 years.

**NOTE 15 – DEFERRED COMPENSATION PAYABLE**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solution, Inc. and VALIC. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and other beneficiaries. As a result, the deferred compensation investments are not reported in the City's financial statements as an agency fund.

**NOTE 16 – INSURANCE AND RISK MANAGEMENT**

The City is self-insured for unemployment compensation. The City reimburses the State for unemployment compensation claims paid to former employees.

The City is also exposed to various risks including but not limited to losses from workers' compensation, general liability and property damage. Such risks are managed through the purchase of insurance contracts.

Payments are made from the Liability Insurance fund to provide the payment of workers' compensation insurance, liability insurance and auto insurance.

Settled claims have not exceeded coverage in any of the past three fiscal years.

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

As of April 30, 2016, the City has matters of pending litigation which are being handled by the City's liability insurance carrier through legal counsel designated by them. In addition, there are also pending workman's compensation claims against the City, all of which are being handled by the City's workman's compensation insurance carrier or legal counsel designated by them.

Pursuant to the four collective bargaining agreements the City has with various bargaining units, the City does have an ongoing responsibility to provide individual health insurance coverage to retired members. The liability of these post-retirement benefits has not been determined at this time.

City of Lincoln, Illinois  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR**  
 Required Supplemental Information  
 April 30, 2016

**Last 10 Calendar Years**  
 (schedule to be built prospectively from 2014)

<u>Calendar year ending December 31,</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Total Pension Liability</b>										
Service Cost	\$ 80,584	\$ 83,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the Total Pension Liability	652,112	643,790	-	-	-	-	-	-	-	-
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	( 31,278)	( 350,257)	-	-	-	-	-	-	-	-
Assumption Changes	16,361	332,223	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 609,135)	( 584,258)	-	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	108,644	124,692	-	-	-	-	-	-	-	-
<b>Total Pension Liability - Beginning</b>	<u>8,959,097</u>	<u>8,834,405</u>	-	-	-	-	-	-	-	-
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 9,067,741</u>	<u>\$ 8,959,097</u>	<u>\$ -</u>							
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 118,302	\$ 189,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Contributions	34,862	32,799	-	-	-	-	-	-	-	-
Pension Plan Net Investment Income	42,796	530,500	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 609,135)	( 584,258)	-	-	-	-	-	-	-	-
Other	60,572	259,094	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	( 352,603)	( 90,470)	-	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,787,184</u>	<u>8,877,654</u>	-	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,434,581</u>	<u>\$ 8,787,184</u>	<u>\$ -</u>							
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u>\$ 633,160</u>	<u>\$ 171,913</u>	<u>\$ -</u>							
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	93.02%	98.08%								
<b>Covered Valuation Payroll</b>	\$ 774,725	\$ 790,725								
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	81.73%	21.74%								

City of Lincoln, Illinois  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
 ILLINOIS MUNICIPAL RETIREMENT FUND – SHERIFF’S LAW ENFORCEMENT PERSONNEL  
 Required Supplemental Information  
 April 30, 2016

**Last 10 Calendar Years**  
 (schedule to be built prospectively from 2014)

Calendar year ending December 31.	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability</b>										
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the Total Pension Liability	6,242	6,073	-	-	-	-	-	-	-	-
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	722	319	-	-	-	-	-	-	-	-
Assumption Changes	( 96)	4,949	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 6,522)	( 6,166)	-	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	346	5,175	-	-	-	-	-	-	-	-
<b>Total Pension Liability - Beginning</b>	<u>94,648</u>	<u>89,473</u>	-	-	-	-	-	-	-	-
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 94,994</u>	<u>\$ 94,648</u>	<u>\$ -</u>							
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 3,308	\$ 3,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Contributions	-	-	-	-	-	-	-	-	-	-
Pension Plan Net Investment Income	297	3,579	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 6,522)	( 6,166)	-	-	-	-	-	-	-	-
Other	4,319	239	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	1,402	986	-	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Beginning</b>	<u>61,069</u>	<u>60,083</u>	-	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 62,471</u>	<u>\$ 61,069</u>	<u>\$ -</u>							
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u>\$ 32,523</u>	<u>\$ 33,579</u>	<u>\$ -</u>							
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	65.76%	64.52%	-	-	-	-	-	-	-	-
<b>Covered Valuation Payroll</b>	\$ -	\$ -	-	-	-	-	-	-	-	-
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	0.00%	0.00%	-	-	-	-	-	-	-	-

City of Lincoln, Illinois  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**POLICE PENSION FUND**  
 Required Supplemental Information  
 April 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Total Pension Liability</b>										
Service Cost	\$ 448,785	\$ 449,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,333,691	1,330,894	-	-	-	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	( 239,283)	-	-	-	-	-	-	-	-	-
Changes in Assumptions	3,146,580	-	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 1,284,352)	( 1,168,469)	-	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>3,405,420</b>	<b>612,061</b>	<b>-</b>							
<b>Total Pension Liability - Beginning</b>	<b><u>24,586,357</u></b>	<b><u>23,974,296</u></b>	<b><u>-</u></b>							
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$27,991,777</u></b>	<b><u>\$24,586,357</u></b>	<b><u>\$ -</u></b>							
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 616,437	\$ 639,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	201,349	152,714	-	-	-	-	-	-	-	-
Net Investment Income	( 12,175)	674,457	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 1,284,352)	( 1,168,469)	-	-	-	-	-	-	-	-
Administrative Expense	( 17,857)	( 16,340)	-	-	-	-	-	-	-	-
Other	18,778	( 3,408)	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>( 477,820)</b>	<b>278,883</b>	<b>-</b>							
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>9,840,084</u></b>	<b><u>9,561,201</u></b>	<b><u>-</u></b>							
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 9,362,264</u></b>	<b><u>\$ 9,840,084</u></b>	<b><u>\$ -</u></b>							
<b>Employer Net Pension Liability - Ending (a) - (b)</b>	<b><u>\$18,629,513</u></b>	<b><u>\$14,746,273</u></b>	<b><u>\$ -</u></b>							

The current year information was developed in the completion of this report.

City of Lincoln, Illinois  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**FIREFIGHTERS' PENSION FUND**  
 Required Supplemental Information  
 April 30, 2016

Schedule 4

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Total Pension Liability</b>										
Service Cost	\$ 445,277	\$ 448,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	995,712	1,019,569	-	-	-	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	( 370,137)	-	-	-	-	-	-	-	-	-
Changes in Assumptions	3,170,391	-	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 984,676)	( 960,397)	-	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>3,256,567</b>	<b>507,317</b>	<b>-</b>							
<b>Total Pension Liability - Beginning</b>	<b><u>21,543,342</u></b>	<b><u>21,036,025</u></b>	<b><u>-</u></b>							
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$24,799,909</u></b>	<b><u>\$21,543,342</u></b>	<b><u>\$ -</u></b>							
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 609,350	\$ 616,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	113,615	106,025	-	-	-	-	-	-	-	-
Net Investment Income	575,552	24,668	-	-	-	-	-	-	-	-
Benefit Payments and Refunds	( 984,676)	( 960,397)	-	-	-	-	-	-	-	-
Administrative Expense	( 17,565)	( 14,589)	-	-	-	-	-	-	-	-
Other	28,475	1,021	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>324,750</b>	<b>( 227,081)</b>	<b>-</b>							
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>5,453,659</u></b>	<b><u>5,680,740</u></b>	<b><u>-</u></b>							
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><u>\$ 5,778,409</u></b>	<b><u>\$ 5,453,659</u></b>	<b><u>\$ -</u></b>							
<b>Employer Net Pension Liability - Ending (a) - (b)</b>	<b><u>\$19,021,500</u></b>	<b><u>\$16,089,683</u></b>	<b><u>\$ -</u></b>							

The current year information was developed in the completion of this report.

City of Lincoln, Illinois  
**SCHEDULE OF FUNDING PROGRESS**  
 Required Supplemental Information  
 Other Post-Employment Benefits Plan

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) —Entry Age (b)</b>	<b>AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
04/30/16	N/A	4,867,764	4,867,764	0.00%	3,334,750	146%
04/30/15	N/A	4,867,764	4,867,764	0.00%	3,334,750	146%

N/A Information is not available as an actuarial valuation was not performed.

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2015.  
 Information for prior years is not available.

City of Lincoln, Illinois  
**SCHEDULE OF CONTRIBUTIONS AND NOTES TO THE SCHEDULE**  
**ILLINOIS MUNICIPAL RETIREMENT FUND - REGULAR**  
 Required Supplemental Information  
 April 30, 2016

<u>Calendar year ending December 31,</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contribution *	\$ 114,737	\$ 205,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	<u>118,302</u>	<u>189,583</u>	<u>-</u>							
Contribution Deficiency (Excess)	(\$ <u>3,565</u> )	\$ <u>16,085</u>	<u>\$ -</u>							
Covered-Employee Payroll	\$ <u>774,725</u>	\$ <u>790,725</u>	<u>\$ -</u>							
Contributions as a Percentage of Covered-Employee Payroll	15.27%	23.98%								

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

\* *Estimated based on contribution rate of 14.81% and covered valuation payroll of \$774,725.*

*This number should be verified by the auditor.*

City of Lincoln, Illinois  
**SCHEDULE OF CONTRIBUTIONS AND NOTES TO THE SCHEDULE**  
**ILLINOIS MUNICIPAL RETIREMENT FUND – SHERIFF’S LAW ENFORCEMENT PERSONNEL**  
 Required Supplemental Information  
 April 30, 2016

<u>Calendar year ending December 31,</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contribution *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	<u>3,308</u>	<u>3,334</u>	<u>-</u>							
Contribution Deficiency (Excess)	<u>(\$ 3,308)</u>	<u>(\$ 3,334)</u>	<u>\$ -</u>							
Covered-Employee Payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%								

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

\* Estimated based on contribution rate of 13.69% and covered valuation payroll of \$0.

*This number should be verified by the auditor.*

City of Lincoln, Illinois  
**SCHEDULE OF CONTRIBUTIONS**  
 POLICE PENSION FUND  
 Required Supplemental Information  
 April 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially Determined Contribution	\$ 738,719	\$ 696,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	<u>616,437</u>	<u>639,929</u>	<u>-</u>							
Contribution Deficiency (Excess)	\$ <u>122,282</u>	\$ <u>56,716</u>	\$ <u>-</u>							
Covered-Employee Payroll	\$ 1,531,652	\$ 1,525,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	40.2%	41.9%								

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December, 2014 tax levy.

City of Lincoln, Illinois  
**SCHEDULE OF CONTRIBUTIONS**  
**FIREFIGHTERS' PENSION FUND**  
 Required Supplemental Information  
 April 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially Determined Contribution	\$ 785,722	\$ 788,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	<u>609,350</u>	<u>616,191</u>	<u>-</u>							
Contribution Deficiency (Excess)	<u>\$ 176,372</u>	<u>\$ 172,320</u>	<u>\$ -</u>							
Covered-Employee Payroll	<u>\$ 1,135,729</u>	<u>\$ 1,055,924</u>	<u>\$ -</u>							
Contributions as a Percentage of Covered-Employee Payroll	53.7%	58.4%								

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December, 2014 tax levy.

City of Lincoln, Illinois  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
 Required Supplemental Information  
 Other Post-Employment Benefits Plan

<u>Fiscal Year Ending</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$271,759	\$581,773	47%	\$611,296
2015	\$252,645	\$559,397	45%	\$306,752

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2015.  
 Information for prior years is not available.

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

Schedule 11

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>REVENUES:</b>		
Taxes:		
Property taxes .....	\$1,601,102	\$ 705,043
Income taxes .....	1,330,000	1,483,568
Sales and use taxes .....	3,050,000	3,759,214
Telecommunications tax.....	342,000	356,817
Replacement taxes .....	282,760	152,098
Road and bridge taxes .....	75,600	71,928
Utility taxes.....	930,000	594,764
Video gaming taxes .....	110,000	180,871
Other taxes .....	2,000	1,723
Fire tax.....	-	20,038
 Total taxes.....	 <u>7,723,462</u>	 <u>7,326,064</u>
 Charges for Services:		
Franchise fees .....	178,840	181,929
Fire protection reimbursement .....	4,400	-
SRO contributions .....	25,573	33,077
Administrative fees.....	50,000	40,000
Birth and death certificates.....	16,250	14,976
Licenses and permits .....	<u>108,130</u>	<u>130,575</u>
 Total charges for services .....	 <u>383,193</u>	 <u>400,557</u>
 Fines and Forfeitures:		
Traffic fines .....	75,000	98,747
Other fines .....	<u>27,084</u>	<u>40,470</u>
 Total fines and forfeitures.....	 <u>102,084</u>	 <u>139,217</u>
 Miscellaneous:		
Miscellaneous .....	900	7,219
Donations.....	-	32,981
Refunds and reimbursements .....	<u>990,000</u>	<u>250,260</u>
 Total miscellaneous .....	 <u>990,900</u>	 <u>290,460</u>

(continued)

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

Schedule 11

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>REVENUES (Continued):</b>		
Interest Income .....	\$ <u>6,500</u>	\$ <u>6,489</u>
Other Financing Sources:		
Grant Proceeds.....	-	39,848
Transfers In.....	<u>-</u>	<u>16,734</u>
Grant Proceeds.....	<u>-</u>	<u>56,582</u>
<b>TOTAL REVENUES.....</b>	<b><u>9,206,139</u></b>	<b><u>8,219,369</u></b>
<b>EXPENDITURES:</b>		
<u>Public Safety:</u>		
Fire Department:		
Personnel services.....	1,251,914	1,241,181
Supplies.....	35,450	50,436
Repairs and maintenance .....	51,700	45,161
Contractual services.....	3,700	2,710
Other services and charges .....	<u>19,400</u>	<u>19,580</u>
Total Fire Department.....	<u>1,362,164</u>	<u>1,359,068</u>
Police Department:		
Personnel services.....	1,659,854	1,621,948
Supplies.....	78,655	119,543
Repairs and maintenance .....	34,500	32,274
Contractual services.....	26,000	22,251
Other services and charges .....	69,245	49,783
Capital outlay.....	<u>-</u>	<u>12,271</u>
Total Police Department .....	<u>1,868,254</u>	<u>1,858,070</u>
ESDA:		
Repairs and maintenance .....	<u>5,000</u>	<u>1,947</u>
Crossing Guard:		
Personnel services.....	<u>7,000</u>	<u>950</u>
Public Benefits:		
Animal control contract .....	<u>40,200</u>	<u>40,240</u>
Total Public Safety.....	<u>3,282,618</u>	<u>3,260,275</u>

(continued)

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

Schedule 11

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>EXPENDITURES (Continued):</b>		
<u>Public Works:</u>		
<u>Zoning:</u>		
Personnel services.....	\$ 104,354	\$ 101,467
Supplies.....	3,165	2,613
Repairs and maintenance .....	1,135	1,130
Other services and charges .....	<u>37,585</u>	<u>34,568</u>
Total Zoning.....	<u>146,239</u>	<u>139,778</u>
 <u>Public Grounds and Buildings:</u>		
Supplies.....	500	461
Repairs and maintenance .....	6,500	6,842
Contractual services.....	53,180	52,515
Utilities.....	4,700	6,462
Other services and charges .....	<u>100</u>	<u>-</u>
Total Public Grounds and Buildings.....	<u>64,980</u>	<u>66,280</u>
 <u>Streets and Alleys:</u>		
Personnel services.....	273,775	337,304
Supplies.....	108,140	67,658
Repairs and maintenance .....	42,000	40,525
Contractual services.....	35,500	30,154
Other services and charges .....	<u>13,040</u>	<u>5,120</u>
Total Streets and Alleys .....	<u>472,455</u>	<u>480,761</u>
 <u>Forestry Fund:</u>		
Personnel services.....	36,694	33,841
Supplies.....	1,000	-
Repairs and maintenance .....	4,500	33,725
Other services and charges .....	<u>14,000</u>	<u>7,500</u>
Total Forestry Fund.....	<u>56,194</u>	<u>75,066</u>
Total Public Works .....	<u>739,868</u>	<u>761,885</u>

(continued)

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>EXPENDITURES (Continued):</b>		
<u>General Government:</u>		
City Clerk's Office:		
Personnel services.....	\$ 79,245	\$ 77,299
Supplies.....	8,500	6,867
Repairs and maintenance.....	2,500	-
Contractual services.....	12,500	-
Other services and charges .....	<u>16,800</u>	<u>18,499</u>
Total City Clerk's Office.....	<u>119,545</u>	<u>102,665</u>
City Administrator:		
Personnel services.....	75,000	69,823
Supplies.....	600	572
Other services and charges .....	<u>19,325</u>	<u>13,192</u>
Total City Administrator's Office.....	<u>94,925</u>	<u>83,587</u>
Merit Commission:		
Personnel services.....	1,800	1,140
Other services and charges .....	<u>5,500</u>	<u>5,500</u>
Total Merit Commission.....	<u>7,300</u>	<u>6,640</u>
Mayor's Office:		
Personnel services.....	55,060	51,061
Supplies.....	500	156
Other services and charges .....	<u>48,523</u>	<u>43,386</u>
Total Mayor's Office.....	<u>104,083</u>	<u>94,603</u>
Audit:		
Audit fee.....	<u>21,750</u>	<u>26,400</u>
Legal:		
Contractual services.....	<u>106,200</u>	<u>85,586</u>

(continued)

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

Schedule 11

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>EXPENDITURES (Continued):</b>		
<u>General Government (Continued):</u>		
Contingent:		
Unemployment .....	\$ 8,573	\$ -
Contractual services.....	233,693	236,987
Special project expenditures .....	58,016	50,650
Sales tax rebates.....	50,000	25,000
Other services and charges .....	<u>8,717</u>	<u>3,303</u>
Total Contingent .....	<u>358,999</u>	<u>315,940</u>
Engineering:		
Contractual services.....	<u>5,000</u>	<u>2,825</u>
IMRF:		
Social security contribution .....	110,000	104,990
IMRF contribution .....	<u>205,000</u>	<u>112,690</u>
Total IMRF .....	<u>315,000</u>	<u>217,680</u>
Insurance:		
Health Insurance .....	493,270	453,126
Health Insurance - Retirees.....	159,995	159,993
Health Insurance - COBRA.....	-	19,528
Injured officer premium.....	19,530	-
Dental Insurance.....	37,874	37,870
Life Insurance .....	2,106	2,104
H.S.A. ....	<u>54,250</u>	<u>52,380</u>
Total Insurance.....	<u>767,025</u>	<u>725,001</u>
Liability Insurance:		
Vehicle insurance.....	37,215	37,215
Liability insurance .....	60,132	64,910
Workers compensation .....	301,108	301,108
Property insurance .....	30,564	30,564
Compensable Claims .....	<u>5,000</u>	<u>5,000</u>
Total Liability Insurance.....	<u>434,019</u>	<u>438,797</u>
Lincoln Industrial Commission:		
Other services and charges .....	<u>124,975</u>	<u>126,447</u>
Total General Government .....	<u>2,458,821</u>	<u>2,226,171</u>

(continued)

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**GENERAL FUND**  
For the Year Ended April 30, 2016

Schedule 11

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>EXPENDITURES (Continued):</b>		
<u>Capital Projects:</u>		
Capital Outlay.....		\$ 344,798
Other Services and Charges.....		<u>283,692</u>
<b>Total Capital Projects.....</b>	<b>\$ 1,937,500</b>	<b><u>628,490</u></b>
<u>Other Financing Uses</u>		
Transfer to TIF.....	290,000	108,209
Transfer to Library Parking Lot.....	250,000	-
Transfer to Sewer.....	100,000	-
Transfer to Police Pension.....	624,478	-
Transfer to Fire Pension.....	608,297	-
Transfer to Motor Fuel Tax.....	<u>70,000</u>	<u>-</u>
<b>Total Other Financing Uses.....</b>	<b><u>1,942,775</u></b>	<b><u>108,209</u></b>
<b>TOTAL EXPENDITURES.....</b>	<b><u>10,361,582</u></b>	<b><u>6,985,030</u></b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(\$ <u>1,155,443</u>)</b>	<b>1,234,339</b>
<b>BEGINNING FUND BALANCE.....</b>		<b><u>2,985,030</u></b>
<b>ENDING FUND BALANCE.....</b>		<b><u>\$ 4,219,369</u></b>

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**MAJOR GOVERNMENTAL FUND**  
**MOTOR FUEL TAX FUND**  
For the Year Ended April 30, 2016

Schedule 12

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>REVENUES:</b>		
Motor fuel taxes.....	\$ 366,100	\$ 370,996
Interest income .....	<u>1,100</u>	<u>959</u>
<b>TOTAL REVENUES</b> .....	<u>367,200</u>	<u>371,955</u>
<b>EXPENDITURES:</b>		
<u>Public Works:</u>		
Personnel services.....	107,830	83,578
Supplies.....	88,500	68,546
Curb/Gutter/Sidewalks .....	175,000	-
Equipment rental.....	150,000	108,729
Repairs & Maintenance.....	15,500	11,019
Traffic signals .....	24,500	24,482
Fifth Street road project.....	250,000	120,062
Street lights.....	98,500	98,472
Closure of Pekin Street.....	<u>70,000</u>	-
<b>TOTAL EXPENDITURES</b> .....	<u>979,830</u>	<u>514,888</u>
<u>Other Financing Sources (Uses)</u>		
Union Pacific Incentive .....	<u>70,000</u>	-
<b>NET CHANGE IN FUND BALANCE</b> .....	(\$ <u>542,630</u> )	( 142,933)
<b>BEGINNING FUND BALANCE</b> .....		<u>723,823</u>
<b>ENDING FUND BALANCE</b> .....		<u>\$ 580,890</u>

City of Lincoln, Illinois  
**BUDGETARY COMPARISON SCHEDULES**  
**MAJOR GOVERNMENTAL FUND**  
**TIF FUND**  
For the Year Ended April 30, 2016

Schedule 13

	<u>Original/Final Budgeted Amounts</u>	<u>Current Year Actual</u>
<b>REVENUES:</b>		
Property taxes .....	\$ 12,000	\$ 23,182
Interest income .....	<u>1,000</u>	<u>192</u>
<b>TOTAL REVENUES</b> .....	<u>13,000</u>	<u>23,374</u>
<b>EXPENDITURES:</b>		
<u>Economic Development:</u>		
Supplies.....	25	-
Contractual.....	250	-
Legal Fees.....	5,000	337
TIF Grants.....	1,137,476	797,855
Sidewalks.....	300,000	300,000
Fifth Street Road Project .....	<u>25</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b> .....	<u>1,442,776</u>	<u>1,098,192</u>
<u>Other Financing Sources (Uses)</u>		
Bond interest.....	( 108,209)	( 108,209)
Bond services.....	( 250)	( 500)
Transfer in.....	<u>-</u>	<u>108,209</u>
Total Other Financing Sources (Uses) .....	( <u>108,459</u> )	( <u>500</u> )
<b>NET CHANGE IN FUND BALANCE</b> .....	( <u>\$1,538,235</u> )	( 1,075,318)
<b>BEGINNING FUND BALANCE</b> .....		<u>1,104,478</u>
<b>ENDING FUND BALANCE</b> .....		<u>\$ 29,160</u>

City of Lincoln, Illinois  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
For the Fiscal Year Ended April 30, 2016

Budgetary Accounting

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

1. In April of each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.
7. The budget is prepared on the cash basis of accounting.

City of Lincoln, Illinois  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 April 30, 2016

	<u>Special Revenue Funds</u>							<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Total</u>
	<u>Library Parking Lot</u>	<u>Forestry</u>	<u>New City Street Garage</u>	<u>Public Benefits</u>	<u>Revolving Loan</u>	<u>DCEO Grant</u>	<u>Hotel/Motel Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Equipment Rentals</u>	
<b>ASSETS</b>											
<b>Assets</b>											
Cash and cash equivalents.....	\$ 5,875	\$ -	\$ 34,099	\$ -	\$ 261,257	\$ -	\$ 28,602	\$ -	\$ 212,522	\$ 385,004	\$ 927,359
Restricted cash.....	-	-	-	-	-	-	-	17,625	-	-	17,625
Taxes receivable.....	-	-	-	-	-	-	-	181,200	-	-	181,200
<b>TOTAL ASSETS.....</b>	<b><u>\$ 5,875</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 34,099</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 261,257</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,602</u></b>	<b><u>\$ 198,825</u></b>	<b><u>\$ 212,522</u></b>	<b><u>\$ 385,004</u></b>	<b><u>\$1,126,184</u></b>
<b>Liabilities and Fund Balances</b>											
<b>LIABILITIES</b>											
Deferred revenue.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,200	\$ -	\$ -	\$ 181,200
Accounts payable.....	-	-	-	-	-	-	28,581	-	-	-	28,581
Total Liabilities.....	-	-	-	-	-	-	28,581	181,200	-	-	209,781
<b>FUND BALANCES</b>											
Restricted for:											
Special Projects.....	5,875	-	34,099	-	261,257	-	21	-	212,522	385,004	898,778
Debt Service.....	-	-	-	-	-	-	-	17,625	-	-	17,625
Total Fund Balances.....	<u>5,875</u>	<u>-</u>	<u>34,099</u>	<u>-</u>	<u>261,257</u>	<u>-</u>	<u>21</u>	<u>17,625</u>	<u>212,522</u>	<u>385,004</u>	<u>916,403</u>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 5,875</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 34,099</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 261,257</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,602</u></b>	<b><u>\$ 198,825</u></b>	<b><u>\$ 212,522</u></b>	<b><u>\$ 385,004</u></b>	<b><u>\$1,126,184</u></b>

City of Lincoln, Illinois  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
For the Year Ended April 30, 2016

	<u>Special Revenue Funds</u>							<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Total</u>
	<u>Library Parking Lot</u>	<u>Forestry</u>	<u>New City Street Garage</u>	<u>Public Benefits</u>	<u>Revolving Loan</u>	<u>DCEO Grant</u>	<u>Hotel/Motel Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Equipment Rentals</u>	
<b>REVENUES:</b>											
Taxes:											
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,634	\$ -	\$ -	\$ 176,634
Hotel/motel taxes.....	-	-	-	-	-	-	183,416	-	-	-	183,416
Charges for services.....	-	-	-	-	-	-	-	-	-	162,135	162,135
Interest income.....	11	-	104	-	494	-	10	122	-	907	1,648
<b>TOTAL REVENUES.....</b>	<b>11</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>494</b>	<b>-</b>	<b>183,426</b>	<b>176,756</b>	<b>-</b>	<b>163,042</b>	<b>523,833</b>
<b>EXPENDITURES:</b>											
General government.....	-	-	-	-	-	-	183,416	500	-	36,127	220,043
Public works/streets.....	-	-	-	-	-	-	-	-	71,987	-	71,987
Economic Development.....	-	-	-	-	-	11	-	-	-	-	11
Capital Outlay.....	26,000	-	245,687	-	-	-	-	-	-	191,456	463,143
Debt Service:											
Principal.....	-	-	-	-	-	-	-	171,000	-	47,811	218,811
Interest.....	-	-	-	-	-	-	-	10,020	-	1,908	11,928
<b>TOTAL EXPENDITURES.....</b>	<b>26,000</b>	<b>-</b>	<b>245,687</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>183,416</b>	<b>181,520</b>	<b>71,987</b>	<b>277,302</b>	<b>985,923</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>( 25,989)</b>	<b>-</b>	<b>( 245,583)</b>	<b>-</b>	<b>494</b>	<b>( 11)</b>	<b>10</b>	<b>( 4,764)</b>	<b>( 71,987)</b>	<b>( 114,260)</b>	<b>( 462,090)</b>
<b>OTHER FINANCING SOURCES (USES)</b>											
State of Illinois – Grant Proceeds.....	4,347	-	-	-	-	-	-	-	-	-	4,347
Loan proceeds.....	-	-	-	-	-	-	-	-	-	216,980	216,980
Transfer to other funds.....	-	( 8,633)	-	( 8,101)	-	-	-	-	-	-	( 16,734)
Total Other Financing Sources (Uses).....	4,347	( 8,633)	-	( 8,101)	-	-	-	-	-	216,980	204,593
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>( 21,642)</b>	<b>( 8,633)</b>	<b>( 245,583)</b>	<b>( 8,101)</b>	<b>494</b>	<b>( 11)</b>	<b>10</b>	<b>( 4,764)</b>	<b>( 71,987)</b>	<b>102,720</b>	<b>( 257,497)</b>
FUND BALANCES – BEGINNING.....	27,517	8,633	279,682	8,101	260,763	11	11	22,389	284,509	282,284	1,173,900
FUND BALANCES – ENDING.....	<u>\$ 5,875</u>	<u>\$ -</u>	<u>\$ 34,099</u>	<u>\$ -</u>	<u>\$ 261,257</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 17,625</u>	<u>\$ 212,522</u>	<u>\$ 385,004</u>	<u>\$ 916,403</u>

City of Lincoln, Illinois  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**SEWER FUND**  
 April 30, 2016 and 2015

Schedule 16

	<u>Current Year Total</u>	<u>Prior Year Total</u>
<u>Assets</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents.....	\$ 534,953	\$ 416,717
Restricted cash and cash equivalents.....	272,505	272,505
Accounts receivable.....	717,719	348,190
Prepaid expenses.....	<u>3,560</u>	<u>7,053</u>
<b>Total Current Assets</b> .....	<u>1,528,737</u>	<u>1,044,465</u>
<b>CAPITAL ASSETS</b>		
Sewerage system .....	16,062,701	15,955,156
Less: Accumulated depreciation .....	( 8,785,156)	( 8,347,334)
<b>Net Capital Assets</b> .....	<u>7,277,545</u>	<u>7,607,822</u>
<b>TOTAL ASSETS</b> .....	<u>8,806,282</u>	<u>8,652,287</u>
<u>Liabilities and Net Position</u>		
<b>CURRENT LIABILITIES</b>		
Notes and bonds payable – current portion.....	<u>535,000</u>	<u>525,000</u>
<b>LONG-TERM LIABILITIES</b>		
Notes and bonds payable (less current portion) .....	3,915,000	4,450,000
Bond premium .....	<u>86,602</u>	<u>97,427</u>
<b>Total Long-Term Liabilities</b> .....	<u>4,001,602</u>	<u>4,547,427</u>
<b>TOTAL LIABILITIES</b> .....	<u>4,536,602</u>	<u>5,072,427</u>
<b>NET POSITION</b>		
Net investment in capital assets.....	2,740,943	2,535,395
Restricted .....	1,149,892	1,149,892
Unrestricted.....	<u>378,845</u>	( 105,427)
<b>TOTAL NET POSITION</b> .....	<u>\$ 4,269,680</u>	<u>\$ 3,579,860</u>

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

City of Lincoln, Illinois  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 SEWER FUND**

Schedule 17

For the Years Ended April 30, 2016 and 2015

	<u>Current Year Total</u>	<u>Prior Year Total</u>
<b>OPERATING REVENUES</b>		
Charges for services.....	\$ 3,031,311	\$ 2,889,050
Other income .....	<u>9,087</u>	<u>68,451</u>
 Total Operating Revenues .....	 <u>3,040,398</u>	 <u>2,957,501</u>
<b>OPERATING EXPENSES</b>		
Personnel service .....	74,448	70,639
Contractual maintenance .....	1,310,762	1,364,677
Supplies and materials .....	24,829	20,724
Other fees and charges.....	25,376	67,902
Depreciation.....	437,822	432,719
Repairs and maintenance .....	104,334	46,510
Office supplies .....	1,956	4,239
Postage.....	15,880	12,421
Telephone .....	826	942
Insurance.....	6,963	22,000
Facility utilities .....	<u>243,068</u>	<u>219,952</u>
 Total Operating Expenses.....	 <u>2,246,264</u>	 <u>2,262,725</u>
 Net Operating Income .....	 <u>794,134</u>	 <u>694,776</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income .....	986	943
Interest (expense).....	( 105,300)	( 110,713)
Operating transfers in .....	641,875	642,066
Operating transfers (out).....	<u>( 641,875)</u>	<u>( 642,066)</u>
 Total Nonoperating Revenues (Expenses) .....	 <u>( 104,314)</u>	 <u>( 109,770)</u>
 <b>NET CHANGE IN NET POSITION .....</b>	 <b>689,820</b>	 <b>585,006</b>
 <b>NET POSITION - BEGINNING .....</b>	 <u>3,579,860</u>	 <u>2,994,854</u>
 <b>NET POSITION - ENDING.....</b>	 <b><u>\$ 4,269,680</u></b>	 <b><u>\$ 3,579,860</u></b>

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

City of Lincoln, Illinois  
**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,  
EXTENSIONS AND COLLECTIONS**  
For The Year Ended April 30, 2016

Schedule 18

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
<b>ASSESSED VALUATION.....</b>	<b><u>\$149,091,862</u></b>	<b><u>\$144,526,475</u></b>	<b><u>\$145,467,019</u></b>
<b>TAX RATES</b>			
General.....	.03524	.03635	.03813
Police protection.....	.04012	.04139	.04341
Fire Protection.....	.08445	.08712	.09138
Forestry.....	.03267	.03370	.03535
Firemen's pension.....	.28467	.28871	.30285
Firemen's spouse pension.....	.00052	.00054	.00056
Policemen's pension.....	.31532	.32123	.33696
I.M.R.F.....	.09190	.09480	.09944
Emergency service.....	.00273	.00282	.00295
Public benefit.....	.03154	.03253	.03412
Liability insurance.....	.08501	.08770	.09199
Audit.....	.01172	.01209	.01268
Bonds.....	.11208	.12348	.12930
School crossing guard.....	.00443	.00457	.00509
Social Security.....	<u>.06038</u>	<u>.06228</u>	<u>.06533</u>
 Total.....	 <u>1.19278</u>	 <u>1.22931</u>	 <u>1.28954</u>

(continued)

**SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,  
EXTENSIONS AND COLLECTIONS**  
For The Year Ended April 30, 2016

	2015	2014	2013
	<u>Extended</u>	<u>Extended</u>	<u>Extended</u>
<b>TAX EXTENSIONS</b>			
General .....	\$ 52,540	\$ 52,535	\$ 52,535
Police protection .....	59,816	59,820	59,809
Fire Protection.....	125,908	125,911	125,902
Forestry .....	48,708	48,705	48,705
Firemen's pension .....	424,420	417,262	417,261
Firemen's spouse pension .....	775	780	772
Policemen's pension.....	470,116	464,262	464,257
I.M.R.F.....	137,015	137,011	137,006
Emergency service.....	4,070	4,076	4,064
Public benefit .....	47,024	47,014	47,010
Liability insurance .....	126,743	126,750	126,742
Audit.....	17,474	17,473	17,470
Bonds .....	167,102	178,461	178,147
School crossing guard.....	6,605	6,605	7,013
Social Security .....	<u>90,022</u>	<u>90,011</u>	<u>90,010</u>
 Total Extended .....	 <u>\$1,778,338</u>	 <u>\$1,776,676</u>	 <u>\$1,776,703</u>
 Total Collected.....		 <u>\$1,750,587</u>	 <u>\$1,775,568</u>
 Percentage Collected.....		 <u>99%</u>	 <u>99%</u>
 Road and Bridge Collection.....		 <u>\$ 71,928</u>	 <u>\$ 72,991</u>

City of Lincoln, Illinois  
**SCHEDULE OF LEGAL DEBT MARGIN**  
 For The Year Ended April 30, 2016

<b>ASSESSED VALUATION AS OF DECEMBER 31, 2015</b> .....		<b><u>\$149,091,862</u></b>
<b>DEBT LIMITATION, 8.625% OF ASSESSED VALUATION</b> .....		<b>\$ 12,859,173</b>
<b>TOTAL DEBT</b>		
General obligation bonds (refunding bond) .....	\$ 4,450,000	
Tax increment financing general obligation (alternative revenue source).....	<u>2,285,000</u>	
	6,735,000	
Less debt paid from other sources .....	( <u>6,735,000</u> )	
		<u>                    </u>
<b>LEGAL DEBT MARGIN, APRIL 30, 2016</b> .....		<b><u>\$ 12,859,173</u></b>

# Estes, Bridgewater & Ogden

LORI K. MILOSEVICH, C.P.A., C.F.E.  
TERRI L. PHELPS, C.P.A.  
JAMES C. LEGG, C.P.A.

RICHARD W. OGDEN, C.P.A.  
RICHARD L. GRAFTON, C.P.A.  
ROY A. BALLINGER, C.P.A., M.B.A.  
MICHAEL A. FAFOGLIA, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

901 South Second Street  
Springfield, Illinois 62704  
217/528-8473  
Fax 217/528-8506

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS CPA SOCIETY  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

December 26, 2016

To the Mayor and City Council  
City of Lincoln, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, for the year ended April 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lincoln, Illinois, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending April 30, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 26, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor and City Council and management of the City of Lincoln, Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants  
Springfield, Illinois

# Estes, Bridgewater & Ogden

CERTIFIED PUBLIC ACCOUNTANTS

901 South Second Street  
Springfield, Illinois 62704  
217/528-8473  
Fax 217/528-8506

LORI K. MILOSEVICH, C.P.A., C.F.E.  
TERRI L. PHELPS, C.P.A.  
JAMES C. LEGG, C.P.A.

RICHARD W. OGDEN, C.P.A.  
RICHARD L. GRAFTON, C.P.A.  
ROY A. BALLINGER, C.P.A., M.B.A.  
MICHAEL A. FAFOGLIA, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ILLINOIS CPA SOCIETY  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

## CERTIFIED LETTER STATEMENT REVIEWING COMPLIANCE WITH TIF ACT

To the Honorable Mayor  
And City Council  
City of Lincoln, Illinois

We have audited the accompanying financial statements of the City of Lincoln, Illinois as of and for the year ended April 30, 2016 and have issued our report thereon dated December 16, 2016.

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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Lincoln, Illinois, in the responsibility of the City of Lincoln, Illinois' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Lincoln, Illinois' compliance with Subsection (Q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act. The results of our tests disclosed no instances of noncompliance with Subsection (Q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act.

This report is intended solely for the information and use of the Mayor and City Council, management, Illinois State Comptroller's Office, and to taxing districts which are sent the notice required by Section 11-74.4-6 of the Illinois Tax Increment Allocation Redevelopment Act and is not intended to be and should not be used by anyone other than these specified parties.

*Estes, Bridgewater & Ogden*

Certified Public Accountants  
Springfield, Illinois

December 26, 2016