

City of Monmouth, Illinois

Financial Report
Year Ended April 30, 2016

City of Monmouth, Illinois

Year Ended April 30, 2016

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City of Monmouth, Illinois

Year Ended April 30, 2016

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Independent Auditor's Report

Mayor and City Council
City of Monmouth, Illinois
Monmouth, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Monmouth, Illinois, (the "City") 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; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Monmouth, 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.

Emphasis of Matter

The City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; 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 68*, during the year ended April 30, 2016. Statement No. 67, 68 and 71 changed how net pension liability is reported on the statement of net position and the footnotes related to the retirement systems the City participates in. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and required supplementary information on pages 4 through 16 and 78 through 90 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, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on pages 91 through 97 is the responsibility of management and was 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
October 26, 2016

Management's Discussion and Analysis

City of Monmouth, Illinois

Management's Discussion and Analysis

City of Monmouth, Illinois' (the "City") management discussion and analysis (MEDIA) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activities, (3) identify changes in the City's financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit's financial plan (approved budget), and (5) identify individual fund issues or concerns.

The MEDIA is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2016 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, and other information.

GOVERNMENTAL FINANCIAL HIGHLIGHTS FOR FY2016

- The City's governmental liabilities exceeded its assets at the close of the fiscal year by \$13.0 million (net position). Of this amount, (\$16.0) million is unrestricted.
- The City's governmental total net position increased by \$66 thousand during fiscal year 2016 as reported in the statement of activities.
- The City's governmental major revenue consisted of \$2.4 million in sales tax revenues, \$1.9 million in charges for services, \$977 thousand in property tax revenues, and \$966 thousand in state income tax revenues.
- At the close of fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$4.3 million, a decrease of \$314 thousand in comparison to 2015.

BUSINESS-TYPE FINANCIAL HIGHLIGHTS FOR FY2016

- The City's business-type assets exceeded its liabilities at the close of the fiscal year by \$11.4 million (net assets). Of this amount (\$2.3) million (unrestricted net position) may be used to meet the City's ongoing obligations. The restricted net position of \$5.5 million is restricted for improvements to the City's wastewater treatment system by the Series 2015A bond agreement.
- The City's business-type net position decreased by \$775 thousand during fiscal year 2016 as reported in the statement of activities.
- The City's major business-type revenue consisted of \$5.0 million in charges for services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to City of Monmouth's basic financial statements. City of Monmouth's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements* and 3) *notes to the financial statements*. The basic financial statements present two different views of the City through the use of government-wide and fund statements. In addition to the basic financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of City of Monmouth.

City of Monmouth, Illinois

Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the City's financial status.

The next statements are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) *the governmental funds statements*, and 2) *the proprietary fund statements*.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the required supplementary information. This section contains funding information about the City's pension plans and budget variances for the major governmental funds. After the required supplementary information, supplementary information is provided to show details about the City's General Fund and the non-major governmental funds, all of which are added together in one column on the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

These statements are designed to provide readers with a broad overview of City of Monmouth's finances, in a manner similar to private-sector business, using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of improvements or deterioration of the financial position of the City.

The statement of activities presents information that shows how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

These statements highlight the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general control and administration, public safety, public works, community development, culture and recreation, and interest. The business-type activities of the City include water and sewer activities. The government-wide financial statements can be found on of this report.

City of Monmouth, Illinois

Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Monmouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The City's Governmental Funds during the reporting period use the modified accrual basis of accounting and activities are converted to the accrual basis of accounting for reporting purposes.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for major funds, (the General Fund). All other non-major governmental funds are combined and presented in one column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements. The City maintains one kind of proprietary funds, enterprise funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The City has three enterprise funds which account for the operations of the water and sewer.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Self-Insured Health Fund, considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Notes to the Financial Statements

These provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

This information addresses the City's budgetary comparison schedules of major funds. The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The IMRF, Police, and Fire pension schedules have been provided to present the City's obligation to provide pension benefits to City employees through the IMRF, Police, and Fire retirement plans.

Supplementary Information

This information as discussed earlier in connection with the General Fund, non-major governmental funds, agency fund, schedule of investments, and schedule of general property taxes, assessed valuations, rates, extensions and collections of taxes is presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position are reflected in its investments in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services. Therefore these assets are not available for future spending. Although the City's investments in its capital assets are reported net of available debt, it should be noted that the resources required to repay this type of debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these types of liabilities.

As previously addressed, net position may serve the purpose over time as a useful indicator of a government's financial position. To that end, the City's liabilities exceeded its assets by \$1.6 million for FY2016.

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following condensed financial information was derived from the *Government-Wide Statement of Net Position*.

Condensed Statement of Net Position (in thousands)			
April 30, 2016			
	Governmental Activities	Business- Type Activities	Total Primary Government
Current assets	\$5,591	\$10,135	\$15,726
Noncurrent assets	10,932	31,399	42,331
Total assets	16,523	41,534	58,057
Deferred outflows of resources	1,421	0	1,421
Total assets and deferred outflows of resources	17,944	41,534	59,478
Current liabilities	1,033	1,413	2,446
Long term liabilities	29,181	28,297	57,478
Total liabilities	30,214	29,710	59,924
Deferred inflows of resources	707	441	1,148
Total liabilities and deferred inflows of resources	30,921	30,151	61,072
Net position			
Net investment in capital assets	1,135	8,133	9,268
Restricted	1,919	5,518	7,437
Unrestricted	(16,031)	(2,268)	(18,299)
Total net position	(\$12,977)	\$11,383	(\$1,594)

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Condensed Statement of Net Position (in thousands)*
April 30, 2015 (as restated)

	Governmental Activities	Business- Type Activities	Total Primary Government
Current assets	\$5,647	\$1,493	\$7,140
Noncurrent assets	6,286	34,573	45,841
Total assets	11,933	36,066	52,981
Current liabilities	793	1,880	2,673
Long term liabilities	6,871	21,486	28,357
Total liabilities	7,664	23,366	31,030
Deferred inflows of resources	732	542	1,274
Total liabilities and deferred inflows of resources	8,396	23,908	32,304
Net position			
Net investment in capital assets	0	11,580	11,580
Restricted	1,334	0	965
Unrestricted	2,203	578	8,132
Total net position	\$3,537	\$12,158	\$20,677

*Adjustments have not been made to restate prior years for the effects of GASB Statement No. 68 and 71.

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following condensed financial information was derived from the *Government-Wide Statement of Activities* and reflects how the City's net position changed during the fiscal years.

Condensed Statement of Activities (in thousands)
For the year ended April 30, 2016

	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues:			
Program revenues:			
Charge for services	\$1,886	\$4,989	\$6,875
Operating grants and contributions	243	0	243
Capital grants and contributions	896	0	896
General revenue:			
Local property taxes	977	0	977
Sales taxes	2,396	0	2,396
State income taxes	966	0	966
Other taxes	818	0	818
Unrestricted investment earnings	12	115	127
Miscellaneous	304	0	304
Total revenues	8,498	5,104	13,602
Expenses:			
General control and administration	2,509	0	2,509
Public safety	3,945	0	3,945
Public works	1,608	0	1,608
Community development	670	0	670
Culture and recreation	88	0	88
Water and sewer	0	5,237	5,237
Interest	254	0	254
Total expenses	9,074	5,237	14,311
Transfer	642	(642)	0
Change in net position	66	(775)	(709)
Net position, beginning of year – previously reported	189	20,141	20,330
Prior period adjustment	(13,232)	(7,983)	(21,215)
Net position, beginning of year – restated	(13,043)	12,158	(885)
Net position, ending	(\$12,977)	\$11,383	(\$1,594)

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

**Condensed Statement of Activities (in thousands)*
For the year ended April 30, 2015 (as restated)**

	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues:			
Program revenues:			
Charge for services	\$1,737	\$4,596	\$6,333
Operating grants and contributions	281	0	281
Capital grants and contributions	1,481	0	1,481
General revenue:			
Local property taxes	933	0	933
Sales taxes	2,466	0	2,466
State income taxes	951	0	951
Other taxes	761	0	761
Unrestricted investment earnings	67	72	139
Miscellaneous	413	0	413
Total revenues	9,090	4,668	13,758
Expenses:			
General government	3,695		3,695
Public safety	3,502		3,502
Public works	511		511
Community development	466		406
Culture and recreation	94		94
Water and sewer	0	4,987	4,987
Interest	349	5,549	5,898
Total expenses	8,617	10,536	19,153
Capital contributions	0	496	496
Transfer	198	(198)	0
Change in net position	671	(5,570)	(4,899)
Net position, beginning of year	(4)	20,604	20,600
Prior period adjustment	2,870	(2,876)	(6)
Net position, beginning of year as restated	2,866	17,728	20,594
Net position, ending	\$3,537	\$12,158	\$15,695

*Adjustments have not been made to restate prior years for the effects of GASB Statement No. 68 and 71.

City of Monmouth, Illinois

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in net position

The net position of the City decreased by \$709 thousand during 2016.

Governmental Activities

Statement of Activities. Net position increased \$66 thousand over the previous year.

For the fiscal year ended April 30, 2016, revenues from governmental activities totaled \$8.5 million. Sales tax revenues (\$2.4 million or 28.2%) represent the largest source of revenues.

Business-Type Activities

Net position decreased \$775 thousand over the previous year.

For fiscal year ended April 30, 2016, revenues from business-type activities totaled \$5.1 million. Charges for services (\$5.0 million or 97.7%) represent the largest source. These charges are mainly derived from fees for water and sewer.

For the fiscal year ended April 30, 2016, expenses for governmental and business-type activities totaled \$9.1 million and \$5.2 million, respectively.

City of Monmouth, Illinois

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

City of Monmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$4.3 million, a decrease of \$314 thousand in comparison with the previous fiscal year.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2.4 million.

The fund balance of the General Fund decreased by \$720 thousand during the current fiscal year.

Budgetary Highlights

The City's budget is prepared according to Illinois law and is based on accounting for certain transactions on the cash basis of accounting. A budget to actual schedule is provided as required supplementary information for the General Fund and major special revenue funds.

General Fund Budgetary Variances

Revenues

Intergovernmental revenues for 2016 were \$4,652 thousand compared with budgeted amount of \$5,473 thousand. This variance is due to the City budgeting more for state and federal grants than it received for FY16. Miscellaneous revenues for 2016 were \$152 thousand compared with budgeted amount of \$465 thousand. This variance is due to the City budgeting for economic development income that was not received.

Expenditures

Personnel Services remains the highest expenditure in City operations. Government service requires people to provide both services and information to the citizens it supports. It is a sizeable expenditure; however, it is also a long-term investment. Benefit payments remain a significant portion of the total personnel services costs. Pension, FICA and Health Insurance rates have all affected the total cost of personnel services. Overall, expenditures were slightly under budget with no significant variances.

City of Monmouth, Illinois

Management's Discussion and Analysis

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

The City's investment in capital assets for its governmental activities at year end totaled \$7,103 thousand (net of accumulated depreciation) and business-type activities at year end totaled \$31,399 thousand (net of accumulated depreciation). This investment in capital assets includes, land, buildings, equipment, vehicles, and infrastructure such as water and sewer and highways and streets. There were \$2.2 million of capital asset additions recorded during the year and \$1.9 million of depreciation charges were expensed on the total capital assets. See Note 5 for details of capital assets.

The major additions for fiscal year 2016 year:

- US 67 & Cloverleaf Drive Project - \$964,068
- Sewer Replacement N 2.5 St. - \$264,065

Net Book Value of Capital assets at April 30, 2016 (in thousands)

	Governmental Activities	Business-Type Activities
Land	\$945	\$203
Construction in progress	1,754	348
Buildings and improvements	3,282	8
Infrastructure	525	30,723
Machinery and equipment	597	117
Total	\$7,103	\$31,399

Net Book Value of Capital assets at April 30, 2015 (in thousands) (as restated)

	Governmental Activities	Business-Type Activities
Land	\$870	\$163
Construction in progress	695	0
Buildings and improvements	3,395	8
Infrastructure	640	31,783
Machinery and equipment	686	0
Total	\$6,286	\$31,954

City of Monmouth, Illinois

Management's Discussion and Analysis

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (continued)

Debt Administration

At April 30, 2016, the City had \$6,992 thousand in governmental activities long term debt which consisted of general obligation bonds, notes payable, capital leases, and accrued compensated absences. Amounts due next year on these obligations are \$565 thousand. See Note 10 for details of debt.

Governmental Activities		
Outstanding Debt at April 30 (in thousands)		
	2016	As Restated 2015
General obligation bond payable, net	\$5,747	\$6,105
Notes payable	644	715
Capital leases	198	230
Accrued compensated absences	403	377
	\$6,992	\$7,427

At April 30, 2016, the City had \$29,255 thousand in business-type activities long term debt which consisted of general obligation bonds. Amounts due next year on these obligations are \$958 thousand. See Note 10 for details of debt.

Business-Type Activities		
Outstanding Debt at April 30 (in thousands)		
	2016	As Restated 2015
General obligation bond payable, net	\$29,255	\$22,948

City of Monmouth, Illinois

Management's Discussion and Analysis

ECONOMIC FACTORS

Monmouth's Equalized Assessed Value (EAV) in 2015 increased 1.78% to \$65,598,288. This is the second such increase for EAV's for Monmouth and now has Monmouth's EAV above the 2010 level. These increases signal Monmouth is slowly recovering from the 2007 recession.

Fiscal year 2016 saw the opening of Cloverleaf Cold Storage and Distribution Center the largest cold storage and distribution center in the Cloverleaf Company. This has added 180 new jobs and has resulted in Smithfield foods adding two new lines and an additional 220 jobs. Additionally Monmouth road traffic has increased to over 3,000 trucks a week driving economic growth along the 34 by pass and resulting in the opening of a second hog facility and truck wash and has resulted in Monmouth's water demands increasing to the point where a new well is being drilled.

In January of 2015, Monmouth was awarded the State of Illinois New Enterprise Zones grant which is focused for housing, commercial and retail growth along the US 34/67 corridor. Additionally Monmouth's old enterprise zone expired in January 1, 2016, which will place over \$9,000,000 of property back on the tax rolls and will result in an estimated \$280,000 in additional tax revenue for city.

In April 2015, Monmouth restructured its water rates to update the water rates for the first time in 15 years. This has resulted in an increase of water revenue. Additionally, Monmouth changed from a self-insured health plan to a fully insured health plan resulting in a reduction of \$500,000 in cost to the city.

The City's commercial activity is located downtown and along the bypass with new business opening in multiple stores downtown to include retail and clothing as well as multiple food locations. In addition, highway-related commercial activity is located in the City along the Illinois Route 34 bypass, such as a County Market grocery store, ShopKo Discount Store, two automobile dealerships, various fast food restaurants, Super 8 and AmericInn & Suites.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and potential creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Monmouth, Illinois
100 East Broadway
Monmouth, Illinois 61462
Phone: (309) 734-2141

Basic Financial Statements

City of Monmouth, Illinois

Statement of Net Position

April 30, 2016

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$2,115,605	\$258,629	\$2,374,234
Investments	2,358,493	2,577,562	4,936,055
Restricted investments	0	5,518,112	5,518,112
Accounts receivable, net	200,766	799,758	1,000,524
Interest receivable	19,864	39,035	58,899
Property tax receivable	701,481	0	701,481
Internal balances	(877,828)	877,828	0
Due from other governments	1,058,051	0	1,058,051
Prepaid items	14,555	64,094	78,649
Note receivables, net	215	0	215
Total current assets	5,591,202	10,135,018	15,726,220
Noncurrent assets:			
Net pension asset	3,828,583	0	3,828,583
Capital assets:			
Land and construction in progress	2,698,663	550,947	3,249,610
Other capital assets, net of accumulated depreciation	4,404,253	30,848,090	35,252,343
Total capital assets	7,102,916	31,399,037	38,501,953
Total noncurrent assets	10,931,499	31,399,037	42,330,536
Total assets	16,522,701	41,534,055	58,056,756
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of pension resources	1,421,511	0	1,421,511
Total assets and deferred outflows of resources	17,944,212	41,534,055	59,478,267

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Net Position (Continued)

April 30, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable	192,421	71,313	263,734
Accrued payroll	178,345	0	178,345
Customer deposit	0	165,935	165,935
Accrued interest payable	96,658	217,669	314,327
Accrued compensated absences due within one year	94,708	0	94,708
Capital leases due within one year	23,373	0	23,373
Notes payable	74,237	0	74,237
Bonds payable, net of unamortized premiums	373,069	957,803	1,330,872
Total current liabilities	1,032,811	1,412,720	2,445,531
Noncurrent liabilities:			
Notes payable	569,806	0	569,806
Bonds payable, net of unamortized premiums	5,373,790	28,297,027	33,670,817
Capital leases due in more than one year	174,348	0	174,348
Accrued compensated absences due in more than one year	308,605	0	308,605
Net pension liability	22,754,375		22,754,375
Total noncurrent liabilities	29,180,924	28,297,027	57,477,951
Total liabilities	30,213,735	29,709,747	59,923,482
Deferred inflows of resources -			
Deferred inflows of pension resources	5,651	0	5,651
Unamortized gain on refunding	0	441,314	441,314
Unavailable property taxes	701,481	0	701,481
Total deferred inflows of resources	707,132	441,314	1,148,446
Total liabilities and deferred inflows of resources	30,920,867	30,151,061	61,071,928
NET POSITION			
Net investment in capital assets	1,135,179	8,133,312	9,268,491
Restricted	1,918,906	5,518,112	7,437,018
Unrestricted	(16,030,740)	(2,268,430)	(18,299,170)
Total net position	(\$12,976,655)	\$11,382,994	(\$1,593,661)

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Activities

For the year ending April 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General control and administration	\$2,509,138	\$310,409	\$0	\$0	(\$2,198,729)	\$0	(\$2,198,729)
Public safety	3,944,785	477,715	373	0	(3,466,697)	0	(3,466,697)
Public works	1,607,881	1,046,083	243,259	460,445	141,906	0	141,906
Community development	669,611	0	0	435,730	(233,881)	0	(233,881)
Culture and recreation	87,926	51,477	0	0	(36,449)	0	(36,449)
Interest	254,568	0	0	0	(254,568)	0	(254,568)
Total governmental activities	\$9,073,909	\$1,885,684	\$243,632	\$896,175	(6,048,418)	0	(6,048,418)
Business-type activities:							
Water and Sewer	5,236,734	4,988,346				(248,388)	(248,388)
Total business-type activities	\$5,236,734	\$4,988,346	\$0	\$0		(248,388)	(248,388)
General revenues							
Taxes:							
Property taxes					977,170	0	977,170
Sales taxes					2,395,656	0	2,395,656
State income taxes					965,997	0	965,997
Other					817,907	0	817,907
Unrestricted investment earnings					12,349	115,202	127,551
Miscellaneous					303,832	0	303,832
Transfers					642,113	(642,113)	0
Total general revenues					6,115,024	(526,911)	5,588,113
Change in net position					66,606	(775,299)	(708,693)
Net position at beginning of year (deficit) - previously reported					188,841	20,140,921	20,329,762
Prior period adjustment					(13,232,102)	(7,982,628)	(21,214,730)
Net position at beginning of year (deficit) - restated					(13,043,261)	12,158,293	(884,968)
Net position, end of year					(\$12,976,655)	\$11,382,994	(\$1,593,661)

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Balance Sheet
 Governmental Funds
 April 30, 2016

ASSETS	General Fund	Nonmajor Governmental Funds	Total
Current assets:			
Cash	\$246,454	\$1,699,202	\$1,945,656
Investments	2,358,493	0	2,358,493
Accounts receivable	220,630	0	220,630
Property tax receivable	351,481	350,000	701,481
Due from other governments	1,001,751	56,300	1,058,051
Prepaid items	14,555	0	14,555
Advances to other funds	0	0	0
Note receivables	215	0	215
Total current assets	4,193,579	2,105,502	6,299,081
Noncurrent assets -			
Note receivables	0	0	0
Total assets	\$4,193,579	\$2,105,502	\$6,299,081
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	\$176,966	\$15,455	\$192,421
Accrued payroll	178,345	0	178,345
Advances from other funds	877,828	0	877,828
Total liabilities	1,233,139	15,455	1,248,594
Deferred inflows of resources -			
Unavailable property taxes	351,481	350,000	701,481
Fund balances:			
Nonspendable	14,555	0	14,555
Restricted	8,910	1,740,047	1,748,957
Committed	0	0	0
Assigned	215,578	0	215,578
Unassigned	2,369,916	0	2,369,916
Total fund balance	2,608,959	1,740,047	4,349,006
Total liabilities, deferred inflows of resources and fund balances	\$4,193,579	\$2,105,502	\$6,299,081

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois
Reconciliation of the Balance Sheet to the
Statement of Net Position
April 30, 2016

Total fund balances - governmental funds	\$4,349,006
Amounts reported for governmental activities in the statement of net position are different because:	
An internal service fund is used to account for county and employee health insurance premiums. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
	169,949
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net book value of assets reported.	
	7,102,916
Long-term liabilities, including bonds payable, notes payable, and capital lease obligations are not reported in the fund financial statements.	
Bonds, notes payable, capital leases, and discounts/premiums on bonds	(6,588,623)
Net pension liability/(asset) and related deferred outflows/inflows of resources	(17,509,932)
Interest payable on debt is not reported in the governmental funds if payments are due subsequent to reporting date	
	(96,658)
Compensated absences not due and payable from current resources are not reported in the governmental funds.	
	(403,313)
<hr/>	
Total net position of governmental activities	<u>(\$12,976,655)</u>

City of Monmouth, Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ending April 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$413,887	\$563,283	\$977,170
Licenses and permits	214,277	0	214,277
Intergovernmental revenues	4,993,052	242,365	5,235,417
Fines	1,671,407	0	1,671,407
Interest income	9,234	2,907	12,141
Miscellaneous revenues	151,936	14,247	166,183
Total revenues	7,453,793	822,802	8,276,595
Current:			
Expenditures:			
General control and administration	2,044,563	21,775	2,066,338
Public safety	3,177,131	0	3,177,131
Public works	1,235,515	215,332	1,450,847
Community development	570,912	0	570,912
Culture and recreation	49,806	0	49,806
Debt service:			
Principal	54,136	404,582	458,718
Interest	10,131	253,477	263,608
Capital outlay	1,161,581	34,118	1,195,699
Total expenditures	8,303,775	929,284	9,233,059
 Excess (deficiency) of revenues over expenditures	 (849,982)	 (106,482)	 (956,464)
Other financing sources (uses):			
Transfer in	130,000	512,113	642,113
Transfer out	0	0	0
Total other financing sources (uses)	130,000	512,113	642,113
 Net change in fund balance	 (719,982)	 405,631	 (314,351)
Fund balance at beginning of year			
- previously reported	3,239,881	1,200,636	4,440,517
Prior period adjustment	89,060	133,780	222,840
Fund balance at beginning of year			
- restated	3,328,941	1,334,416	4,663,357
Fund balances, end of year	\$2,608,959	\$1,740,047	\$4,349,006

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the year ending April 30, 2016

Net change in fund balance	(\$314,351)
Amounts reported for governmental activities in the statement of activities are different because:	
An internal service fund is used to account for county and employee health insurance premiums. The net revenue of the internal service fund is reported with governmental activities.	52,065
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which newly capitalized assets exceeds depreciation expense in the period.	833,964
The net effect of various transactions involving capital assets (i.e., disposals and sales) is to decrease net position	(17,482)
Note payable, capital lease, and bond payments are reported in governmental funds as expenditures. However, only the interest on note payables and bonds are recorded in the statement of activities. This is the principal amount of note payable and bond payments made during the period.	458,718
Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in net pension asset and deferred pension resources	(929,502)
Change in accrued interest payable	5,971
Bond premium amortization	3,069
Compensated absences not due and payable from current resources are not reported in the governmental funds.	<u>(25,846)</u>
Change in net position of governmental activities	<u><u>\$66,606</u></u>

City of Monmouth, Illinois

Statement of Net Position

Proprietary Fund

April 30, 2016

ASSETS	Water and Sewer	Self-Insured Health	Total
Cash and cash equivalents:	\$258,629	\$169,949	\$428,578
Investments	8,095,674	0	8,095,674
Accounts receivable, net	799,758	0	799,758
Interest receivable	39,035	0	39,035
Advances to other funds	877,828	0	877,828
Prepaid items	64,094	0	64,094
Total current assets	10,135,018	169,949	10,304,967
Capital assets:			
Land and construction in progress	550,947	0	550,947
Other capital assets, net of accumulated depreciation	30,848,090	0	30,848,090
Total capital assets	31,399,037	0	31,399,037
Total assets	41,534,055	169,949	41,704,004
LIABILITIES			
Current liabilities:			
Accounts payable	71,313	0	71,313
Customer deposit	165,935	0	165,935
Accrued interest payable	217,669	0	217,669
Bonds payable, net of unamortized premiums	957,803	0	957,803
Total current liabilities	1,412,720	0	1,412,720
Noncurrent liabilities:			
Bonds payable, net of unamortized premiums	28,297,027	0	28,297,027
Total noncurrent liabilities	28,297,027	0	28,297,027
Total liabilities	29,709,747	0	29,709,747
DEFERRED INFLOWS OF RESOURCES			
Unamortized gain on refunding	441,314	0	441,314
Total liabilities and deferred inflows of resources	30,151,061	0	30,151,061
NET POSITION			
Net position:			
Net investment in capital assets	8,133,312	0	8,133,312
Restricted	5,518,112	0	5,518,112
Unrestricted	(2,268,430)	169,949	(2,098,481)
Total net position	\$11,382,994	\$169,949	\$11,552,943

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the year ending April 30, 2016

	Water and Sewer	Self-Insured Health	Total
Operating revenues:			
Charges for services	\$4,781,823	\$1,153,672	\$5,935,495
Other	206,523	0	206,523
Total operating revenues	4,988,346	1,153,672	6,142,018
Operating expenses:			
Public works	3,071,568	0	3,071,568
Benefit payments	0	1,101,814	1,101,814
Depreciation	1,566,355	0	1,566,355
Total operating expenses	4,637,923	1,101,814	5,739,737
Operating income (loss)	350,423	51,858	402,281
Nonoperating revenues (expenses):			
Interest income	115,202	207	115,409
Interest expense and other debt service	(598,811)	0	(598,811)
Net nonoperating revenues (expenses)	(483,609)	207	(483,402)
Income (loss) before transfers	(133,186)	52,065	(81,121)
Other financing sources (uses):			
Transfer in	0	0	0
Transfer out	(642,113)	0	(642,113)
Total other financing sources (uses)	(642,113)	0	(642,113)
Change in net position	(775,299)	52,065	(723,234)
Net position at beginning of year - previously reported	20,140,921	117,884	20,258,805
Prior period adjustment	(7,982,628)	0	(7,982,628)
Net position at beginning of year - restated	12,158,293	117,884	12,276,177
Net position, end of year	\$11,382,994	\$169,949	\$11,552,943

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Cash Flows

Proprietary Fund

For the year ending April 30, 2016

	Water and Sewer	Self-Insured Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$4,946,382	\$0	\$4,946,382
Cash receipts for health fund	0	1,153,672	1,153,672
Cash paid to suppliers	(3,026,984)	0	(3,026,984)
Cash payments for health fund	0	(1,101,814)	(1,101,814)
Net cash flows from operating activities	1,919,398	51,858	1,971,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -			
Transfer from (to) other funds (net)	(642,113)	0	(642,113)
Advances to other funds	(527,828)	0	(527,828)
Net cash provided by noncapital financing activities	(1,169,941)	0	(1,169,941)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments - bonds	(1,185,000)	0	(1,185,000)
Proceeds from bonds sold	11,300,861	0	11,300,861
Principal deposit in escrow	(3,775,000)	0	(3,775,000)
Interest paid to escrow	(199,382)	0	(199,382)
Premium (discount) on bonds sold	45,837	0	45,837
Bond issuance costs	(364,831)	0	(364,831)
Purchase of capital assets	(1,010,883)	0	(1,010,883)
Interest paid on bonds payable and other long-term obligations	(222,486)	0	(222,486)
Net cash flows from capital and related financing activities	4,589,116	0	4,589,116
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	107,156	207	107,363
Proceeds from maturities of investment securities	1,232,719	0	1,232,719
Purchases of investment securities	(6,741,013)	0	(6,741,013)
Net cash provided by investing activities	(5,401,138)	207	(5,400,931)
Net increase (decrease) in cash and cash equivalents	(62,565)	52,065	(10,500)
Cash and cash equivalents, beginning of year	321,194	117,884	439,078
Cash and cash equivalents, end of year	\$258,629	\$169,949	\$428,578
Reconciliation of income from operations to net cash flows from operating activities:			
Income from operations	\$350,423	\$51,858	\$402,281
Adjustments to reconcile income from operating to net cash flows from operating activities -			
Depreciation	1,566,355	0	1,566,355
Changes in assets and liabilities:	0	0	0
(Increase) decrease in receivables	(48,550)	0	(48,550)
(Increase) decrease in prepaid expenses	6,558	0	6,558
Increase (decrease) in accounts payable	38,026	0	38,026
Increase (decrease) in customer deposits	6,586	0	6,586
Net cash flows from provided by operating activities	\$1,919,398	\$51,858	\$1,971,256

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Fiduciary Net Position

Fiduciary Funds

April 30, 2016

ASSETS	Pension Trust Funds		Agency Fund	Total
	Police Pension Fund	Fire Pension Fund	Cafeteria Plan	
Cash and cash equivalents	\$384,826	\$318,348	\$12,651	\$715,825
Investments at fair value	6,176,632	4,380,973	0	10,557,605
Accounts receivable	572,978	700,064	0	1,273,042
Accrued interest receivable	25,634	16,881	0	42,515
Prepaid expenses	4,131	2,842	0	6,973
Total assets	7,164,201	5,419,108	12,651	12,595,960
LIABILITIES				
Due to employees	0	0	2,835	2,835
Due to others	0	0	9,816	9,816
Deferred revenue	491,003	700,064	0	1,191,067
Total liabilities	491,003	700,064	12,651	1,203,718
NET POSITION				
Held in trust for - Pension benefits	6,673,198	4,719,044	0	11,392,242
Total liabilities and net position	\$7,164,201	\$5,419,108	\$12,651	\$12,595,960

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Statement of Fiduciary Net Position

Fiduciary Funds

For the year ending April 30, 2016

	Pension Trust Funds		
	Police	Fire	
	Pension Fund	Pension Fund	Total
Additions:			
Contributions:			
Property tax	\$491,232	\$627,273	\$1,118,505
Employee contributions	110,094	79,047	189,141
Investment and interest income	198,018	136,692	334,710
Other income	0	0	0
Total additions	799,344	843,012	1,642,356
Deductions:			
Benefits	561,877	682,439	1,244,316
Investment fees	28,641	17,415	46,056
Loss on investments	204,954	127,451	332,405
Administrative expenses	24,819	13,147	37,966
Total deductions	820,291	840,452	1,660,743
Change in net position	(20,947)	2,560	(18,387)
Net position, beginning of year	6,694,145	4,716,484	11,410,629
Net position, end of year	\$6,673,198	\$4,719,044	\$11,392,242

See Accompanying Notes to Financial Statements.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Introduction

The City of Monmouth, Illinois (the “City”) operates on a mayor-council form of government and provides a broad range of services to citizens, including general control and administration, public safety, public works, community development, culture and recreation, and public improvements. It also operates the water and sewer utilities.

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Financial Reporting Entity

The accompanying financial statements present the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials are financially accountable or whose exclusion would render the financial statements misleading because of nature and significance of their relationship. Based on these criteria, the City is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. Fiduciary funds for which the City maintains a fiduciary or agency responsibility are not presented in the government wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

General Fund – The General Fund is used to account for all financial resources of the City except those which are required to be accounted for in another fund. The General Fund consists of the General Fund, Cemetery Fund, Downtown Façade Fund, and Homestead Fund.

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance; culture and recreation; and public safety are accounted for in this fund.

Cemetery Fund – This fund was created by the City to account for the revenues and expenses relating to the City-owned Cemetery.

Downtown Façade Fund – This fund was created by the City to account for loans receivable and grant revenues and expenses relating to the restoration of buildings in the downtown district.

Homestead Fund – This fund was created by the City for Community Development to account for revenues and expenses relating to the Community Development Block Grant - CDAP Housing Rehabilitation Grant.

The City reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for the operation of the City's water. It is financed by outside sources and operates in a manner similar to a private business.

Internal Service Fund – The Internal Service Fund is used to account for the employee and City medical premiums.

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

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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

Agency funds are used to account for funds held for City employees in accordance with provisions on Internal Revenue Code Section 125.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City has elected to take exception to this assumption for revenue remitted by the State. Due to the State being late with payments, the City considers those amounts applicable to the current fiscal year to be available as it is vouchered by the State and will be paid after the 60 day period. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Basis of Accounting

Annual budgets are adopted on a cash basis and include a statement of the cash revenue and expenditures of the immediately preceding fiscal year and a projection of the cash revenue (including the available beginning cash balance) and the proposed itemized appropriations of the ensuing fiscal year. Once approved, the City may amend the legally adopted budgets when unexpected modifications are required. Appropriations lapse at year end.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be checking, savings, money markets, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved November 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation.

In addition, the Police and Firefighters' Pension Trust Funds may invest in other investments, general and separate accounts of life insurance companies, mutual funds, bank managed funds, and equities.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Investments (continued)

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain resources, based on debt covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only for the specified purposes indicated in the bond ordinances.

Receivables

Receivables in the government, fiduciary, and the proprietary funds are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectable based upon past collection history. As of April 30, 2016, the General Fund, Revolving Loan/EDC Fund, and Water and Sewer Fund had allowances for doubtful accounts of \$6,646, \$30,169, and \$57,965, respectively.

Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government wide or fund financial statements. In the government wide financial statements, fixed assets are accounted for as capital assets. Fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to November 30, 2004.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Assets are capitalized and updated for additions and reductions during the year based on the capitalization policy, which sets the minimum capitalization amounts as follows:

Infrastructure assets (roads, bridges, culverts, curbs, sidewalks, lighting systems, gutters, and drainage systems)	\$10,000
Buildings and improvements	\$10,000
Individual furniture and equipment	\$5,000

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Infrastructure	40-50 years	Roads	10 years
Buildings	40 years	Sidewalks	10 years
Building improvements	20 years	Vehicles	5 years
Bridges	20 years	Machinery & equipment	7 years
Water & sewer system	20 years	Computer equipment	5 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

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 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized an official of the City Council to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Property taxes

The City's property tax is levied each year on all taxable real property located in the City. Since the 2015 property tax levy is levied to finance the operations of fiscal year 2017, the 2015 property tax is recorded as a receivable and the 2015 property tax revenue is shown as unavailable revenue. The 2014 property tax levy is recorded as revenue by the City in accordance with the applicable measurement focus and basis of accounting for fiscal year 2016. The City must file its tax levy by the last Tuesday of December each year. The 2014 levy was approved on December 15, 2014. The 2015 levy was approved on December 7, 2015.

Taxes levied in 2014 became due and payable in two installments, generally in June 2015 and September 2015. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year.

Compensated Absences

Vacation

Each City department follows a different policy based upon union agreements. Administrative and zoning personnel vacation leave must be used by within a year of the date earned. Vacation time is not allowed to be rolled over into a following year. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Police and fire personnel union agreements accrue at the current rate of pay and are paid out upon termination. The current portion to be used within a year is recorded with current liabilities in the government-wide financial statements. The accrued portion to be used over a year is recorded as a long-term liability in the government-wide financial statements.

Sick Leave

The union agreements for Police and Fire personnel allows sick time to be paid out at a specified rate after 12 years of service. Other City personnel do not accrue sick time to be paid out in accordance with union agreements. The liability relating to sick time is accrued and recorded as a long-liability in the government-wide financial statements.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF), Police Pension, and Fire Pension. Additions to/deductions from the pensions' fiduciary net position have been determined on the same basis as they are reported by IMRF and pension trust funds. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Monmouth, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

<u>Fund</u>	<u>Amount</u>
General Fund - Cemetery	\$800

Deficit Fund Equity

As of April 30, 2016, there were no funds that had a deficit fund balance.

Note 3 Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2016, the City's bank balance was \$8,112,706 and the entire balance was insured and collateralized with securities in the City's name.

City of Monmouth, Illinois

Notes to Financial Statements

Note 4 Investments

As of April 30, 2016, the City's investments were as follows:

	Fair Value
Governmental activities:	
Certificates of deposits	\$398,150
Municipal securities	1,960,343
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Total governmental funds	\$2,358,493
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Business-type activities:	
Certificates of deposits	\$5,888,035
Municipal securities	2,207,639
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Total business-type funds	\$8,095,674
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Police pension trust funds:	
U.S. government and agency obligations	\$2,845,627
Domestic corporate bonds	427,632
Mutual funds	2,196,514
Domestic stock	706,859
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Total police pension trust funds	\$6,176,632
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Fire pension trust funds:	
U.S. government and agency obligations	\$1,991,252
Local government investment pool	15,189
Domestic corporate bonds	316,665
Mutual funds	1,997,732
Insurance annuities	60,135
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Total fire pension trust funds	\$4,380,973
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The City reports its participating interest-earning certificates of deposit at fair value within the government-wide and proprietary fund financial statements as investments. Nonparticipating certificates of deposit are reported at cost within the government-wide and proprietary fund financial statements as investments.

City of Monmouth, Illinois

Notes to Financial Statements

Note 4 Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City tries to match its maturities on investments with expected cash flows.

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

	Remaining Maturity (in years)				Total
	Less than 1	1-5	6-10	10+	
Governmental activities:					
Certificates of deposits	\$108,203	\$131,560	\$158,387	\$0	\$398,150
Municipal securities	454,225	1,158,250	347,868	0	1,960,343
Total governmental funds	\$562,428	\$1,289,810	\$506,255	\$0	\$2,358,493
Business-type activities:					
Certificates of deposits	\$3,897,155	\$1,832,493	\$158,387	\$0	\$5,888,035
Municipal securities	464,243	1,286,690	456,706	0	2,207,639
Total business-type funds	\$4,361,398	\$3,119,183	\$615,093	\$0	\$8,095,674
Police pension trust funds:					
U.S. government and agency obligations	\$454,973	\$1,893,381	\$452,841	\$44,432	\$2,845,627
Domestic corporate bonds	140,551	287,081	0	0	427,632
Mutual funds	2,196,514	0	0	0	2,196,514
Domestic stock	706,859	0	0	0	706,859
Total police pension trust funds	\$3,498,897	\$2,180,462	\$452,841	\$44,432	\$6,176,632
Fire pension trust funds:					
U.S. government and agency obligations	\$304,018	\$1,436,822	\$202,857	\$47,555	\$1,991,252
Local government investment pool	15,189	0	0	0	15,189
Domestic corporate bonds	100,365	216,300	0	0	316,665
Mutual funds	1,997,732	0	0	0	1,997,732
Insurance annuities	60,135	0	0	0	60,135
Total fire pension trust funds	\$2,477,439	\$1,653,122	\$202,857	\$47,555	\$4,380,973

City of Monmouth, Illinois

Notes to Financial Statements

Note 4 Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations and State and Local Obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government.

Presented below is the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

	Total as of April 30, 2016	Unrated	AAA	AA	A	BBB
Governmental activities:						
Certificates of deposits	\$398,150	\$398,150	\$0	\$0	\$0	\$0
Municipal securities	1,960,343	0	548,189	1,058,183	353,971	0
Total governmental funds	\$2,358,493	\$398,150	\$548,189	\$1,058,183	\$353,971	\$0
Business-type activities:						
Certificates of deposits	\$5,888,035	\$5,888,035	\$0	\$0	\$0	\$0
Municipal securities	2,207,639	0	548,189	1,295,461	363,989	0
Total business-type funds	\$8,095,674	\$5,888,035	\$548,189	\$1,295,461	\$363,989	\$0
Police pension trust funds:						
U.S. government and agency obligations	\$2,845,627	\$1,729,639	\$0	\$1,115,988	\$0	\$0
Domestic corporate bonds	427,632	0	0	82,210	173,686	171,736
Mutual funds	2,196,514	\$2,196,514	0	0	0	0
Domestic stock	706,859	706,859	0	0	0	0
Total police pension trust funds	\$6,176,632	\$4,633,012	\$0	\$1,198,198	\$173,686	\$171,736
Fire pension trust funds:						
U.S. government and agency obligations	\$1,991,252	\$1,552,428	\$0	\$438,824	\$0	\$0
Local government investment pool	15,189	0	15,189	0	0	0
Domestic corporate bonds	316,665	0	0	72,635	127,819	116,211
Mutual funds	1,997,732	1,997,732	0	0	0	0
Insurance annuities	60,135	60,135	0	0	0	0
Total fire pension trust funds	\$4,380,973	\$3,610,295	\$15,189	\$511,459	\$127,819	\$116,211

City of Monmouth, Illinois

Notes to Financial Statements

Note 4 Investments (continued)

Concentration of Credit Risk

The City has no investments, other than mutual funds that are exempted from this requirement, in any one issuer that represent 5% or more of total City's investments.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of April 30, 2016 there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk

The City has no foreign currency risk for investments at year end.

Note 5 Capital Assets

The governmental activities capital asset activity for the year ended April 30, 2016 is as follows:

Governmental activities:	Balance May 1, 2015 As restated	Additions	Deletions and Transfers	Balance April 30, 2016
Capital assets, not being depreciated -				
Land and improvements	\$869,889	\$74,781	\$0	\$944,670
Construction in progress	695,452	1,058,541	0	1,753,993
Total capital assets, not being depreciated	1,565,341	1,133,322	0	2,698,663
Capital assets, being depreciated:				
Buildings	4,952,500	0	0	4,952,500
Equipment	3,058,765	62,377	(57,808)	3,063,334
Infrastructure	1,470,007	0	0	1,470,007
Total capital assets, being depreciated	9,481,272	62,377	(57,808)	9,485,841
Accumulated depreciation:				
Buildings	1,556,956	113,659	0	1,670,615
Equipment	2,373,199	133,741	(40,326)	2,466,614
Infrastructure	830,024	114,335	0	944,359
Total accumulated depreciation	4,760,179	361,735	(40,326)	5,081,588
Total capital assets, being depreciated, net	4,721,093	(299,358)	(17,482)	4,404,253
Governmental activities capital assets, net	\$6,286,434	\$833,964	(\$17,482)	\$7,102,916

City of Monmouth, Illinois

Notes to Financial Statements

Note 5 Capital Assets (continued)

The business-type activities capital asset activity for the year ended April 30, 2016 is as follows:

Business-Type activities:	Balance May 1, 2015 As restated	Additions	Transfers	Balance April 30, 2016
Capital assets, not being depreciated -				
Land	\$163,120	\$40,000	\$0	\$203,120
Construction in progress	0	347,827	0	347,827
Total capital assets, not being depreciated	163,120	387,827	0	550,947
Capital assets, being depreciated:				
Buildings	192,407	0	0	192,407
Equipment	161,815	131,085	0	292,900
Infrastructure	57,634,823	491,971	0	58,126,794
Total capital assets, being depreciated	57,989,045	623,056	0	58,612,101
Accumulated depreciation:				
Buildings	184,034	620	0	184,654
Equipment	161,815	14,110	0	175,925
Infrastructure	25,851,807	1,551,625	0	27,403,432
Total accumulated depreciation	26,197,656	1,566,355	0	27,764,011
Total capital assets, being depreciated, net	31,791,389	(943,299)	0	30,848,090
Business-type activities capital assets, net	\$31,954,509	(\$555,472)	\$0	\$31,399,037

City of Monmouth, Illinois

Notes to Financial Statements

Note 5 Capital Assets (continued)

Depreciation expense was charged to the functions as follows:

Governmental activities:	
General control and administration	\$40,974
Public safety	121,166
Public works	157,034
Community development	21,723
Culture and recreation	20,838
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Total depreciation expense-governmental activities	361,735
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Business-type activities:	
Water and sewer	1,566,355
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Total depreciation expense	\$1,928,090
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Note 6 Pension and Retirement Systems

Plan Descriptions - The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report may be obtained on-line at www.imrf.org.

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

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

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

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Illinois Municipal Retirement Fund (continued)

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

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

Employees Covered by the Benefit Terms - At December 31, 2015, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	93
Inactive plan members entitled to but not yet receiving benefits	56
Active employees	24
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Total	173

Contributions - As set by statute, the employer's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2015 was 1.18%. For the fiscal year ended April 30, 2016, the employer contributed \$12,128 to the plan. The employer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability/(Asset) - The employer's Net Pension Liability/(Asset) was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability/(Asset) was determined by an annual actuarial valuation as of that date.

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Illinois Municipal Retirement Fund (continued)

- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

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

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Illinois Municipal Retirement Fund (continued)

Changes in Net Pension Liability

	Pension Liability (A)	Plan Net Position (B)	Net Pension Liability/(Asset) (A)-(B)
Balance December 31, 2014	\$10,539,136	\$15,520,677	(\$4,981,541)
Service costs	99,634	0	99,634
Interest on total pension liability	763,940	0	763,940
Difference between expected and actual experience	(16,934)	0	(16,934)
Changes in assumptions	0	0	0
Employer contributions	0	12,128	(12,128)
Employee contributions	0	46,252	(46,252)
Net investment income	0	75,734	(75,734)
Benefit payments – net of refunds	(806,175)	(806,175)	0
Other changes	0	(440,432)	440,432
Net changes	40,465	(1,112,493)	1,152,958
Balances as of December 31, 2015	\$10,579,601	\$14,408,184	(\$3,828,583)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate - The following presents the plan's net pension liability/(asset), calculated using the single discount rate of 7.50 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net pension liability/(asset)	(\$2,803,470)	(\$3,828,583)	(\$4,688,498)

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Illinois Municipal Retirement Fund (continued)

Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the employer recognized pension expense of \$335,731. At April 30, 2016, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$0	\$5,651
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	835,006	0
<hr/>		
Total deferred amounts to be recognized in pension expense in future periods	835,006	5,651
<hr/>		
Pension contributions made subsequent to the measurement date	3,185	0
<hr/>		
Total	\$838,191	\$5,651

The City reported \$3,165 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net Deferred Outflows of Resources</u>
2016	\$203,101
2017	208,752
2018	208,752
2019	208,750
2020	0
Thereafter	0
<hr/>	
Total	\$829,355

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund

Plan Administration

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

Plan Membership

At April 30, 2016, Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	19
<hr/>	
Total	35

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters the plan. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5% of final salary for each year of service. The monthly benefit of a police officer who retired with 20 or more of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2 % for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50% of final salary or the employee's retirement benefit. Employees disable in the line of duty receive 65% of final salary.

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year ended April 30, 2016, the City's contribution was 44.3% of covered payroll.

Investment Policy

Illinois Compiled Statutes (ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income, government	49.50%	1.50%
Corporate investment grade	5.50%	2.90%
Domestic equities	31.50%	9.60%
International developed	11.25%	6.30%
Real estate	2.25%	9.10%
Cash and equivalents	0.00%	0.00%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected is either based on capital market projections or historical rates seen for the asset classes. The rates provided above are based on an arithmetic average.

Investment Earnings

During the fiscal year ended April 30, 2016, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) changed in fair value and earned interest and dividends as follows:

	<u>Change in Fair Value</u>	<u>Interest and Dividends</u>	<u>Gross Income</u>
U.S. government obligations	(\$48,562)	\$72,569	\$24,007
Domestic corporate obligations	33,502	11,647	45,149
Mutual funds	(178,371)	93,740	(84,631)
Domestic stocks	(11,523)	18,741	7,218
	<u>(\$204,954)</u>	<u>\$196,697</u>	<u>(\$8,257)</u>

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Investment Concentrations

The Plan is invested in the following investments which individually comprise greater than or equal to five percent of the Fund's investments as of April 30, 2016:

U.S Treasury Notes	\$1,670,083	27.04%
Federal National Mortgage	753,047	12.19%
Vanguard Total Stock Admiral Fund	650,887	10.54%
Domestic Corporate Obligations	427,632	6.92%

Investment Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance or secured by some form of collateral. The Plan has the following depository accounts as of April 30, 2016:

Institution	Account Type	Carrying Balance	Institution Balance	Uninsured Balance
Midwest Bank of Western Illinois	Checking	\$175,703	\$175,703	\$0
Charles Schwab & Co, Inc	Money Market	197,461	197,461	0
TD Ameritrade Institutional	Cash	11,662	11,662	0
		\$384,826	\$384,826	\$0

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Interest Rate Risk

At year-end, the Plan has the following debt and investment securities maturing as follows:

Investment Type	Fair Value	Less than 1	1-5	6-10	10+
U.S. Treasury notes	\$1,670,083	\$100,078	\$1,125,421	\$444,584	\$0
Federal Farm Credit Bank	128,798	128,798	0	0	0
Federal Home Loan Mortgage	281,170	0	281,170	0	0
Federal National Mortgage	753,047	226,097	486,790	8,257	31,903
Governmental National Mortgage	12,529	0	0	0	12,529
Domestic Corporate Obligations	427,632	140,551	287,081	0	0
	\$3,273,259	\$595,524	\$2,180,462	\$452,841	\$44,432

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

Credit Risk

The Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity. The Fund's rated debt investments as of April 30, 2016 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

	Total	Unrated	AA+	AA	AA-	A	A-	BBB+
Federal Farm Credit Bank	\$128,798	\$0	\$128,798	\$0	\$0	\$0	\$0	\$0
Federal Home Loan Mortgage	281,170	4,023	277,147	0	0	0	0	0
Federal National Mortgage	753,047	43,004	710,043	0	0	0	0	0
Domestic Corporate Obligations	427,632	0	15,387	30,156	36,667	137,892	35,794	171,736

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Net Pension Liability

The components of the net pension liability of the Police Pension Fund as of April 30, 2016 calculated in accordance with GASB Statement No. 67 were as follows:

Total pension liability	\$18,130,610
Plan fiduciary net position	6,673,198
Employer's net pension liability	11,457,412
Plan fiduciary net position as a percentage of the total pension liability	36.81%

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Measurement date	May 1, 2016
Actuarial Cost method	Entry age normal (level % of pay)
Assumptions	
Projected individual salary increases	4.00% - 26.29%
Projected increase in total payroll	3.25%
Consumer price index	2.50%
Inflation rate	2.50%
Mortality table	L&A 2016 Illinois Police Mortality Rates
Retirement rates	L&A 2016 Illinois Police Retirement Rates Capped at age 65
Disability rates	L&A 2016 Illinois Police Disability Rates
Termination rates	L&A 2016 Illinois Police Termination Rates
Percent married	80.0%

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan assets of 6.00% was blended with the index rate of 3.32% for tax exempt general obligation municipal bonds rated AA or better at April 30, 2016 to arrive at a discount rate of 5.26% used to determine the total pension liability.

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

Changes in the Net Pension Liability

	Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (Asset) (A)-(B)
Balances at April 30, 2015	\$17,408,654	\$6,694,145	\$10,714,509
Changes for the year:			
Service cost	382,915	0	382,915
Interest on the total pension liability	900,918	0	900,918
Differences between expected and actual experience of the total pension liability	0	0	0
Changes of assumptions	0	0	0
Contributions – employer	0	491,232	(491,232)
Contributions – employees	0	110,094	(110,094)
Net investment income	0	(35,577)	35,577
Benefit payments, including refunds of employee contributions	(561,877)	(561,877)	0
Other (net transfer)	0	(24,819)	24,819
Net changes	721,956	(20,947)	742,903
Balances at April 30, 2016	\$18,130,610	\$6,673,198	\$11,457,412

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 5.26% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.26%) or 1 percentage point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Net pension liability	\$14,718,947	\$ 11,457,412	\$8,873,368

Pension Expenses 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 \$884,003. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	350,132	0
Contributions subsequent to the measurement date*	0	0
Total	\$350,132	\$0

* 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.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Police Pension Fund (continued)

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

<u>Year ended April 30:</u>	
2017	\$87,533
2018	87,533
2019	87,533
2020	87,533
2021	0
Thereafter	0

Fire Pension Fund

Plan Administration

Fire sworn personnel are covered by the Fire Pension Plan, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contributions levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature.

The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's mayor, one member is elected by pension beneficiaries, and two members are elected by active firefighter employees.

Plan Membership

At April 30, 2016, the Fire Pension Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	15
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Total	37

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Benefits Provided

The following is a summary of benefits of the plan as provided for in ILCS:

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits in two tiers depending on when a participant enters a plan. Tier I employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of credible service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% of ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Employees are required by ILCS to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Fund as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year ended April 30, 2016, the City's contribution was 75.0% of covered payroll.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Investment Policy

Illinois Compiled Statutes (ILCS) limit the Firefighter's Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds, and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts. During the year, no changes were made to the investment policy.

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income, government	49.50%	1.50%
Corporate investment grade	5.50%	2.90%
Domestic equities	31.50%	6.60%
International developed	11.25%	6.30%
Real estate	2.25%	9.10%
Cash and equivalents	0.00%	0.00%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected is either based on capital market projections or historical rates seen for the asset classes. The rates provided above are based on an arithmetic average.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Investment Earnings

During the fiscal year ended April 30, 2016, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) changed in fair value and earned interest and dividends as follows:

	Change in Fair Value	Interest and Dividends	Gross Income
Earnings on investments at fair value as determined by quoted market price:			
U.S. government obligations	(\$4,610)	\$50,999	\$46,389
Domestic corporate obligations	(2,353)	8,176	5,823
Mutual funds	(120,488)	77,116	(43,372)
	(\$127,451)	\$136,291	\$8,840

Investment Concentrations

The Plan is invested in the following investments which individually comprise greater than or equal to five percent of the Fund's investments as of April 30, 2016:

U.S Treasury Notes	\$1,494,880	34.12%
Vanguard Total Stock Admiral	478,037	10.91%
Vanguard Dividend Growth	353,857	8.08%
Federal National Mortgage	351,851	8.03%

Investment Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

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 Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance or secured by some form of collateral. The Plan has the following depository accounts as of April 30, 2016:

Institution	Account Type	Carrying Balance	Institution Balance	Uninsured Balance
Midwest Bank of Western Illinois	Checking	\$173,116	\$173,144	\$0
TD Ameritrade Institutional	Cash	145,204	145,204	0
		\$318,320	\$318,348	\$0

Interest Rate Risk

At year-end, the Plan has the following debt and investment securities maturing as follows:

At year-end, The Fund has the following debt securities maturing as follows:

Investment Type	Fair Value	Less than 1	1-5	6-10	10+
U.S. Treasury securities	\$1,494,880	\$105,066	\$1,192,819	\$196,995	\$0
Federal Farm Credit Bank	123,610	123,610	0	0	0
Federal Home Loan Mortgage	1,652	0	1,652	0	0
Federal National Mortgage	351,851	75,342	242,351	3,445	30,713
Governmental National Mortgage	19,259	0	0	2,417	16,842
Domestic Corporate Obligations	316,665	100,365	216,300	0	0
	\$2,307,917	\$404,383	\$1,653,122	\$202,857	\$47,555

In accordance with its investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Credit Risk

The Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

	Total	Unrated	AA+	AA	AA-	A	A-	BBB+
Federal Farm Credit Bank	\$123,610	\$0	\$123,610	\$0	\$0	\$0	\$0	\$0
Federal National Mortgage	351,851	36,637	315,214	0	0	0	0	0
Domestic Corporate Obligations	316,665	0	31,608	20,106	20,920	102,218	25,601	116,211

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Fund's agent separate from where the investment was purchased in the Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

Insurance Annuity Contract

In 2005, the Plan purchased a ten year annuity contract with Sun Life Financial for \$50,000. The annuity contract participates at 100% in the growth of the S&P500 Index for the life of the contract. Interest associated with the Index increases is credited to the contract value based on a vesting schedule of 10% for every year the contract is in force. The contract guarantees the original principal paid into the annuity if it is held to the end of the ten year term. The contract's surrender value is based on 1.75% interest applied to 90% of the premium less withdrawals.

Net Pension Liability

The components of the net pension liability of the Fire Pension Fund as of April 30, 2016 calculated in accordance with GASB Statement No. 67 were as follows:

Total pension liability	\$16,016,007
Plan fiduciary net position	4,719,044
Employer's net pension liability	11,296,963
Plan fiduciary net position as a percentage of the total pension liability	29%

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

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

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Measurement date	May 1, 2016
Actuarial Cost method	Entry age normal (level % of pay)
Assumptions	
Projected individual salary increases	4.00% - 23.83%
Projected increase in total payroll	3.25%
Consumer price index	2.50%
Inflation rate	2.50%
Mortality table	L&A 2016 Illinois Firefighters Mortality Rates
Retirement rates	L&A 2016 Illinois Firefighters Retirement Rates Capped at age 65
Disability rates	L&A 2016 Illinois Firefighters Disability Rates
Termination rates	L&A 2016 Illinois Firefighters Termination Rates
Percent married	80.0%

Discount Rate

The discount rate used to measure the total pension liability was 5.40%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.00% was blended with the index rate of 3.32% for tax exempt general obligation municipal bonds rated AA or better at April 30, 2016 to arrive at a discount rate of 5.40% used to determine the total pension liability.

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

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Changes in the Net Pension Liability

	Pension Liability (A)	Plan Net Position (B)	Net Pension Liability (Asset) (A)-(B)
Balances at April 30, 2015	\$15,563,947	\$4,716,484	\$10,847,463
Changes for the year:			
Service cost	312,472	0	312,472
Interest on the total pension liability	822,027	0	822,027
Differences between expected and actual experience of the total pension liability	0	0	0
Changes of assumptions	0	0	0
Contributions – employer	0	627,273	(627,273)
Contributions – employees	0	79,047	(79,047)
Net investment income	0	(8,174)	8,174
Benefit payments, including refunds of employee contributions	(682,439)	(682,439)	0
Other (net transfer)	0	(13,147)	13,147
Net changes	452,060	2,560	449,500
Balances at April 30, 2016	\$16,016,007	\$4,719,044	\$11,296,963

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 5.40% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current rate:

	1% Decrease (4.40%)	Current Discount Rate (5.40%)	1% Increase (6.40%)
Net pension liability	\$13,905,341	\$11,296,963	\$9,205,294

City of Monmouth, Illinois

Notes to Financial Statements

Note 6 Pension and Retirement Systems (continued)

Fire Pension Fund (continued)

Pension Expenses 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 \$843,585. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	233,188	0
Contributions subsequent to the measurement date*	0	0
Total	\$233,188	\$0

* 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:

Year ended April 30:

2017	\$58,297
2018	58,297
2019	58,297
2020	58,297
2021	0
Thereafter	0

City of Monmouth, Illinois

Notes to Financial Statements

Note 7 Other Post-Employment Benefits

The City has evaluated its potential postemployment benefits liability. The City provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Retirees who choose to retain their rights to health insurance through the City are required to pay 100% of the current premium. However, only two retirees have chosen to stay in the City's health insurance plan. Therefore, there has been very little utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Additionally, the City has no former employees for whom the City was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Therefore, the City has not recorded any postemployment benefit liability as of April 30, 2016.

Note 8 Construction and Other Significant Commitments

Construction commitments. The City has active construction projects as of April 30, 2016.

During fiscal year 2014, the City signed two contracts for US 67 and Cloverleaf Drive road construction with Missman, Inc. and Gunther Construction in the amounts of \$458,700 and \$1,489,198, respectively. As of April 30, 2016, the remaining amounts on the Missman, Inc. and Gunther Construction contracts were \$135,294 and \$153,084, respectively.

In June 2015, the City entered into agreement with Woodard and Curran for engineering services related to the new water well no. 10 project in the amount of \$390,000. The estimated completion date is November 2016. As of April 30, 2016, the remaining amount on the contract was \$186,600.

In March 2016, the City entered into agreement with Woodard and Curran for engineering services related to Phase 1 of the wastewater treatment system upgrades in the amount of \$380,000. The estimated completion date is September 2017. As of April 30, 2016, the remaining amount on the contract was \$235,573.

Note 9 Risk Management

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the City participates in the Illinois Municipal League Risk Management Association. The City is liable for up to \$5,000 a year deductible for all years it participates in the plan. The City's policy is to record any related expenditures in the year in which they are notified and pay the assessment. Potentially, the City could be assessed additional premiums for its share of any losses of the pool. The City is not aware of any additional assessments owed as of April 30, 2016.

During the year ended April 30, 2016, there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

City of Monmouth, Illinois

Notes to Financial Statements

Note 10 Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are generally paid by sources other than property taxes. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding at April 30, 2016 are as follows:

Governmental Activities:

General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/16
Series 1999A – Tax Increment	10/19/99	\$665,000	4.25 – 5.80	12/1/16	\$55,000
Series 2010C – Refunding	8/25/10	6,640,000	2.00 – 4.35	12/1/29	5,650,000
					\$5,705,000

Business-Type Activities:

General Obligation Bonds	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/15
Series 2006 – Capital Appreciation	12/27/06	\$9,999,921	4.05 – 4.54	12/1/36	\$5,939,864
Series 2007	1/15/07	5,000,000	3.75 – 4.00	12/1/18	225,000
Series 2010B	4/28/10	1,045,000	4.95	6/15/20	750,000
Series 2011 – Refunding	10/3/11	4,720,000	3.00	12/1/18	2,165,000
Series 2014 – Refunding	12/22/14	8,335,000	3.00 – 4.00	12/1/28	8,335,000
Series 2015A – Capital Appreciation	5/5/15	7,240,861	4.35 – 5.00	12/1/44	7,240,861
Series 2015B – Refunding	5/5/15	4,060,000	3.00 – 3.25	12/1/29	4,060,000
					\$28,715,725

Governmental Activities

The general obligation tax increment bonds, Series 1999A, bear interest at 4.25 to 5.80 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2016. The original issue was \$665,000. The bond proceeds were used to fund a TIF project. The bond will be repaid from (a) the tax increment revenues from the City's redevelopment projects, and (b) ad valorem taxes levied against all of the taxable property in the City.

The general obligation refunding bonds, Series 2010C, bear interest at 2.00 to 4.35 percent, which is due June 1 and December 1 of each year, while principal amounts on mature serially on December 1 of each year, with final maturity on December 1, 2029. The original issue was \$6,640,000. The bond proceeds were used to refund the Series 2001 bonds. The bond will be repaid from (a) City's water and sewer system and (b) general property taxes.

City of Monmouth, Illinois

Notes to Financial Statements

Note 10 Long-Term Debt

General Obligation Bonds (continued)

Business-Type Activities

The general obligation capital appreciation bonds, Series 2006, bear interest at 4.05 to 4.54 percent, which is due December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2036. The original issue was \$9,999,921. The bond proceeds were used to finance construction of a waste water treatment plant. The bonds will be repaid by net revenues from the City's water and sewer system, and partially refunded by the Series 2014 bond.

The general obligation bonds, Series 2007, bear interest at 3.75 to 4.00 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2018. The original issue was \$5,000,000. The bond proceeds were used to finance construction of a waste water treatment plant. The bonds will be repaid by net revenues from the City's water and sewer system, and partially refunded by the Series 2015B bond.

The general obligation bonds, Series 2010B, bear interest at 4.95 percent, which is due June 15 and December 15 of each year, while principal amounts mature serially on June 15 and December 15 of each year, with final maturity on June 15, 2020. The original issue was \$1,045,000. The bond proceeds were used to finance IEPA mandated upgrades. The City is reimbursed by Smithfield Foods, Inc. for debt payments through water and sewer billings.

The general obligation refunding bonds, Series 2011, bear interest at 3.00 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2018. The original issue was \$4,720,000. The bond proceeds were used to refund the Series 2003 bonds. The bonds will be repaid by net revenues from the City's water and sewer system.

The general obligation bonds, Series 2012, bear interest at 1.25 to 2.00 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2018. The original issue was \$2,000,000. The bond proceeds were used to finance construction of waste water treatment plant improvements. The bonds were fully refunded by the Series 2015B bond.

The general obligation refunding bonds, Series 2014, bear interest at 3.00 to 4.00 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2028. The original issue was \$8,335,000. The bond proceeds were used to partially refund the Series 2006 bonds. The bonds will be repaid by net revenues from the City's water and sewer system.

The general obligation capital appreciation bonds, Series 2015A, bear interest at 4.35 to 5.00 percent, which is due on December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2044. The original issue was \$7,240,861. The bond proceeds were used to finance improvements to the wastewater treatment system. The bonds will be repaid by net revenues from the City's water and sewer system.

City of Monmouth, Illinois

Notes to Financial Statements

Note 10 Long-Term Debt (continued)

General Obligation Bonds (continued)

The general obligation refunding bonds, Series 2015B, bear interest at 3.00 to 3.25 percent, which is due June 1 and December 1 of each year, while principal amounts mature serially on December 1 of each year, with final maturity on December 1, 2029. The original issue was \$4,060,000. The bond proceeds were used to refund the Series 2012 bonds and partially refund the Series 2007 bonds. The bonds will be repaid by net revenues from the City's water and sewer system.

Governmental Activities

	Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 4/30/16
Notes Payable					
Elgin Street Sweeper	5/8/14	\$160,930	2.875%	5/20/21	\$120,016
TIF Line of Credit	1/8/15	573,609	2.750%	1/31/20	524,027
Total notes payable		\$734,539			\$644,043
Capital Leases					
John Deere Mowers	5/6/14	\$25,775	4.000%	4/6/16	\$0
John Deere Loader-Backhoe	6/19/14	101,384	3.000%	6/19/19	78,736
John Deere Wheel Loader	9/3/14	139,820	3.000%	9/3/19	118,985
Total capital leases		\$266,979			\$197,721

2014 Elgin Street Sweeper Note Payable

The City obtained a \$160,930 loan from Security Savings Bank for the purchase of a 2014 Elgin Street Sweeper with an interest rate of 2.875% payable in monthly installments of \$2,121 through May 20, 2021.

TIF Line of Credit Note Payable

The City obtained a \$573,609 line of credit from Midwest Bank of Western Illinois with an interest rate of 2.750% payable in semi-annual installments of \$33,122 through July 2019 and one balloon payment of \$340,285 on January 31, 2020.

John Deere Mowers Capital Lease

The City obtained a capital lease with John Deere for three John Deere mowers. The value of the lease was \$25,775 with an interest rate of 4.00% payable in quarterly installments of \$3,335 and was paid off in April 2016.

John Deere Loader-Backhoe Capital Lease

The City obtained a capital lease with Merchants Capital Resources, Inc. for a 2014 John Deere 310SK Loader-Backhoe. The value of the lease was \$101,384 with an interest rate of 3.00% payable in monthly installments of \$1,200 with a balloon payment of \$39,999 in June 2019.

City of Monmouth, Illinois

Notes to Financial Statements

Note 10 Long-Term Debt (continued)

John Deere Wheel Loader Capital Lease

The City obtained a capital lease with Merchants Capital Resources, Inc. for a 2014 John Deere 544K Wheel Loader. The value of the lease was \$139,820 with an interest rate of 3.00% payable in monthly installments of \$1,300 with a balloon payment of \$78,362 in September 2019.

Debt service requirements to maturity are as follows:

Governmental activities

Year ending April 30:	Note Payables		Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$74,237	\$17,496	\$370,000	\$224,889	\$23,373	\$5,327
2018	76,403	15,299	325,000	212,388	25,111	4,889
2019	78,573	13,130	335,000	201,826	25,876	4,124
2020	387,964	10,901	350,000	190,100	123,361	1,205
2021	25,014	445	355,000	176,975		
2022 – 2026	1,852	4	2,030,000	657,875		
2027 – 2031	0	0	1,940,000	210,362		
	\$644,043	\$57,275	\$5,705,000	\$1,874,415	\$197,721	\$15,545

Business-type activities

Year ending April 30:	Bonds Payable	
	Principal	Interest
2017	\$890,000	\$529,181
2018	970,000	498,935
2019	1,015,000	465,691
2020	1,175,000	430,977
2021	1,140,000	392,190
2022 - 2026	5,875,000	1,442,663
2027 - 2031	6,272,256	2,095,406
2032 - 2036	5,045,123	6,629,877
2037 - 2041	3,882,053	8,244,201
2042 - 2046	2,451,293	7,339,828
	\$28,715,725	\$28,068,949

City of Monmouth, Illinois

Notes to Financial Statements

Note 10 Long-Term Debt (continued)

Long term liability activity for the year ended April 30, 2016 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$6,060,000	\$0	\$355,000	\$5,705,000	\$370,000
Plus premium on bonds	44,928	0	3,069	41,859	3,069
Notes payable	715,242	0	71,199	644,043	74,237
Capital leases	230,240	0	32,519	197,721	23,373
Accrued compensated absences	377,467	342,052	316,206	403,313	94,708
Governmental activity long-term liabilities	\$7,427,877	\$342,052	\$777,993	\$6,991,936	\$565,387
Business-type activities:					
Bonds payable:					
General obligation bonds	\$22,374,864	\$11,300,861	\$4,960,000	\$28,715,725	\$890,000
Plus premium on bonds	573,224	45,837	79,956	539,105	67,803
Business-type activity Long-term liabilities	\$22,948,088	\$11,346,698	\$5,039,956	\$29,254,830	\$957,803

Note 11 Net Position

Net position reported on the government wide statement of net position at April 30, 2016 as follows:

Governmental Activities:

Net investment in capital assets:

Land and construction in progress	\$2,698,663
Other capital assets, net of accumulated depreciation	4,404,253
Less: related long-term debt outstanding	(5,967,737)

Total net investment in capital assets	1,135,179
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City of Monmouth, Illinois

Notes to Financial Statements

Note 11 Net Position (continued)

Restricted:	
State statutes and enabling legislation	1,302,747
Debt services	616,159
<hr/>	
Total restricted	1,918,906
<hr/>	
Unrestricted	(16,030,740)
<hr/>	
Total governmental activities net position	(\$12,976,655)
<hr/>	
Business-type Activities:	
Net investment in capital assets:	
Land and construction in progress	\$550,947
Other capital assets, net of accumulated depreciation	30,848,090
Less: related long-term debt outstanding	(23,265,725)
<hr/>	
Total net investment in capital assets	8,133,312
<hr/>	
Restricted -	
Unspent proceeds for capital improvements	5,518,112
<hr/>	
Unrestricted	(2,268,430)
<hr/>	
Total business-type activities net position	\$11,382,994
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Note 12 Fund Balance

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

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The City has nonspendable balances at year end that are listed below.

Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Examples of these restrictions could be those imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted balances at year end that are listed below.

City of Monmouth, Illinois

Notes to Financial Statements

Note 12 Fund Balance (continued)

Committed Fund Balance

The City commits fund balance by making motions or passing resolution to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The City has no committed balances at year end.

Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Board to assign amounts to be used for specific purposes. The City has assigned balances at year end that are listed below.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund and for funds with negative fund balances.

Nonspendable Fund Balance	
Major Funds -	
General Fund – prepaid items	\$14,555
<hr/>	
Restricted Fund Balance	
Major Funds -	
State statutes and enabling legislation-	
General Fund	8,910
Nonmajor Funds:	
State statutes and enabling legislation:	
Motor fuel tax	877,974
TIF I district	245,914
Bond agreement -	
Debt service	616,159
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Total restricted fund balance	1,748,957
<hr/>	
Assigned Fund Balance	
Major Fund -	
General Fund -	
Cemetery	108,064
Homestead	58,939
Downtown Façade Program	48,575
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Total assigned fund balances	215,578
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Unassigned Fund Balance	
Major Fund -	
General Fund	2,369,916
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Total governmental fund balances	\$4,349,006
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City of Monmouth, Illinois

Notes to Financial Statements

Note 13 Interfund Receivables and Payables

Below are the advances to/from as of April 30, 2016:

	Receivable Fund	Payable Fund
Governmental funds -		
General fund	\$0	\$877,828
Proprietary funds -		
Water and sewer fund	877,828	0
	<hr/>	<hr/>
	\$877,828	\$877,828

The outstanding balances between funds result from cash shortfalls in the General Fund. These loans are to be repaid as soon as funding is available.

Note 14 Interfund Transfers

Below are the interfund transfers as of April 30, 2016:

Fund	Transfer In	Transfer Out
Major funds -		
General Fund	\$130,000	\$0
Non-major funds	512,113	0
Proprietary funds:		
Water and Sewer Fund	0	642,113
	<hr/>	<hr/>
	\$642,113	\$642,113

All transfers were made to simplify cash flows within the City and accumulation of funds for future needs of the City.

Note 15 Contingencies/Landfill Postclosure Care Costs

From time to time, the City is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City ceased accepting solid waste in 1992. State and Federal laws and regulation required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill. The City is in the processing of applying for final closure from the Illinois Environmental Protection Agency and has deemed the remaining postclosure care costs to be insignificant.

City of Monmouth, Illinois

Notes to Financial Statements

Note 16 Woodard and Curran and Smithfield Foods, Inc. Agreements

On April 15, 2013, the City entered into an agreement with Woodard and Curran (W&C). W&C agrees to operate, maintain, and manage the water facilities and water wells; the water production facilities; the water distribution system; the wastewater collection system; the street system; the lawn maintenance program; the solid waste/transfer station/compost facility; the trash collection program; the utility billing and collection system' normal vehicle maintenance' and sludge management and removal. The City shall pay W&C \$2,739,491 annually the monthly payments due no later than the 10th of each month with the annual compensation amount subject to adjustment (based on the agreement) on April 30, of each year of the contract term. The term of the agreement is for May 1, 2013 to April 30, 2023. This agreement may be terminated upon thirty days written notice given by the City to W&C for default by W&C. In the event that the City terminates this agreement prior to the full term, the City shall owe W&C all invoiced fees through the date of the termination plus one year's fixed fee based on the most recent negotiated annual fee and the prorated balance remaining on the original transition costs.

The City entered into a servicing agreement on April 21, 2010 with Smithfield Foods, Inc. (formerly Farmland Foods, Inc.) to provide wastewater treatment at the North Plant. Smithfield Foods shall pay the City \$49,500 (\$594,000 annually) the 1st of each month with the annual compensation amount subject to adjust annually each ear of the contract term. Additionally, Smithfield Foods, Inc. will pay the City a set water rate for usage with annual rates subject to adjustment annually each year of the contract term. Finally, Smithfield Foods, Inc. will pay the City the cost of debt service payments for the cost of capital improvements completed at the North Pretreatment plant. Monthly payments are due on the 10th of each month in the amount of \$15,886 with Smithfield responsible for the remaining principle and interest owed on the bond issuance for capital improvements in the event of company closing before the bonds are paid in full. The term of the agreement is for July 1, 2010 to June 30, 2020 with an option renewal at the end of the tenth year.

Note 17 Major Customers

The Water and Sewer Fund operating revenue from major customers for the year ended April 30, 2016, and the major customers accounts receivable balances as of April 30, 2016 were as follows:

	<u>Operating Revenue</u>	<u>Accounts Receivable</u>
Smithfield Foods, Inc.	\$1,491,051	\$175,963

Note 18 New Reporting Standard

GASB Statement No 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 is effective for periods beginning after June 15, 2013. This Statement establishes standards of financial reporting and specifies the required approach to measuring pension liability of employers for benefits provided through the pension plan. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The City has implemented this statement in the year ended April 30, 2016.

City of Monmouth, Illinois

Notes to Financial Statements

Note 18 New Reporting Standard (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* is effective for periods beginning after June 15, 2014. This statement establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its IMRF pension plans. The City has implemented this statement in the year ended April 30, 2016.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* is effective for periods beginning after June 15, 2014. The statement amends the new requirements for governments reporting a net pension liability. The City has implemented this statement in the year ended April 30, 2016.

Note 19 Impact of Pending Accounting Principles

GASB issued Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement when a market price is not readily determinable, and establishes a 3-level hierarchy of fair value that will be disclosed in the notes to the financial statements, based on the presence or absence of observable market inputs. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68* addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined the effect of this Statement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not determined the effect of this Statement.

City of Monmouth, Illinois

Notes to Financial Statements

Note 19 Impact of Pending Accounting Principles (continued)

GASB Statement No. 77, *Tax Abatement Disclosures* requires governments that enter into tax abatement agreements to disclose the certain information about the agreements to allow readers of the financial statements to better access the revenue-generating capacity of the government. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017. The City has not determined the effect of this Statement.

Note 20 Restatement of Beginning Net Position/Fund Balance

As a result of the implementation of GASB Statement No. 68 and 71 and many errors in prior year's financial report, the governmental activities, business-type activities, and governmental funds beginning net position/fund balance were restated as follows:

	Governmental Activities	Business-Type Activities
Net Position - April 30, 2015 (as reported)	\$188,841	\$20,140,921
Add: Prior year grant funds received for Gas Scrubber machine	0	491,064
Add: Correct accumulated depreciation taken on land	120,508	0
Less: Correct long-term debt	(24,181)	0
Reclassify 2011 bonds from Government to Business-Type	2,840,000	(2,840,000)
Less: Record issuance of Series 2014 bond	0	(4,783,660)
Less: Record bond discounts (premiums)	(44,928)	(64,507)
Less: Record economic gain/loss on Series 2014 Bond	0	(541,887)
Add: Record capital leases issued during prior year	36,739	0
Correct prior year accrued interest payable	31,151	(153,909)
Less: Record prior year accrued compensated absences	(377,467)	0
Correct prior year capital asset additions and disposals	815,039	(215,773)
Add: Correct prior year accounts receivable	0	126,044
Add: Record prior year IMRF Net Pension Asset	4,981,541	0
Less: Record prior year Police and Fire Net Pension Liability	(21,561,971)	0
Less: Correct prior year grant receivable	(48,533)	0
Net Position - April 30, 2015 (as restated)	(\$13,043,261)	\$12,158,293

City of Monmouth, Illinois

Notes to Financial Statements

Note 20 Restatement of Beginning Net Position/Fund Balance (continued)

	General Fund	Nonmajor Governmental Funds	Total
Fund balance – April 30, 2015 (as reported)	\$3,239,881	\$1,200,636	\$4,440,517
Correct long-term debt recorded in governmental funds	137,593	0	137,593
Correct prior year grant receivable	(48,533)	0	(48,533)
Correct interest payable recorded in governmental funds	0	133,780	133,780
Fund balance – April 30, 2015 (as restated)	\$3,328,941	\$1,334,416	\$4,663,357

Note 21 Subsequent Events

In May 2016, the City entered into a contract with Brandt Construction for road work on various streets through the Motor Fuel Tax program for \$511,189. The work began in Summer 2016, and was completed in Fall 2016.

On August 2, 2016, the City entered into a contract with Leander Construction for the drilling of a new well for \$2,056,000. The work began in Fall 2016, and is expected to be completed in July 2017.

Required Supplementary Information

City of Monmouth, Illinois

Budgetary Comparison Schedule

Major Fund - General

For the year ending April 30, 2016

	Budget		Actual	Variance with Budget
	Original	Final		
Revenues:				
Property taxes	\$401,000	\$423,267	\$413,887	(\$9,380)
Licenses and permits	196,905	196,905	204,623	7,718
Intergovernmental revenues	5,252,680	5,472,680	4,651,644	(821,036)
Revenues from services, fees, and fines	1,554,695	1,620,695	1,608,777	(11,918)
Investment income	95,000	95,000	8,288	(86,712)
Miscellaneous revenues	290,400	465,400	151,936	(313,464)
Total revenues	7,790,680	8,273,947	7,039,155	(1,234,792)
Expenditures:				
Administration:				
Personnel services	413,000	430,000	431,404	(1,404)
IMRF/SS	128,800	128,800	122,659	6,141
Contractual services	564,742	594,742	582,928	11,814
Contractual services - maintenance	205,000	234,000	148,597	85,403
IT support	93,442	115,092	91,631	23,461
Commodities	23,000	23,000	16,372	6,628
Capital outlay	2,000	2,000	1,030,011	(1,028,011)
Grants	933,480	1,200,000	76,906	1,123,094
Other	1,255,679	1,262,679	1,132,266	130,413
Total administration	3,619,143	3,990,313	3,632,774	357,539
Solid Waste:				
Solid waste expenses	829,526	829,526	703,752	125,774
Total solid waste	829,526	829,526	703,752	125,774
Board and Commissions:				
Personnel services	600	600	175	425
Contractual services	6,500	6,500	4,287	2,213
Total board and commissions	7,100	7,100	4,462	2,638
Public Safety - Police:				
Personnel services	1,758,284	1,787,242	1,769,620	17,622
Contractual services	96,635	102,135	104,629	(2,494)
Commodities	56,000	56,000	31,656	24,344
Capital outlay	35,200	50,000	49,666	334
Total public safety - police	1,946,119	1,995,377	1,955,571	39,806
Community Development:				
Personnel services	140,836	140,836	140,303	533
Contractual services	73,800	73,800	48,319	25,481
Commodities	4,000	4,000	320	3,680
Capital outlay	200	200	100	100
Total community development	218,836	218,836	189,042	29,794

City of Monmouth, Illinois

Budgetary Comparison Schedule

Major Fund - General (Continued)

For the year ending April 30, 2016

	Budget		Actual	Variance with Budget
	Original	Final		
Expenditures (continued):				
Public Safety - Fire:				
Personnel services	1,025,000	1,080,000	1,036,423	43,577
Contractual services	60,200	65,200	68,843	(3,643)
Commodities	11,450	11,450	8,784	2,666
Capital outlay	14,500	14,500	5,287	9,213
Total public safety - fire	1,111,150	1,171,150	1,119,337	51,813
Municipal Pool:				
Personnel services	37,500	37,500	25,939	11,561
Contractual services	9,300	9,300	7,328	1,972
Commodities	12,900	12,900	13,176	(276)
Capital outlay	4,000	4,000	1,941	2,059
Other	350	350	62	288
Total municipal pool	64,050	64,050	48,446	15,604
Debt service:				
Principal	0	0	54,136	(54,136)
Interest	0	0	10,131	(10,131)
Total debt service	0	0	64,267	(64,267)
Total expenditures	7,795,924	8,276,352	7,717,651	558,701
Excess (deficiency) of revenues over expenditures	(5,244)	(2,405)	(678,496)	(676,091)
Other financing sources (uses):				
Transfer in	0	0	130,000	130,000
Transfer out	0	0	0	0
Total other financing sources (uses)	0	0	130,000	130,000
Net change in fund balance	<u>(\$5,244)</u>	<u>(\$2,405)</u>	(548,496)	<u>(\$546,091)</u>
Budgetary fund balance, beginning of year			3,239,881	
Budgetary fund balance, end of year			<u>\$2,691,385</u>	
Differences between budgetary and GAAP fund balance:				
Budgetary fund balance, end of year			\$2,691,385	
Adjustment from budgetary basis to generally accepted accounting principles basis			<u>(298,460)</u>	
GAAP fund balance, end of year			<u>\$2,392,925</u>	
GAAP fund balance for General Revenue Funds				
General Fund			2,392,925	
Cemetery Fund			108,520	
Downtown Façade Fund			58,939	
Homestead Fund			<u>48,575</u>	
GAAP fund balance, General Revenue Funds			<u>\$2,608,959</u>	

City of Monmouth, Illinois

Required Supplementary Information

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

IMRF Regular Plan - Last 10 Calendar Years

(schedule to be built prospectively from 2015)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Calendar year ending December 31,										
Total pension liability:										
Service cost	\$99,634									
Interest on the total pension liability	763,940									
Benefit changes	0									
Difference between expected and actual exper	(16,934)									
Assumption changes	0									
Benefit payments and refunds	(806,175)									
Net change in total pension liability	40,465									
Total pension liability - beginning	10,539,136									
Total pension liability - ending (a)	\$10,579,601									
Plan fiduciary net position:										
Employer contributions	\$12,128									
Employee contributions	46,252									
Pension plan net investment income	75,734									
Benefit payments and refunds	(806,175)									
Other	(440,432)									
Net change in plan fiduciary net position	(1,112,493)									
Plan fiduciary net position - beginning	15,520,677									
Plan fiduciary net position - ending (b)	\$14,408,184									
Net pension liability(asset) - Ending (a) - (b)	(3,828,583)									
Plan fiduciary net position as a percentage of total pension liability	136.19%									
Covered valuation payroll	1,027,834									
Net pension liability as a percentage of covered valuation payroll	-372.49%									

The City implemented GASB Statement No. 68 in April 30, 2016.

City of Monmouth, Illinois
 Required Supplementary Information
 Multiyear Schedule of IMRF Contributions

Illinois Municipal Retirement Fund (IMRF)
Multiyear Schedule of Contributions
Last 10 Calendar Years

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$12,128*	\$12,128	\$0	\$1,027,834	1.18%

* Estimated based on contribution rate of 1.18% and covered valuation payroll of \$1,027,834.

The City implemented GASB Statement No. 68 in 4/30/16.

City of Monmouth, Illinois

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Police Pension Fund - Last 10 Fiscal Years

(schedule to be built prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability:										
Service cost	\$382,915	\$0								
Interest on the total pension liability	900,918	0								
Benefit changes	0	0								
Difference between expected and actual experience	0	0								
Assumption changes	0	0								
Benefit payments and refunds	(561,877)	0								
Net change in total pension liability	721,956	0								
Total pension liability - beginning	17,408,654	0								
Total pension liability - ending (a)	\$18,130,610	\$17,408,654								
Plan fiduciary net position:										
Employer contributions	\$491,232	\$455,561								
Employee contributions	110,094	123,782								
Pension plan net investment income	(35,577)	321,355								
Benefit payments and refunds	(561,877)	(541,068)								
Administrative expense	(24,819)	(20,511)								
Net change in plan fiduciary net position	(20,947)	339,119								
Plan fiduciary net position - beginning	6,694,145	6,355,027								
Plan fiduciary net position - ending (b)	\$6,673,198	\$6,694,146								
Employer net pension liability (asset) - Ending (a) - (b)	\$11,457,412	\$10,714,508								

The City implemented GASB Statement No. 68 in April 30, 2016.

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

City of Monmouth, Illinois

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Police Pension Fund - Last 10 Fiscal Years

(schedule to be built prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability - ending (a)	\$18,130,610	\$17,408,654								
Plan fiduciary net position - ending (b)	6,673,198	6,694,146								
Employer net pension liability (asset) - Ending (a) - (b)	\$11,457,412	\$10,714,508								
Plan fiduciary net positions as a percentage of total pension liability	36.81%									
Covered valuation payroll	\$1,108,984									
Net pension liability as a percentage of covered valuation payroll	1033.14%									

The City implemented GASB Statement No. 68 in April 30, 2016.

Covered employee payroll shown is the total covered payroll for the fiscal year for all fund members.

City of Monmouth, Illinois

Required Supplementary Information Schedule of Employer Contributions Police Pension Fund - Last Ten Fiscal Years (schedule to be build prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$490,728									
Contributions in relation to the actuarially determined contribution	491,232									
CONTRIBUTION DEFICIENCY (EXCESS)	(\$504)									
Covered-employee payroll	\$1,108,984									
Contributions as a percentage of covered-employee payroll	44.3%									

The City implemented GASB Statement No. 68 in April 30, 2016.

Notes to the Schedule of Contributions

The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by The Illinois Department of Insurance for the tax levy recommendation for the December 2014 tax levy.

City of Monmouth, Illinois

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Firefighter Fund - Last 10 Fiscal Years

(schedule to be built prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability:										
Service cost	\$312,472	\$0								
Interest on the total pension liability	822,027	0								
Benefit changes	0	0								
Difference between expected and actual experience	0	0								
Assumption changes	0	0								
Benefit payments and refunds	(682,439)	0								
Net change in total pension liability	452,060	0								
Total pension liability - beginning	15,563,947	0								
Total pension liability - ending (a)	\$16,016,007	\$15,563,947								
Plan fiduciary net position:										
Employer contributions	627,273	501,431								
Employee contributions	79,047	78,507								
Pension plan net investment income	(8,174)	250,078								
Benefit payments and refunds	(682,439)	(645,464)								
Administrative expense	(13,147)	(14,513)								
Net change in plan fiduciary net position	2,560	170,039								
Plan fiduciary net position - beginning	4,716,484	4,546,445								
Plan fiduciary net position - ending (b)	\$4,719,044	\$4,716,484								
Net pension liability (asset) - ending (a) - (b)	\$11,296,963	\$10,847,463								

The City implemented GASB Statement No. 68 in April 30, 2016.

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

City of Monmouth, Illinois

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

Firefighter Fund - Last 10 Fiscal Years

(schedule to be built prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability - ending (a)	\$16,016,007	\$15,563,947								
Plan fiduciary net position - ending (b)	4,719,044	4,716,484								
Net pension liability (asset) - ending (a) - (b)	\$11,296,963	\$10,847,463								
Plan fiduciary net positions as a percentage of total pension liability	29.46%									
Covered valuation payroll	\$836,019									
Net pension liability as a percentage of covered valuation payroll	1351.28%									

The City implemented GASB Statement No. 68 in April 30, 2016.

Covered employee payroll shown is the total covered payroll for the fiscal year for all fund members.

City of Monmouth, Illinois

Required Supplementary Information

Schedule of Employer Contributions

Firefighter Pension Fund - Last Ten Fiscal Years

(schedule to be build prospectively from 2016)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$546,533									
Contributions in relation to the actuarially determined contribution	627,273									
CONTRIBUTION DEFICIENCY (EXCESS)	(\$80,740)									
Covered-employee payroll	\$836,019									
Contributions as a percentage of covered-employee payroll	75.0%									

The City implemented GASB Statement No. 68 in April 30, 2016.

Notes to the Schedule of Contributions

The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by The Illinois Department of Insurance for the tax levy recommendation for the December 2014 tax levy.

City of Monmouth, Illinois

Required Supplementary Information
Schedule of Investment Returns
Police and Firefighter's Pension Fund
For the year ending April 30, 2016

2016

Police Pension Fund

Annual money - weighted rate of return,
net of investment expense

-0.57%

Firefighter's Pension Fund

Annual money - weighted rate of return,
net of investment expense

-0.27%

City of Monmouth, Illinois

Notes to Required Supplementary Information

Note 1 Budgetary Basis

The budgets are prepared for City funds on a modified cash basis and include a statement of the cash revenue and expenditures of the immediately preceding fiscal year and a projection of the cash revenue (including the available beginning cash balance) and the proposed itemized appropriations of the ensuing fiscal year. All appropriations cease with the close of the fiscal year.

Note 2 Excess Expenditures Over Appropriations

There were no major governmental funds whose disbursements exceeded appropriations.

Note 3 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate from IMRF*

Valuation date:

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years)>
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%
Price Inflation	3.00% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%

City of Monmouth, Illinois
Notes to Required Supplementary Information

Note 3 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate for IMRF *

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.

Mortality RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year.

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

Supplementary Information

City of Monmouth, Illinois

Combining Balance Sheet

General Fund

April 30, 2016

	General	Cemetery	Homestead	Downtown Façade Program	Total
Current assets:					
Cash	\$169,304	\$9,605	\$58,939	\$8,606	\$246,454
Investments	2,220,290	98,459	0	39,744	2,358,493
Accounts receivable, net of allowance	220,620	0	0	10	220,630
Property tax receivable	351,481	0	0	0	351,481
Due from other governments	1,001,751	0	0	0	1,001,751
Prepaid items	14,099	456	0	0	14,555
Advances to other funds	0	0	0	0	0
Note receivables	0	0	0	215	215
Total current assets	3,977,545	108,520	58,939	48,575	4,193,579
Noncurrent assets -					
Note receivables	0	0	0	0	0
Total assets	\$3,977,545	\$108,520	\$58,939	\$48,575	\$4,193,579
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$176,966	\$0	\$0	\$0	\$176,966
Accrued payroll	178,345	0	0	0	178,345
Advances from other funds	877,828	0	0	0	877,828
Total liabilities	1,233,139	0	0	0	1,233,139
Deferred inflows of resources -					
Unavailable property taxes	351,481	0	0	0	351,481
Fund balances:					
Nonspendable	14,099	456	0	0	14,555
Restricted	8,910	0	0	0	8,910
Committed	0	0	0	0	0
Assigned	0	108,064	58,939	48,575	215,578
Unassigned	2,369,916	0	0	0	2,369,916
Total fund balance	2,392,925	108,520	58,939	48,575	2,608,959
Total liabilities, deferred inflows of resources and fund balances	\$3,977,545	\$108,520	\$58,939	\$48,575	\$4,193,579

City of Monmouth, Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

For the year ending April 30, 2016

	General	Cemetery	Homestead	Downtown Façade Program	Total
Revenues:					
Property taxes	\$413,887	\$0	\$0	\$0	\$413,887
Licenses and permits	214,277	0	0	0	214,277
Intergovernmental revenues	4,641,272	0	351,780	0	4,993,052
Revenues from services, fees, and fines	1,666,432	4,975	0	0	1,671,407
Interest income	8,288	725	83	138	9,234
Miscellaneous revenues	151,936	0	0	0	151,936
Total revenues	7,096,092	5,700	351,863	138	7,453,793
Current:					
Expenditures:					
General control and administration	2,135,547	800	0	0	2,136,347
Public safety	3,222,505	0	0	0	3,222,505
Public works	2,259,938	0	0	0	2,259,938
Community development	209,132	0	361,780	0	570,912
Culture and recreation	49,806	0	0	0	49,806
Debt Service	64,267	0	0	0	64,267
Total expenditures	7,941,195	800	361,780	0	8,303,775
Excess (deficiency) of revenues over expenditures	(845,103)	4,900	(9,917)	138	(849,982)
Other financing sources (uses):					
Transfer in	130,000	0	0	0	130,000
Transfer out	0	0	0	0	0
Total other financing sources (uses)	130,000	0	0	0	130,000
Net change in fund balances	(715,103)	4,900	(9,917)	138	(719,982)
Fund balance at beginning of year - previously reported	2,970,435	103,620	68,856	96,970	3,239,881
Prior period adjustment	137,593	0	0	(48,533)	89,060
Fund balance at beginning of year - restated	3,108,028	103,620	68,856	48,437	3,328,941
Fund balance at end of year	\$2,392,925	\$108,520	\$58,939	\$48,575	\$2,608,959

City of Monmouth, Illinois

Combining Balance Sheet
 Nonmajor Governmental Funds
 April 30, 2016

ASSETS	Total Nonmajor Governmental Funds	Special Revenue			
		Motor Fuel Tax	Revolving Loan/ EDC	1999A TIF Bonds Financing	Debt Service
Current assets:					
Cash	\$1,699,202	\$833,640	\$0	\$249,403	\$616,159
Investments	0	0	0	0	0
Accounts receivable, net	0	0	0	0	0
Property tax receivable	350,000	0	0	0	350,000
Due from other governments	56,300	56,300	0	0	0
Prepaid items	0	0	0	0	0
Advances to other funds	0	0	0	0	0
Note receivables	0	0	0	0	0
Total current assets	2,105,502	889,940	0	249,403	966,159
Noncurrent assets -					
Note receivables	0	0	0	0	0
Total assets	\$2,105,502	\$889,940	\$0	\$249,403	\$966,159
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	15,455	11,966	0	3,489	0
Accrued payroll	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	15,455	11,966	0	3,489	0
Deferred inflows of resources -					
Unavailable property taxes	350,000	0	0	0	350,000
Total deferred inflows of resources	350,000	0	0	0	350,000
Fund balances:					
Nonspendable	0	0	0	0	0
Restricted	1,740,047	877,974	0	245,914	616,159
Committed	0	0	0	0	0
Unassigned	0	0	0	0	0
Total fund balances	1,740,047	877,974	0	245,914	616,159
Total liabilities, deferred inflows of resources, and fund balances	\$2,105,502	\$889,940	\$0	\$249,403	\$966,159

City of Monmouth, Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the year ending April 30, 2016

	Total Nonmajor Governmental Funds	Special Revenue			Debt Service
		Motor Fuel Tax	Revolving Loan/ EDC	1999A TIF Bonds Financing	
Revenues:					
Property taxes	\$563,283	\$0	\$0	\$213,122	\$350,161
Licenses and permits	0	0	0	0	0
Intergovernmental revenues	242,365	242,365	0	0	0
Fines	0	0	0	0	0
Interest income	2,907	1,179	0	224	1,504
Miscellaneous revenues	14,247	12,263	0	372	1,612
Total revenues	822,802	255,807	0	213,718	353,277
Expenditures:					
Current:					
General control and administration	21,775	0	0	21,775	0
Public safety	0	0	0	0	0
Public works	215,332	132,521	0	0	82,811
Community development	0	0	0	0	0
Culture and recreation	0	0	0	0	0
Debt service:					
Principal	404,582	0	0	99,582	305,000
Interest	253,477	0	0	22,489	230,988
Capital outlay	34,118	34,118	0	0	0
Total expenditures	929,284	166,639	0	143,846	618,799
Excess (deficiency) of revenues over expenditures	(106,482)	89,168	0	69,872	(265,522)
Other financing sources (uses):					
Transfer in	512,113	0	0	0	512,113
Transfer out	0	0	0	0	0
Total other financing sources (uses)	512,113	0	0	0	512,113
Net change in fund balances	405,631	89,168	0	69,872	246,591
Fund balance at beginning of year - previously reported	1,200,636	788,806	0	173,128	238,702
Prior period adjustment	133,780	0	0	2,914	130,866
Fund balance at beginning of year - restated	1,334,416	788,806	0	176,042	369,568
Fund balance at end of year	\$1,740,047	\$877,974	\$0	\$245,914	\$616,159

City of Monmouth, Illinois
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ending April 30, 2016

ASSETS	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Cash	\$11,201	\$166,115	\$164,665	\$12,651
Due from employees	0	0	0	0
Total assets	\$11,201	\$166,115	\$164,665	\$12,651
LIABILITIES				
Due to employees	\$2,835	\$0	\$0	\$2,835
Due to others	8,366	166,115	164,665	9,816
Total liabilities	\$11,201	\$166,115	\$164,665	\$12,651

City of Monmouth, Illinois

Schedule of Investments

April 30, 2016

	Market Value	Book Value
General Fund:		
Certificates of deposits	259,948	259,948
Municipal securities	1,960,342	1,960,342
Total General Fund investments	2,220,290	2,220,290
Cemetery 40% Upkeep Fund -		
Certificates of deposits	98,459	98,459
Total Cemetery Fund investments	98,459	98,459
Downtown Façade Fund -		
Certificates of deposits	39,744	39,744
Water and Sewer Fund:		
Certificates of deposits	5,888,035	5,888,035
Municipal securities	2,207,639	2,207,639
Total Water Fund investments	8,095,674	8,095,674
Police Pension Fund:		
U.S. government and agency obligations	2,845,627	2,845,627
Domestic corporate bonds	427,632	427,632
Mutual funds	2,196,514	2,196,514
Domestic stock	706,859	706,859
Total Police Pension Fund investments	6,176,632	6,176,632
Fire Pension Fund:		
U.S. government and agency obligations	1,991,252	1,991,252
Local government investment pool	15,189	15,189
Domestic corporate bonds	316,665	316,665
Mutual funds	1,997,732	1,997,732
Insurance annuities	60,135	60,135
Total Fire Pension Fund investments	4,380,973	4,380,973
Total investments	\$21,011,772	\$21,011,772

City of Monmouth, Illinois

Schedule of General Property Taxes, Assessed Valuations, Rates, Extension and Collection of Taxes April 30, 2016

Tax Levy Year	2015	2014	2013
Assessed valuations	\$65,598,228	\$64,451,954	\$61,693,806
Rate (per \$100 assessed valuation):			
General corporate	0.5359	0.5454	0.5698
Policemen's pension	0.7485	0.7619	0.7389
Firemen's pension	1.0672	0.9729	0.8133
Bond and interest	0.5336	0.5431	0.5674
Total	2.8852	2.8233	2.6894
Extension:			
General	\$351,541	\$351,521	\$351,532
Policemen's pension	491,003	491,059	455,856
Firemen's pension	700,064	627,053	501,756
Bond and interest	350,032	350,039	350,051
Total	\$1,892,640	\$1,819,672	\$1,659,195
Collection:			
General		\$353,266	\$351,304
Policemen's pension		491,232	455,561
Firemen's pension		627,273	501,431
Bond and interest		350,161	349,824
Total	\$0	\$1,821,932	\$1,658,120
Percent of extensions collected	0.00%	100.12%	99.94%
City share of Township road and bridge tax collected, general fund		\$60,621	\$59,654

Compliance



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

Mayor and City Council
City of Monmouth
Monmouth, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States 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 City of Monmouth, Illinois, (the “City”) as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated October 26, 2016. Our report on the financial statements includes an emphasis-of-matter paragraph describing how the City adopted 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 68, during the year ended April 30, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and responses as item 2016-003.

Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Sterling, Illinois
October 26, 2016

City of Monmouth, Illinois

Schedule of Findings and Responses

Finding (2016-001):

Criteria – The *Governmental Auditing Standards* require that management prepare the financial statements with footnote disclosures.

Condition – The City relies on the external auditors to prepare the financial statements with footnote disclosures.

Cause – Due to the complexity of several of the footnote disclosures, management does not currently possess the expertise to accurately prepare the financial statements and related disclosures for accuracy and completeness in accordance with the accounting principles generally accepted in the United States of America.

Effects or Potential Effects – The completeness of the financial statement disclosures and the accuracy of the overall financial presentation is negatively impacted as external auditors do not have the same comprehensive understanding of the City as its internal financial staff.

Recommendation – The City's management and City Council's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

View of responsible officials and planned corrective actions – The City's management and City Council's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

Finding (2016-002):

Criteria - The City must have proper segregation of duties.

Condition - There is inadequate control over the functions of processing and recording City cash disbursements, City cash receipts, City bank reconciliations, City payroll, Water & Sewer cash receipts and billing, and the Fire Pension cash disbursements due to inadequate segregation of duties.

Cause – The City has not implemented the proper segregation of duties.

Effect – Without proper segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements.

Recommendation - Management and the Board should continue to work together to establish and implement policies and procedures for adequate segregation of duties.

Corrective Action Plan - The City's management and City Council's will evaluate the current processes and implement additional procedures to improve segregation of duties.

City of Monmouth, Illinois

Schedule of Findings and Responses

Finding (2016-003):

Criteria – 65 ILCS 5/11-74.4-5(e) states “the joint review board shall meet annually 180 days after the close of the municipal fiscal year or as soon as the redevelopment project audit for that fiscal year becomes available to review the effectiveness and status of the redevelopment project area up to that date.

Condition – The City is not holding annual meetings of the joint review board in accordance 65 ILCS 5/Art. 11 Div. 74.4, the Tax Increment Allocation Redevelopment Act.

Cause – The City did not have any redevelopment projects from 2013-2015 resulting in not holding the annual joint review board meetings.

Effect – The City is not in compliance with the Tax Increment Allocation Redevelopment Act.

Recommendation – It is recommended the City begin holding the required annual joint review board meetings in accordance with the time constraints noted in the Tax Increment Allocation Redevelopment Act. Oversight and review of TIF district operations by the joint review board is essential to the ongoing success of the project.

Corrective Action Plan - Management will begin holding the required annual joint review board meetings.



Independent Accountant's Report

Mayor and City Council
City of Monmouth, Illinois
Monmouth, Illinois

We have examined City of Monmouth, Illinois' (the "City") compliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended April 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) applicable to the City during the year ended April 30, 2016. The City has not been holding the annual joint review board meetings. These conditions were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 financial statements, and this report does not affect our report dated October 26, 2016 on those financial statements.

In our opinion, except for the material noncompliance described in the third paragraph, City of Monmouth, Illinois, complied, in all material respects, with the aforementioned requirements for the year ended April 30, 2016.

This report is intended solely for the information and use of management, the City Council, others within the City, the Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Sterling, Illinois
October 26, 2016