

CITY OF SULLIVAN, ILLINOIS
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2018

CITY OF SULLIVAN, ILLINOIS

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INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Sullivan
Sullivan, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sullivan, Illinois, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Sullivan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sullivan, Illinois, as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Illinois Municipal Retirement Fund – Schedule of Changes in the Net Pension Liability and Related Ratios, Illinois Municipal Retirement Fund – Schedule of Employer Contributions, Post-Employment Healthcare Benefit Program Schedule of Funding Progress, and budgetary comparison information on pages 4 through 15 and 65 through 72 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sullivan, Illinois' basic financial statements. The combining non-major fund financial statements and legal debt margin are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements on pages 73 through 74 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The legal debt margin on page 75 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "West & Company, LLC". The signature is written in dark ink and is positioned above the typed name and date.

Sullivan, Illinois
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sullivan, we offer readers of the City of Sullivan's financial statements this narrative overview and analysis of the financial activities of the City of Sullivan for the fiscal year ended April 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements which begin on page 16.

Financial Highlights

- The assets and deferred outflows of resources of the City of Sullivan exceeded its liabilities and deferred inflows of resources at the close of April 30, 2018 by \$40,208,178 (*net position*). Of this amount, \$15,406,248 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,207,575. The City experienced an increase in net position in Governmental Activities of \$726,056 and an increase of \$1,481,519 in the Business-type Activities. The increase in Governmental Activities was primarily due to an increase in inter-fund transfers and a decrease in pension expense. The increase in the Business-type Activities was primarily due to a couple of factors: 1) increase in the demand and usage of the City utilities, and 2) a substantial grant received from the State of Illinois for new water and sewer infrastructure.
- At the close of the current fiscal year, the City of Sullivan's governmental funds reported combined ending fund balances of \$4,045,617, an increase of \$8,728 in comparison with the prior year. Approximately 46% of this amount, \$1,856,849, is *available for spending* at the City's discretion (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,533,516, or 45% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sullivan's basic financial statements. The City of Sullivan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Sullivan's finances, in a matter similar to a private-sector business.

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

The statement of activities presents information showing how the government'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 the statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sullivan that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sullivan include general government, public safety, highways and streets, economic development, cemetery, and culture and recreation. The business-type activities of the City of Sullivan include an electrical production and distribution operation, a natural gas distribution operation, and a water and sewer operation.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements

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

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 governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sullivan maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Tax Increment Financing Fund (TIF 1) and Retirement Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Sullivan adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary Funds

The City of Sullivan maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sullivan uses enterprise funds to account for its electric production and distribution operation, gas distribution operation and water and sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Sullivan's various functions. The City of Sullivan uses internal service funds to account for its broadband internet operation. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric production and distribution operation, gas distribution operation and water and sewer operation, all of which are considered to be major funds of the City of Sullivan. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-63 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Sullivan's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 65-72 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 73-74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sullivan, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,208,178 at the close of the most recent fiscal year.

By far the largest portion of the City of Sullivan's net position (61 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Sullivan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sullivan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sullivan's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,887,025	\$ 7,198,119	\$ 18,873,880	\$ 17,140,363	\$ 25,760,905	\$ 24,338,482
Capital assets (net)	<u>6,734,068</u>	<u>6,742,503</u>	<u>19,450,043</u>	<u>20,018,911</u>	<u>26,184,111</u>	<u>26,761,414</u>
Total assets	<u>\$ 13,621,093</u>	<u>\$ 13,940,622</u>	<u>\$ 38,323,923</u>	<u>\$ 37,159,274</u>	<u>\$ 51,945,016</u>	<u>\$ 51,099,896</u>
Deferred outflows of resources	<u>\$ 870,472</u>	<u>\$ 1,233,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,472</u>	<u>\$ 1,233,225</u>
Current liabilities	\$ 148,844	\$ 226,556	\$ 1,178,956	\$ 1,376,813	\$ 1,327,800	\$ 1,603,369
Non-current liabilities	<u>4,818,760</u>	<u>7,191,062</u>	<u>2,144,346</u>	<u>2,263,359</u>	<u>6,963,106</u>	<u>9,454,421</u>
Total liabilities	<u>\$ 4,967,604</u>	<u>\$ 7,417,618</u>	<u>\$ 3,323,302</u>	<u>\$ 3,640,172</u>	<u>\$ 8,290,906</u>	<u>\$ 11,057,790</u>
Deferred inflows of resources	<u>\$ 4,316,404</u>	<u>\$ 3,274,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,316,404</u>	<u>\$ 3,274,728</u>
Net position:						
Net investment in capital assets	\$ 6,734,068	\$ 6,742,503	\$ 17,658,422	\$ 18,139,559	\$ 24,392,490	\$ 24,882,062
Restricted	344,736	336,695	-	-	344,736	336,695
Unrestricted	<u>(1,935,951)</u>	<u>(2,597,697)</u>	<u>17,342,199</u>	<u>15,379,543</u>	<u>15,406,248</u>	<u>12,781,846</u>
Total net position	<u>\$ 5,142,853</u>	<u>\$ 4,481,501</u>	<u>\$ 35,000,621</u>	<u>\$ 33,519,102</u>	<u>\$ 40,143,474</u>	<u>\$ 38,000,603</u>

An additional portion of the City of Sullivan's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$15,470,952 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sullivan is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate business-type activities. The separate governmental activities reported positive fund balances in two of the three categories and a negative balance in the unrestricted category. The same situation held true for the prior fiscal year.

The government's net position increased by \$2,207,575 during the current fiscal year. Almost all of this increase is due to the reduction of the city's debt during the fiscal year in combination with increases in capital assets.

Governmental activities

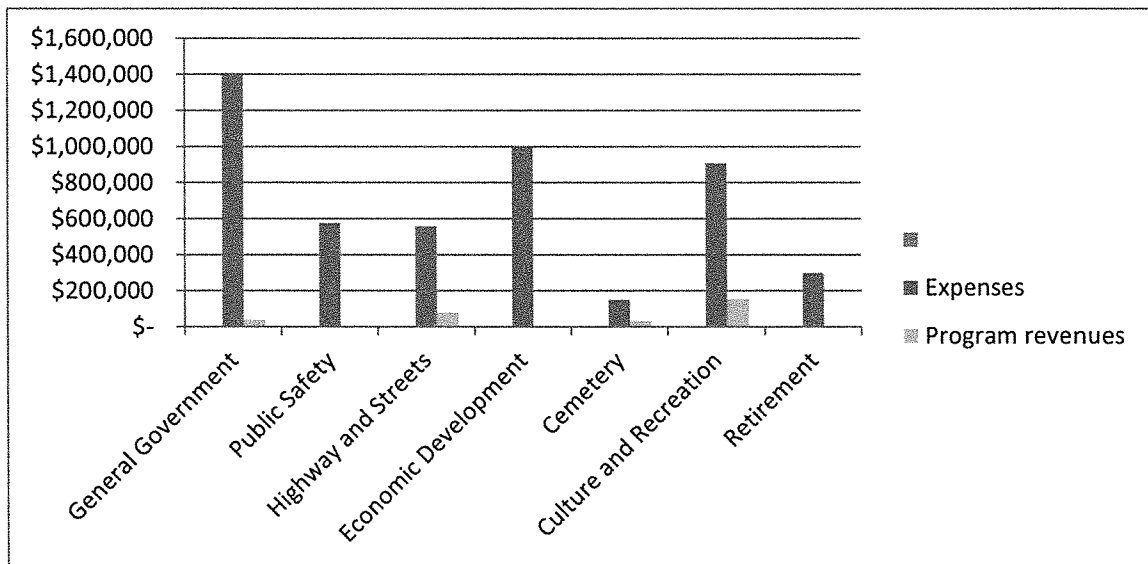
Governmental activities increased the City of Sullivan's net position by \$726,056, thereby accounting for 33 percent of the total growth in net position of the City of Sullivan. Key elements of this increase are as follows:

City of Sullivan's Changes in Net Position

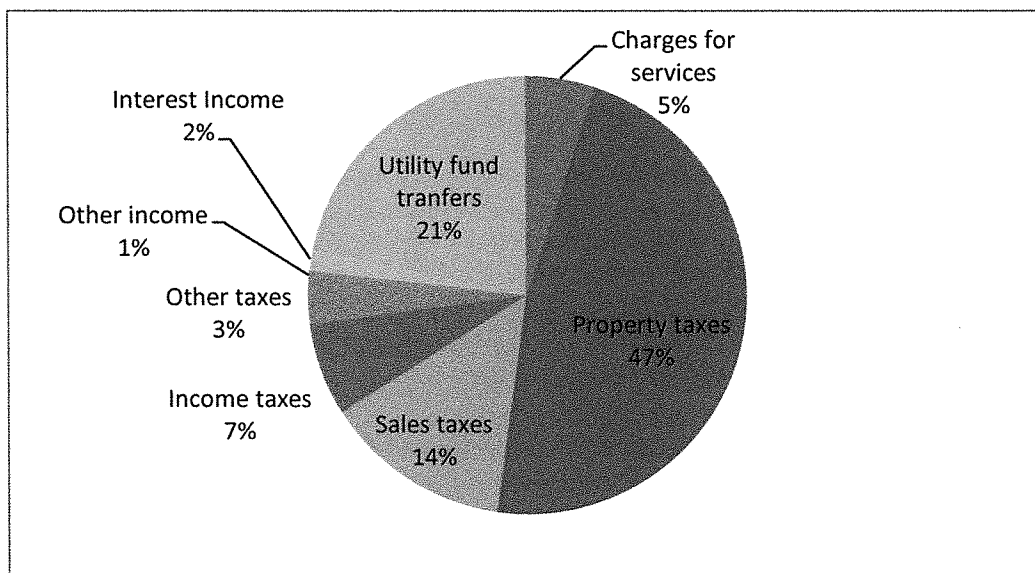
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 300,479	\$ 282,724	\$ 13,942,737	\$ 12,939,130	\$ 14,243,216	\$ 13,221,854
Operating grants and contributions	3,447	827	-	-	3,447	827
Capital grants and contributions	15,690	-	470,238	141,657	485,928	141,657
General revenues:						
Property tax	2,764,404	2,678,922	-	-	2,764,404	2,678,922
Sales tax	808,976	806,364	-	-	808,976	806,364
Income tax	404,014	418,638	-	-	404,014	418,638
Motor fuel tax	113,367	112,538	-	-	113,367	112,538
Other taxes	77,623	86,811	-	-	77,623	86,811
Interest income	96,689	107,538	15,949	13,668	112,638	121,206
Gain on sale of assets	5,550	-	(6,282)	-	(732)	-
Miscellaneous income	38,573	43,461	62,174	81,116	100,747	124,577
Total revenue	<u>4,628,812</u>	<u>4,537,823</u>	<u>14,484,816</u>	<u>13,175,571</u>	<u>19,113,628</u>	<u>17,713,394</u>
Expenses:						
General government	1,409,946	1,280,153	-	-	1,409,946	1,280,153
Public safety	577,406	532,990	-	-	577,406	532,990
Highway and streets	559,335	395,404	-	-	559,335	395,404
Economic development	1,003,381	1,079,056	-	-	1,003,381	1,079,056
Cemetery	150,925	153,230	-	-	150,925	153,230
Retirement	299,986	721,877	-	-	299,986	721,877
Culture and recreation	908,493	862,806	-	-	908,493	862,806
Interest	258,285	282,563	-	-	258,285	282,563
Electric	-	-	7,883,272	7,723,744	7,883,272	7,723,744
Gas	-	-	1,641,265	1,470,586	1,641,265	1,470,586
Water and Sewer	-	-	2,213,759	1,921,261	2,213,759	1,921,261
Total expenses	<u>5,167,757</u>	<u>5,308,079</u>	<u>11,738,296</u>	<u>11,115,591</u>	<u>16,906,053</u>	<u>16,423,670</u>
Change in net position before transfers	(538,945)	(770,256)	2,746,520	2,059,980	2,207,575	1,289,724
Transfers	<u>1,265,001</u>	<u>853,292</u>	<u>(1,265,001)</u>	<u>(853,292)</u>	<u>-</u>	<u>-</u>
Change in net position	726,056	83,036	1,481,519	1,206,688	2,207,575	1,289,724
Net position, beginning of year	<u>4,481,501</u>	<u>4,398,465</u>	<u>33,519,102</u>	<u>32,312,414</u>	<u>38,000,603</u>	<u>36,710,879</u>
Net position, end of year	<u>\$ 5,207,557</u>	<u>\$ 4,481,501</u>	<u>\$ 35,000,621</u>	<u>\$ 33,519,102</u>	<u>\$ 40,208,178</u>	<u>\$ 38,000,603</u>

- Total Governmental Activities expenditures decreased by \$140,322 with the largest decrease being experienced in the retirement fund due to a decrease in pension expense.
- Total general revenues and transfers (e.g. local and state tax revenues, interest income etc...) increased by \$446,633 with the largest increases occurring in inter-fund transfers and property tax revenue.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

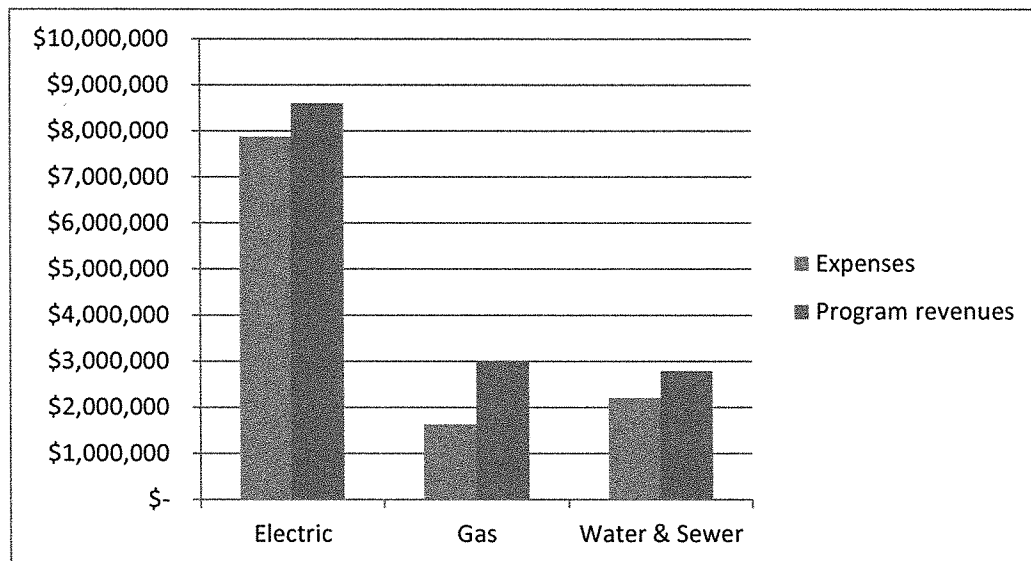


Business-type activities

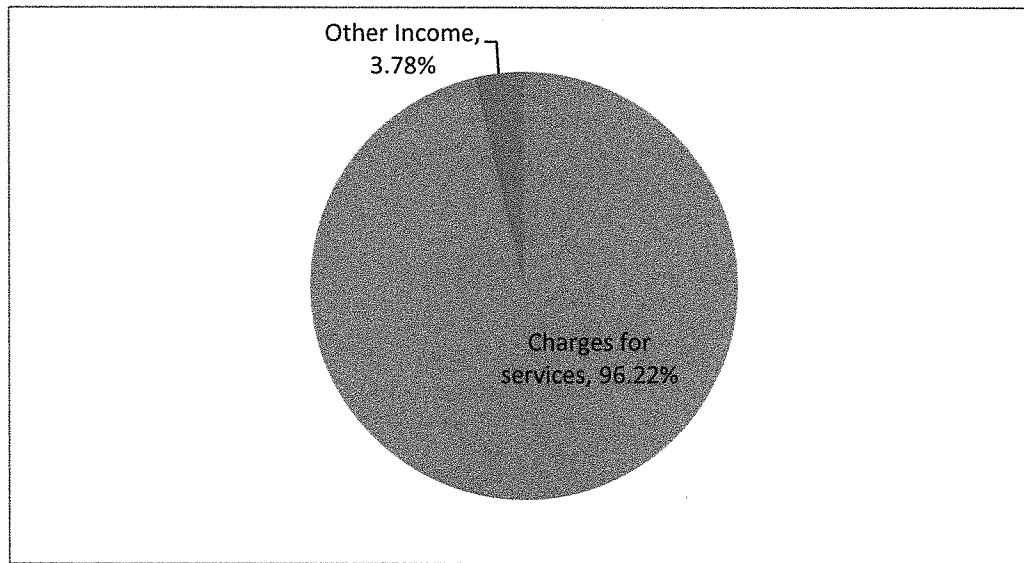
Business-type activities increased the City of Sullivan's net position by \$1,481,519 for 67 percent of the total growth in the government's net position.

- Charges for services for business-type activities increased by 8 percent. All three utility operations account for this increase. Although no electrical and natural gas rate increases were deemed necessary this fiscal year, demand and usage of electricity and natural gas were up over last fiscal year. The water and sewer portion of the increase resulted from the approval of a 4% increase in water and sewer rates. This increase was deemed necessary to provide resources to meet debt service requirements. The change in net position increased from the prior year change in net position by \$274,831.
- Operating expenses for business-type activities increased by 5.60 percent. This increase was primarily due to the increase in the purchase price of electrical power and natural gas.

Expenses and Program Revenues – Business Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Sullivan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Sullivan'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 of Sullivan's financing requirements. In particular, unassigned fund balance 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 of Sullivan's governmental funds reported combined ending fund balances of \$4,045,617, an increase of \$8,728 in comparison with prior year. Approximately 38 percent of this total amount \$1,533,516 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned, restricted and non-spendable to indicate that it is not available for new spending because it has already been assigned 1) for financing other city funds \$323,333 2) non-spendable for prepaid expenditures \$62,931, or 3) restricted for a variety of other purposes \$2,125,837.

The general fund is the chief operating fund of the City of Sullivan. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,533,516, while total fund balance reached \$1,711,379. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 45 percent of total general fund expenditures, while total fund balance represents 50 percent of total general fund expenditures.

The fund balance of the City of Sullivan's general fund decreased by \$45,467 during the current fiscal year. Key factors in this decline are as follows:

- Operating transfers in from the utility funds increased by \$295,000.
- Total expenditures increased by \$482,872 primarily the result of an increase in capital outlay and inflation of daily operating costs.

Proprietary Funds

The City of Sullivan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electrical operation at the end of the fiscal year amounted to \$8,820,958, the gas operations net position amounted to \$6,166,681, and those for the water and sewer operation amounted to \$2,354,560. The growth in net position for the three funds was \$203,599, \$787,151 and \$490,769 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Sullivan's business-type activities.

Capital Assets and Debt Administration

Capital assets

The City of Sullivan's investment in capital assets for its governmental and business-type activities as of April 30, 2018, amounts to \$26,184,111 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads and utility infrastructure. The total decrease in the City of Sullivan's capital assets for the current fiscal year was \$577,303 or 2 percent.

Major capital asset events during the current fiscal year included the following:

- One major construction project that was in progress at the end of the prior fiscal year was completed during this fiscal year. Construction in progress at the end of last fiscal year amounted to \$334,666 whereas construction in progress as of the close this fiscal year amounted to \$42,604.
- Various pieces of equipment were purchased in the various city departments at a cost of \$631,996.

**City of Sullivan's Capital Assets
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 344,371	\$ 125,276	\$ 189,092	\$ 228,758	\$ 533,463	\$ 354,034
Buildings and improvements	1,121,715	1,188,493	-	-	1,121,715	1,188,493
Equipment	5,249,034	5,409,786	-	-	5,249,034	5,409,786
Production plant	-	-	6,242,807	6,492,028	6,242,807	6,492,028
Distribution plant	-	-	8,378,220	8,941,989	8,378,220	8,941,989
General plant	-	-	76,058	87,754	76,058	87,754
Broadband	-	-	22,957	37,291	22,957	37,291
Sewer improvements	-	-	4,516,611	3,912,808	4,516,611	3,912,808
GIS equipment	-	-	642	2,565	642	2,565
Construction in progress	<u>18,948</u>	<u>18,948</u>	<u>23,656</u>	<u>315,718</u>	<u>42,604</u>	<u>334,666</u>
Total	<u>\$ 6,734,068</u>	<u>\$ 6,742,503</u>	<u>\$ 19,450,043</u>	<u>\$ 20,018,911</u>	<u>\$ 26,184,111</u>	<u>\$ 26,761,414</u>

Additional information on the City of Sullivan's capital assets can be found in Note 7 on pages 44-46 of this report.

Long-term debt

At the end of the current fiscal year, the City of Sullivan had total outstanding debt of \$6,171,621. The debt is backed by the full faith and credit of the government. The City of Sullivan's debt is secured solely by specified revenue sources (i.e. property taxes and utility revenues).

City of Sullivan's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Tax Anticipation Bonds	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
General Obligation (Alternate Revenue)						
Series 2010	4,380,000	5,025,000	-	-	4,380,000	5,025,000
Notes Receivable	-	-	1,791,621	1,879,352	1,791,621	1,879,352
	<u>\$4,380,000</u>	<u>\$5,075,000</u>	<u>\$1,791,621</u>	<u>\$1,879,352</u>	<u>\$6,171,621</u>	<u>\$6,954,352</u>

The City's total debt decreased by \$782,731 (11 percent) during the fiscal year.

The City of Sullivan maintains an "A" rating from Standard & Poor's for the TIF 1 General Obligation (Alternative Revenue) Series 2010 bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8.625% of its total assessed valuation. The current debt limitation for the City of Sullivan is \$3,021,305, which is significantly in excess of the City of Sullivan's outstanding general obligation debt.

Additional information on the City of Sullivan's long-term debt can be found in Note 9 on pages 47-49 of this report.

Economic Factors

- The unemployment rate for the City of Sullivan is currently 3.60% which is an increase from a rate of 3.40% a year ago. This compares favorably to the state's average unemployment rate of 5% and the national average rate of 4.40%.
- The occupancy rate of the government's central business district has remained strong and steady over the past three years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Sullivan's budget for the 2018 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$1,533,516. The City of Sullivan has appropriated this amount for spending in the 2019 fiscal year budget. It is intended that this use of available fund balance will help minimize the need to raise taxes or charges during the 2019 fiscal year. It is also intended to reduce the need for the transfer of additional resources to the general fund from the electric, gas, and water & sewer funds, as occurred during the 2018 fiscal year.

The water and sewer rates were increased by 4% for all customers. This rate increase was necessary to finance the debt with the Illinois Environmental Agency that was issued in fiscal 2016 and 2017 to legal standards as they pertain to the city's Waste Water Treatment Facility and the Water Treatment Facility.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. The City of Sullivan provides the financial report on our web page (www.sullivanil.us). If anyone has any questions about this report or needs additional financial information about the City of Sullivan, please contact the City Treasurer's Office at 2 W. Harrison St., Sullivan, Illinois, 61951. The City Treasurer can also be reached at (217) 728-4383.

BASIC FINANCIAL STATEMENTS

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 3,593,151	\$ 16,477,484	\$ 20,070,635
Receivables	2,793,609	1,882,439	4,676,048
Prepaid items	62,931	71,236	134,167
Inventories	-	442,721	442,721
Notes receivables	145,150	-	145,150
Net pension asset	64,704	-	64,704
Restricted assets:			
Cash	169,707	-	169,707
Investments	57,773	-	57,773
Capital assets (net of accumulated depreciation):			
Land	344,371	189,092	533,463
Buildings and improvements	1,121,715	-	1,121,715
Equipment	5,249,034	-	5,249,034
Production plant	-	6,242,807	6,242,807
Distribution Plant	-	8,378,220	8,378,220
General Plant	-	76,058	76,058
Broadband	-	22,957	22,957
Sewer improvements	-	4,516,611	4,516,611
Equipment GIS	-	642	642
Construction in progress	18,948	23,656	42,604
Total assets	<u>13,621,093</u>	<u>38,323,923</u>	<u>51,945,016</u>
Deferred Outflows of Resources:			
Deferred pension	<u>870,472</u>	<u>-</u>	<u>870,472</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
(Continued)
April 30, 2018

	Governmental Activities	Business-type Activities	Total
Liabilities:			
Accounts payable	\$ 49,347	\$ 730,616	\$ 779,963
Accrued payroll	99,497	53,140	152,637
Customer deposits	-	395,200	395,200
Noncurrent liabilities:			
Due within one year	766,444	126,060	892,504
Due in more than one year	<u>4,052,316</u>	<u>2,018,286</u>	<u>6,070,602</u>
Total liabilities	<u>4,967,604</u>	<u>3,323,302</u>	<u>8,290,906</u>
Deferred Inflows of Resources:			
Deferred property taxes	2,507,100	-	2,507,100
Deferred pension	<u>1,809,304</u>	<u>-</u>	<u>1,809,304</u>
Total deferred inflows of resources	<u>4,316,404</u>	<u>-</u>	<u>4,316,404</u>
Net Position:			
Net investment in capital assets	6,734,068	17,658,422	24,392,490
Restricted for:			
Net pension asset	64,704	-	64,704
Highway and streets	239,651	-	239,651
Culture and recreation	50,000	-	50,000
Perpetual cemetery care	55,085	-	55,085
Unrestricted	<u>(1,935,951)</u>	<u>17,342,199</u>	<u>15,406,248</u>
Net position	<u>\$ 5,207,557</u>	<u>\$ 35,000,621</u>	<u>\$ 40,208,178</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

STATEMENT OF ACTIVITIES
For the year ended April 30, 2018

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines and Permits	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,409,946	\$ 25,076	\$ -	\$ 15,690	\$ (1,369,180)	\$ -	\$ (1,369,180)
Public safety	577,406	2,898	-	-	(574,508)	-	(574,508)
Highway and streets	559,335	82,731	-	-	(476,604)	-	(476,604)
Economic development	1,003,381	-	-	-	(1,003,381)	-	(1,003,381)
Cemetery	150,925	36,220	-	-	(114,705)	-	(114,705)
Retirement	299,986	-	-	-	(299,986)	-	(299,986)
Culture and recreation	908,493	153,554	3,447	-	(751,492)	-	(751,492)
Interest on long-term debt	258,285	-	-	-	(258,285)	-	(258,285)
Total governmental activities	5,167,757	300,479	3,447	15,690	(4,848,141)	-	(4,848,141)
Business-type activities:							
Electric	7,883,272	8,605,940	-	6,892	-	729,560	729,560
Gas	1,641,265	3,000,184	-	-	-	1,358,919	1,358,919
Water and Sewer	2,213,759	2,336,613	-	463,346	-	586,200	586,200
Total business-type activities	11,738,296	13,942,737	-	470,238	-	2,674,679	2,674,679
Total primary government	\$ 16,906,053	\$ 14,243,216	\$ 3,447	\$ 485,928	(4,848,141)	2,674,679	(2,173,462)
General revenues:							
Property taxes					2,764,404	-	2,764,404
Sales taxes					808,976	-	808,976
Income taxes					404,014	-	404,014
Motor fuel taxes					113,367	-	113,367
Other taxes					77,623	-	77,623
Interest income					96,689	15,949	112,638
Gain (loss) on sale of assets					5,550	(6,282)	(732)
Miscellaneous revenue					38,573	62,174	100,747
Transfers					1,265,001	(1,265,001)	-
Total general revenue and transfers					5,574,197	(1,193,160)	4,381,037
Change in net position					726,056	1,481,519	2,207,575
Net position, beginning of year					4,481,501	33,519,102	38,000,603
Net position, end of year					\$ 5,207,557	\$ 35,000,621	\$ 40,208,178

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

BALANCE SHEET GOVERNMENTAL FUNDS April 30, 2018

	General Fund	Tax Incremental Financing Fund (TIF 1)	Retirement Fund
Assets:			
Cash	\$ 1,438,755	\$ 762,860	\$ 136,757
Receivables	766,821	1,425,100	283,524
Prepaid items	62,931	-	-
Notes receivable	41,169	103,981	-
Restricted cash and investments:			
Cash	47,311	122,396	-
Investments	57,773	-	-
Total assets	<u>\$ 2,414,760</u>	<u>\$ 2,414,337</u>	<u>\$ 420,281</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 32,373	\$ 3,574	\$ -
Accrued payroll	99,497	-	-
Compensated absences	66,444	-	-
Total liabilities	<u>198,314</u>	<u>3,574</u>	<u>-</u>
Deferred Inflow of Resources:			
Deferred property taxes	495,900	1,425,100	278,100
Deferred sales taxes	9,167	-	-
Total deferred inflow of resources	<u>505,067</u>	<u>1,425,100</u>	<u>278,100</u>
Fund balances:			
Nonspendable - prepaid expenditures	62,931	-	-
Restricted for:			
Economic development	-	985,663	-
Highway and streets	-	-	-
Culture and recreation	50,000	-	-
Perpetual cemetery care	55,085	-	-
Assigned to:			
Culture and recreation	9,847	-	-
Highway and streets	-	-	-
Retirement	-	-	142,181
Unassigned	1,533,516	-	-
Total fund balances	<u>1,711,379</u>	<u>985,663</u>	<u>142,181</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,414,760</u>	<u>\$ 2,414,337</u>	<u>\$ 420,281</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
(CONTINUED)
April 30, 2018**

	Other Nonmajor Funds	Total Governmental Funds
Assets:		
Cash	\$ 1,209,630	\$ 3,548,002
Receivables	318,164	2,793,609
Prepaid items	-	62,931
Notes receivable	-	145,150
Restricted cash and investments:		
Cash	-	169,707
Investments	-	57,773
Total assets	<u>\$ 1,527,794</u>	<u>\$ 6,777,172</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 13,400	\$ 49,347
Accrued payroll	-	99,497
Compensated absences	-	66,444
Total liabilities	<u>13,400</u>	<u>\$ 215,288</u>
Deferred Inflow of Resources:		
Deferred property taxes	308,000	2,507,100
Deferred sales taxes	-	9,167
Total deferred inflow of resources	<u>308,000</u>	<u>2,516,267</u>
Fund balances:		
Nonspendable - prepaid expenditures	-	62,931
Restricted for:		
Economic development	795,438	1,781,101
Highway and streets	239,651	239,651
Culture and recreation	-	50,000
Perpetual cemetery care	-	55,085
Assigned to:		
Culture and recreation	52,465	62,312
Highway and streets	118,840	118,840
Retirement	-	142,181
Unassigned	-	1,533,516
Total fund balances	<u>1,206,394</u>	<u>4,045,617</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,527,794</u>	<u>\$ 6,777,172</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
POSITION OF GOVERNMENTAL ACTIVITIES**

April 30, 2018

Total fund balances, governmental funds		\$ 4,045,617
Amounts reported for governmental activities in the statement of Net Position are different because:		
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	870,472	
Deferred inflows of resources	<u>(1,809,304)</u>	(938,832)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		9,167
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,734,068
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:		
Bonds payable	(4,380,000)	
Net pension asset	<u>64,704</u>	(4,315,296)
Some liabilities reported in the Statement of Net Position do not require the use of current resources and, therefore, not reported as liabilities in the government funds. These activities consist of post-employment healthcare benefits obligations.		(372,316)
Internal service funds are used by management to charge the costs of broadband services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>45,149</u>
Net position of governmental activities		<u>\$ 5,207,557</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended April 30, 2018

	General Fund	Tax Increment Financing Fund (TIF 1)	Retirement Fund
Revenues:			
Property taxes	\$ 372,678	\$ 1,525,957	\$ 470,905
Intergovernmental revenues	1,398,355	-	20,817
Interest income	89,963	4,013	-
Licenses, fines and permits	36,099	-	-
Charges for services	189,210	-	-
Miscellaneous revenues	34,723	-	-
Total revenues	<u>2,121,028</u>	<u>1,529,970</u>	<u>491,722</u>
Expenditures:			
Current:			
General government	1,373,759	-	-
Public safety	551,753	-	-
Highway and streets	236,244	-	-
Economic development	8,507	480,720	-
Cemetery	139,793	-	-
Retirement	-	-	497,987
Culture and recreation:			
Civic Center	331,258	-	-
Park and recreation	208,479	-	-
Library	232,832	-	-
Debt service:			
Principal	-	645,000	-
Interest	-	257,260	-
Annual bond service fee	-	800	-
Capital outlay	354,421	109,642	-
Total expenditures	<u>3,437,046</u>	<u>1,493,422</u>	<u>497,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,316,018)</u>	<u>36,548</u>	<u>(6,265)</u>
Other financing sources (uses):			
Gain on sale of assets	5,550	-	-
Operating transfers in	1,265,001	-	-
Total other financing sources (uses)	<u>1,270,551</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(45,467)	36,548	(6,265)
Fund balances, beginning of year	<u>1,756,846</u>	<u>949,115</u>	<u>148,446</u>
Fund balances, end of year	<u>\$ 1,711,379</u>	<u>\$ 985,663</u>	<u>\$ 142,181</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(CONTINUED)

For the year ended April 30, 2018

	Other Nonmajor Funds	Total Governmental Funds
Revenues:		
Property taxes	\$ 394,864	\$ 2,764,404
Intergovernmental revenues	113,367	1,532,539
Interest income	2,690	96,666
Licenses, fines and permits	-	36,099
Charges for services	71,571	260,781
Miscellaneous revenues	<u>3,850</u>	<u>38,573</u>
Total revenues	<u>586,342</u>	<u>4,729,062</u>
Expenditures:		
Current:		
General government	-	1,373,759
Public safety	-	551,753
Highway and streets	234,969	471,213
Economic development	198,123	687,350
Cemetery	-	139,793
Retirement	-	497,987
Culture and recreation:		
Civic Center	-	331,258
Park and recreation	9,503	217,982
Library	-	232,832
Debt service:		
Principal	50,000	695,000
Interest	225	257,485
Annual bond service fee	-	800
Capital outlay	<u>69,610</u>	<u>533,673</u>
Total expenditures	<u>562,430</u>	<u>5,990,885</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,912</u>	<u>(1,261,823)</u>
Other financing sources (uses):		
Gain on sale of assets	-	5,550
Operating transfers in	<u>-</u>	<u>1,265,001</u>
Total other financing sources (uses)	<u>-</u>	<u>1,270,551</u>
Net change in fund balances	23,912	8,728
Fund balances, beginning of year	<u>1,182,482</u>	<u>4,036,889</u>
Fund balances, end of year	<u>\$ 1,206,394</u>	<u>\$ 4,045,617</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the year ended April 30, 2018**

Net changes in fund balances - total governmental funds		\$ 8,728
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions are reported as pension expense.		
Pension contributions	316,751	
Cost of benefits earned, net of employee contributions	<u>(118,750)</u>	198,001
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and some amounts reported as revenues in the funds were reported as revenues on the statement of activities in the prior year. This is the net effect of these differences in revenue recognition.		(109,422)
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(8,436)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term and related items.		695,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds:		
Decrease in post-employment healthcare benefits obligation		(49,862)
Internal service funds are used by management to charge the costs of certain activities, such as broadband services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		<u>(7,953)</u>
Change in net position of governmental activities		<u>\$ 726,056</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

April 30, 2018

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Assets:					
Current assets:					
Cash	\$ 8,380,147	\$ 5,789,545	\$ 2,307,792	\$ 16,477,484	\$ 45,149
Receivables	961,437	599,925	321,077	1,882,439	-
Inventories	320,086	69,163	53,472	442,721	-
Prepaid items	34,955	17,910	18,371	71,236	-
Total current assets	<u>9,696,625</u>	<u>6,476,543</u>	<u>2,700,712</u>	<u>18,873,880</u>	<u>45,149</u>
Noncurrent assets:					
Capital assets:					
Land	102,733	4,185	82,174	189,092	-
Production plant, net	5,604,693	-	638,114	6,242,807	-
Distribution plant, net	2,047,393	314,306	6,016,521	8,378,220	-
General plant, net	76,058	-	-	76,058	-
Broadband, net	22,957	-	-	22,957	45,832
Sewer improvements, net	-	-	4,516,611	4,516,611	-
GIS, net	214	214	214	642	-
Construction in progress	10,560	-	13,096	23,656	-
Total capital assets (net of accumulated depreciation)	<u>7,864,608</u>	<u>318,705</u>	<u>11,266,730</u>	<u>19,450,043</u>	<u>45,832</u>
Total assets	<u>\$ 17,561,233</u>	<u>\$ 6,795,248</u>	<u>\$ 13,967,442</u>	<u>\$ 38,323,923</u>	<u>\$ 90,981</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(CONTINUED)
April 30, 2017

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Liabilities:					
Current liabilities:					
Accounts payable	\$ 571,505	\$ 103,797	\$ 55,314	\$ 730,616	\$ -
Accrued payroll	20,722	10,604	21,814	53,140	-
Customer deposits	153,430	128,545	113,225	395,200	-
Notes payable - current	-	-	65,870	65,870	-
Total current liabilities	<u>745,657</u>	<u>242,946</u>	<u>256,223</u>	<u>1,244,826</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences payable	23,634	13,728	22,828	60,190	-
Notes payable	-	-	1,725,751	1,725,751	-
Post-employment healthcare benefits obligation	<u>106,376</u>	<u>53,188</u>	<u>132,971</u>	<u>292,535</u>	<u>-</u>
Total noncurrent liabilities	<u>130,010</u>	<u>66,916</u>	<u>1,881,550</u>	<u>2,078,476</u>	<u>-</u>
Total liabilities	<u>875,667</u>	<u>309,862</u>	<u>2,137,773</u>	<u>3,323,302</u>	<u>-</u>
Net position:					
Net investment in capital assets	7,864,608	318,705	9,475,109	17,658,422	45,832
Unrestricted	<u>8,820,958</u>	<u>6,166,681</u>	<u>2,354,560</u>	<u>17,342,199</u>	<u>45,149</u>
Total net position	<u>\$ 16,685,566</u>	<u>\$ 6,485,386</u>	<u>\$ 11,829,669</u>	<u>\$ 35,000,621</u>	<u>\$ 90,981</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the year ended April 30, 2018

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Operating revenues:					
Charges for services	\$ 8,605,940	\$ 3,000,184	\$ 2,336,613	\$ 13,942,737	\$ 6,935
Other services	39,108	9,138	13,928	62,174	-
Total operating revenue	<u>8,645,048</u>	<u>3,009,322</u>	<u>2,350,541</u>	<u>14,004,911</u>	<u>6,935</u>
Operating expenses:					
Salaries	507,154	251,550	515,284	1,273,988	-
Materials, supplies, and chemicals	304,095	11,335	303,117	618,547	-
Fuel	58,277	3,961	21,328	83,566	-
Purchase of electric and gas	5,477,206	1,062,264	-	6,539,470	-
Repairs	22,986	5,662	212,271	240,919	-
Other distribution expenses	388,370	-	88,623	476,993	-
Training and seminars	14,436	4,686	2,755	21,877	-
Professional fees	57,195	7,701	14,645	79,541	-
Health insurance	98,205	48,611	140,880	287,696	-
Insurance	146,031	54,463	77,642	278,136	-
Public utility taxes	210,423	67,955	-	278,378	-
Bad debts	11,455	6,445	4,034	21,934	-
Utilities	2,108	1,709	91,214	95,031	-
Other general expenses	134,262	67,787	40,650	242,699	5,090
Depreciation	451,069	47,136	664,258	1,162,463	9,821
Total operating expenses	<u>7,883,272</u>	<u>1,641,265</u>	<u>2,176,701</u>	<u>11,701,238</u>	<u>14,911</u>
Operating income (loss)	<u>761,776</u>	<u>1,368,057</u>	<u>173,840</u>	<u>2,303,673</u>	<u>(7,976)</u>
Non-operating revenue (expenses):					
Interest income	7,950	5,763	2,236	15,949	23
Gain on sale of assets	13,650	-	(19,932)	(6,282)	-
Intergovernmental	-	-	398,855	398,855	-
Interest expense	-	-	(37,058)	(37,058)	-
Total non-operating revenues	<u>21,600</u>	<u>5,763</u>	<u>344,101</u>	<u>371,464</u>	<u>23</u>
Income (loss) before contributions and transfers	783,376	1,373,820	517,941	2,675,137	(7,953)
Capital contributions	6,892	-	64,491	71,383	-
Transfers in (out)	<u>(586,669)</u>	<u>(586,669)</u>	<u>(91,663)</u>	<u>(1,265,001)</u>	<u>-</u>
Change in net position	203,599	787,151	490,769	1,481,519	(7,953)
Net position, beginning of year	<u>16,481,967</u>	<u>5,698,235</u>	<u>11,338,900</u>	<u>33,519,102</u>	<u>98,934</u>
Net position, end of year	<u>\$ 16,685,566</u>	<u>\$ 6,485,386</u>	<u>\$ 11,829,669</u>	<u>\$ 35,000,621</u>	<u>\$ 90,981</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended April 30, 2018

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,884,406	\$ 2,874,057	\$ 2,376,381	\$ 14,134,844	\$ 6,935
Payments to employees	(509,634)	(249,996)	(517,091)	(1,276,721)	-
Payments to suppliers	(6,967,196)	(1,311,109)	(1,128,605)	(9,406,910)	(5,090)
Net cash provided by operating activities	<u>1,407,576</u>	<u>1,312,952</u>	<u>730,685</u>	<u>3,451,213</u>	<u>1,845</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	<u>(586,669)</u>	<u>(586,669)</u>	<u>(91,663)</u>	<u>(1,265,001)</u>	<u>-</u>
Net cash (used) by noncapital financing activities	<u>(586,669)</u>	<u>(586,669)</u>	<u>(91,663)</u>	<u>(1,265,001)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	13,650	-	20,000	33,650	-
Proceeds from capital grant	-	-	398,855	398,855	-
Principal paid on capital debt	-	-	(87,731)	(87,731)	-
Interest paid on capital debt	-	-	(37,058)	(37,058)	-
Purchase of capital assets	<u>(110,725)</u>	<u>(24,900)</u>	<u>(484,540)</u>	<u>(620,165)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(97,075)</u>	<u>(24,900)</u>	<u>(190,474)</u>	<u>(312,449)</u>	<u>-</u>
Cash flows from investing activities:					
Investment income received	<u>7,950</u>	<u>5,763</u>	<u>2,236</u>	<u>15,949</u>	<u>23</u>
Net cash provided by investing activities	<u>7,950</u>	<u>5,763</u>	<u>2,236</u>	<u>15,949</u>	<u>23</u>
Net increase in cash	731,782	707,146	450,784	1,889,712	1,868
Cash, beginning of year	<u>7,648,365</u>	<u>5,082,399</u>	<u>1,857,008</u>	<u>14,587,772</u>	<u>43,281</u>
Cash, end of year	<u>\$ 8,380,147</u>	<u>\$ 5,789,545</u>	<u>\$ 2,307,792</u>	<u>\$ 16,477,484</u>	<u>\$ 45,149</u>

Noncash investing, capital and related financing activities:

During the current fiscal year, the City's Tax Increment Financing (TIF) funds contributed \$71,383 in capital assets to the City's proprietary funds for construction of and repairs to the infrastructure of the utilities.

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF CASH FLOWS
(CONTINUED)**

PROPRIETARY FUNDS

For the year ended April 30, 2018

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 761,776	\$ 1,368,057	\$ 173,840	\$ 2,303,673	\$ (7,976)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	451,069	47,136	664,258	1,162,463	9,821
Non-cash other distribution expense	6,892	-	51,128	58,020	-
(Increase) decrease in accounts receivable	236,708	(137,105)	22,730	122,333	-
(Increase) decrease in inventories	17,932	(3,683)	12,539	26,788	-
(Increase) decrease in prepaid expenses	3,898	174	3,003	7,075	-
Increase (decrease) in accounts payable	(53,450)	40,431	(194,259)	(207,278)	-
Increase (decrease) in accrued payroll	460	298	1,063	1,821	-
Increase (decrease) in customer deposits	2,650	1,840	3,110	7,600	-
Increase (decrease) in post-employment healthcare benefits obligation	(17,419)	(5,452)	(3,857)	(26,728)	-
Increase (decrease) in compensated absences	(2,940)	1,256	(2,870)	(4,554)	-
Net cash provided by operating activities	<u>\$ 1,407,576</u>	<u>\$ 1,312,952</u>	<u>\$ 730,685</u>	<u>\$ 3,451,213</u>	<u>\$ 1,845</u>

See notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Sullivan operates under an elected Mayor/Commissioner (five members) form of government. The City's major operations include public safety, highway and streets, recreation, cemetery, library and general administrative services. In addition, the City owns and operates four major enterprise activities, a water plant, local sewer system, electrical production and distribution systems and a gas distribution system.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In accordance with governmental accounting standards, financial accountability was determined on the basis of authoritative appointments of a voting majority of the potential component unit's board, imposition of its will on the potential component unit, the existence of a financial benefit or burden, fiscal dependency, and the designation of management. Entities may also be part of the financial reporting entity if their inclusion is necessary to prevent the financial statements from being misleading or incomplete or if the entities are closely related to or financially integrated with the primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations, so data from these units would be combined with data of the City. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Sullivan Ambulance Service, Sullivan Fire Protection District and Sullivan Township: These potential component units have separate elected boards and provide services to residents, generally within the geographic boundaries of the City. They are excluded from the reporting entity because the City does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. However, transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved. Therefore, charges between the City's electric, gas, water and sewer function and various other functions of the government are included since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported as follows:

Major Governmental Funds

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources except those required to be reported in other funds.

Tax Increment Financing Fund (TIF 1) – This fund is used to account for the collection of incremental real estate tax to be used to spur redevelopment and capital improvement in this district.

Retirement Fund – This fund is used to account for social security, medicare and IMRF retirement payments paid by the City.

Major Proprietary Funds

Electric Fund – This fund is used to account for activities of the City's electric production and distribution systems.

Gas Fund – This fund is used to account for activities of the City's gas distribution system.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Major Enterprise Funds (Continued)

Water and Sewer Fund – This fund is used to account for the activities of the City’s water distribution system, sewage treatment plant, sewage pumping stations and collection systems.

Non-major Governmental Funds

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenues that are restricted or committed to expenditures for specific purposes. Included among these funds are:

Tax Increment Financing Funds (TIF 2,3,4) – These funds are used to account for the collection of incremental real estate taxes to be used to spur redevelopment and capital improvements in these districts.

Motor Fuel Tax Fund – This fund is used to account for the expenditures relative to street construction and maintenance. Revenues are collected and distributed by the State of Illinois.

Recreation Fund – This fund is used to account for the maintenance of playground equipment within Wyman Park.

Street Improvement Fund – This fund is used to account for revenues and expenditures related to the maintenance of street signage within the City.

Other Fund Types

Internal Service Funds – Internal Service Funds are used to account for financing of services provided by one department or agency to other departments or agencies of the governmental unit, or other governmental units, on a cost – reimbursement basis. The City’s internal service fund accounts for broadband services. This fund is reported as a governmental fund on the statement of net position.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and internal service fund financial statements. Revenues from exchange transactions are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Revenues from taxes or assessments on exchange transactions (sales taxes, utility taxes) are recognized when the underlying exchange transaction occurs. Revenues from non-exchange transactions (state income taxes, motor fuel taxes, replacement taxes) are also recognized in the period when the underlying transaction occurs, provided the state is required to share the revenues under act of law. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues to be available if they are collectible with 60 days after year-end. Expenditures are generally recognized when the related fund liability is incurred, with the exception of principal and interest payments on general long-term debt which are recognized as liabilities when due, and certain compensated absences and claims of judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues include property taxes, franchise fees, interest and various taxes collected by the state or other party on behalf of the City. In general, other revenues, such as charges for services and miscellaneous revenues are considered to be measurable and available only when cash is received. Deferred inflow of resources arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources.

Property taxes are levied no later than the last Tuesday of December. These taxes attach as an enforceable lien on property as of January 1 of the calendar year that the levy ordinance was enacted. The taxes are payable by property owners in two equal installments around July and September subsequent to the year of the levy. The Moultrie County Treasurer distributed 2016 tax extension to the City on August 11, 2017, September 11, 2017, and November 14, 2017. The City Council adopted the 2017 tax levy (receivable in calendar year 2018) on December 11, 2017. For government-wide financial statements, the 2017 property tax levy is deferred. Taxes recorded in these financial statements are from the 2016 and prior tax levies.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 principle operating revenues of the Electric Fund, Gas Fund, and Water and Sewer Fund 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 non-operating revenues and expenses.

Deposit and Investments

The City considers cash on hand, checking accounts, savings accounts, other money market funds, and investments held with an original maturity date of less than three months to be cash and cash equivalents.

State statutes authorize the City to invest in obligations of the United States of America or its agencies, short-term obligations of corporations subject to certain qualifications, direct obligations of any bank or savings and loan association that is insured by the Federal Deposit Insurance Corporation, money market mutual funds whose portfolios are limited to governmental securities, and the Illinois Funds Money Market Fund.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of inter-fund loans or "advances to/from other funds" for the non-current portion of inter-fund loans. All other outstanding balances between funds are reported as "due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are non-spendable in the fund balance in the applicable governmental funds to indicate that they are not expendable available financial resources.

All receivables in the governmental and enterprise funds are reported at net of un-collectibles and are considered adequate at year-end. Customer receivables in excess of 180 days comprise the allowance for un-collectibles that are netted against the receivables reported in the enterprise funds.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventory is valued at cost using the first-in, first-out method. The City maintains material inventories in the proprietary funds.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items, as reported in the fund financial statements, are offset by a non-spendable fund balance in the applicable governmental funds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets, other than infrastructure assets, are defined by the city as assets with an initial individual cost of \$7,500 or more for individual equipment, and \$10,000 or more for building and improvements and an estimated useful life in excess of two years.

In the case of general infrastructure assets, the city has adopted a policy to capitalize and depreciate general infrastructure assets placed in service after April 30, 2006. General infrastructure assets are defined by the City as roads, bridges, sidewalks, and similar items with initial individual costs of \$10,000 or more for sidewalks, \$20,000 or more for street curbs and gutters, and \$50,000 or more for utility infrastructure and an estimated lives in excess of one year.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of business-type activities is included as part of the capitalized value of the asset constructed. During the year, no interest was capitalized.

In the TIF fund financial statements, management has included capital outlay – type expenditures that do not meet the dollar threshold for capitalization with capital outlay. These amounts are properly not capitalized in the government-wide statements.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation has been reported using the straight-line method over the estimated useful lives of the respective assets. Land is not depreciated. The estimated useful lives for each capital asset type are as follows:

<u>Property</u>	<u>Estimated Useful Lives</u>
Building and Improvements	7-40 years
Electric Production Plant	5-40 years
Electric General Plant and Equipment	5-40 years
Electric Distribution System	5-40 years
Water Production, General and Distribution Plant	20-60 years
Water System Equipment	5-10 years
Sewer System	50 years
Gas Utility System	30-50 years
Gas Utility Fund Equipment	50-10 years
General Equipment and Vehicles	3-15 years
Public Domain Infrastructure	40 years

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the City after measurement date but before the end of the City's reporting period.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, deferred inflows of resources consist of current year taxes levied and deferred pension. In the governmental fund balance sheet, the deferred inflows of resources consist of current year taxes levied and unavailable revenues.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation benefits are eligible to all full time employees who have been employed twelve months since their date of hire. Employees earn vacation based on years of continuous service. Employees who do not use their vacation time during the calendar year forfeit their right to it. Therefore, each employee does not accrue any vacation time in excess of the amount allotted to them for the year.

Non-exempt employees, at their option, may elect to receive, in lieu of overtime pay, compensatory time equal to one and one-half (1-1/2) hour for each hour of overtime worked until the employee has accumulated a maximum of eighty (80) hours of compensatory time during the calendar year. Upon termination of employment, any unused compensatory time shall be paid to the employee at the employee's normal hourly rate then in effect.

Sick leave is granted to city employees annually and does not accumulate from year to year. Sick leave benefits are not paid to employees upon retirement or termination.

Vacation and compensatory benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is also reported in the governmental funds financial statements only if they have been earned based on past services performed.

Long-Term Obligations

In the government-wide financial statements and in the proprietary funds in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund category statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

For government-wide and proprietary fund financial statements, equity is classified as net positions and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position – The net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

For governmental fund financial statements, fund equity is classified as fund balance. Fund balance is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Non-spendable Fund Balance – The portion of a governmental fund's fund balance that is not available to be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The General Fund presents non-spendable fund balance because the amounts are not in spendable form.

Restricted Fund Balance – The portion of a governmental fund's fund balance that is subject to constraints either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The following funds present restricted fund balances: Motor Fuel Tax Fund – restricted for highways and streets, TIF Funds – restricted for improving blighted areas of the city and for economic development, General Fund – restricted for economic development, culture and recreation, and the perpetual care of the cemetery.

Committed Fund Balance – the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making authority. The City Council can establish committed fund balances by adopting ordinances for such purposes.

Assigned Fund Balance – the portion of a Governmental Fund's fund balance to denote an intended use of resources. The City Council is authorized to assign amounts for a specific purpose. The city presents assigned fund balances for culture and recreation, highway and streets, and retirement.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Unassigned Fund Balance – available expendable financial resources in a government fund that are not designated for a specific purpose. The city presents unassigned fund balances in the General Fund.

It is the City's policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, it is the City's policy to use fund balance in the following order: committed, assigned, and unassigned.

Use of Estimates

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

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement claims have not exceeded insurance coverage for the current year or prior three years.

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between total fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred and expensed in the funds.” The details of this difference are as follows:

General sales tax receivable	\$ 9,167
Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	\$ 9,167

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between “net changes in fund balances, governmental funds” and “changes in net position of governmental activities”. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 457,171
Depreciation expense	(465,607)
Net adjustment to "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$ (8,436)

Another element of that reconciliation states that “Some revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this difference are as follows:

General sales tax	\$ (48,709)
State income tax	(59,509)
Telecommunication tax	(1,204)
Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	\$ (109,422)

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

Deposits

Separate bank accounts are not maintained for all City funds; instead, the un-invested cash balances of certain funds are maintained in a common checking account. Separate bank accounts are not required to be maintained for all City funds. The City's accounting records are maintained to show the portion of the common bank account attributable to each participating fund.

As of April 30, 2018, the carrying balance of the City's cash deposits was \$20,298,115 which includes \$4,716 of cash on hand, and the bank balances totaled \$19,999,950, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution.

Investments

The City's investments at April 30, 2018 consisted of certificates of deposit with an original maturity date of more than three months from the date of purchase. These investments are included in the above deposit section of the notes to financial statements.

Investment policies for the City are maintained by the City Clerk. Copies may be requested at 2 West Harrison, Sullivan, IL 61951.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. At April 30, 2018, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. These accounts are subject to immediate withdrawal and are reflected as cash in the financial statements. All investments are fully collateralized.

Interest Rate Risk

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity. The policy also limits investment categories to 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities, unless specifically authorized by the Treasurer. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits. The Standard & Poor's highest rating.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the government. The City's investment policy requires that all funds on deposit in excess of federal depository insurance limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent third-party institution in the name of the City. All investments are fully collateralized.

4. RECEIVABLES

Receivables as of April 30, 2018 for the City's governmental activities and business-type activities including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Property taxes	\$ 2,507,100	\$ -	\$ 2,507,100
Sales and use taxes	196,432	-	196,432
Income taxes	60,895	-	60,895
Replacement taxes	5,424	-	5,424
Motor fuel taxes	10,164	-	10,164
Telecommunication taxes	3,823	-	3,823
Video gaming taxes	8,324	-	8,324
Employee benefit receivable	1,447	-	1,447
Customer receivables	-	1,882,439	1,882,439
Totals	<u>\$ 2,793,609</u>	<u>\$ 1,882,439</u>	<u>\$ 4,676,048</u>

5. NOTES RECEIVABLE

The City's notes receivable consist of Economic Development loans and Tax Increment Financing (TIF) loans. Notes receivables are stated at unpaid principal balances, net allowance for losses.

Interest is recognized over the term of the loan and is calculated using the simple-interest method. Interest income on impaired loans is recognized only to the extent of interest payments received.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. NOTES RECEIVABLE (Continued)

Management considers a loan impaired when it is probable that the principal and interest payments will not be collected according to the loan agreement.

Notes receivable at April 30, 2018 consisted of the following:

Economic Development Loans – Low interest loans to qualifying businesses who meet certain economic development criteria. The notes bear interest ranging from four percent (4%) to five percent (5%) per year and mature at various dates through August 1, 2020. Net notes receivable balance at April 30, 2018 was \$41,169, which is comprised of three notes totaling \$147,590 with a related allowance for uncollectible loss of \$106,421.

Tax Increment Financing District (TIF1) Loans – Low interest loans to qualifying business within the TIF 1 district for purposes of improving their business property and at the same time improving the blighted area within the district. The notes bear interest at one percent (1%) per year and mature at various dates through July 10, 2032. Notes receivable balance at April 30, 2018 was \$103,981 which is comprised of four loans. At April 30, 2018, management has not identified any uncollectible losses.

6. RESTRICTED CASH AND INVESTMENTS

General Fund restricted cash and investments consist of \$55,084 to be used for the perpetual upkeep of the cemetery, and \$50,000 received from the Estate of Donald Mattox, whose will provide these monies be expended as needed for trees and shrubbery in Wyman Park.

Special Revenue Fund restricted cash and investments consist of \$122,396 in the TIF 1 fund. These monies are set aside to meet the repayment requirements of the City's Tax Increment Financing District (TIF) General Obligation Bonds (Alternate Revenue Source), Series 2010.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS

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

	Balance April 30, 2017	Additions	Deletions	Balance April 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 125,276	\$ 219,095	\$ -	\$ 344,371
Construction in progress	18,948	-	-	18,948
Total capital assets, not being depreciated	144,224	219,095	-	363,319
Capital assets being depreciated:				
Buildings and improvements	3,385,027	9,379	-	3,394,406
Equipment	9,048,275	228,697	70,809	9,206,163
Total capital assets, being depreciated	12,433,302	238,076	70,809	12,600,569
Less accumulated depreciation for:				
Buildings and improvements	2,196,534	76,157	-	2,272,691
Equipment	3,638,489	389,449	70,809	3,957,129
Total accumulated depreciation	5,835,023	465,606	70,809	6,229,820
Total capital assets, being depreciated, net	6,598,279	(227,530)	-	6,370,749
Governmental activities capital assets, net	\$ 6,742,503	\$ (8,435)	\$ -	\$ 6,734,068

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended April 30, 2018 (continued):

	Balance April 30, 2017	Additions	Deletions	Balance April 30, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 228,758	\$ -	\$ 39,666	\$ 189,092
Construction in progress	315,718	468,996	761,058	23,656
Total capital assets, not being depreciated	544,476	468,996	800,724	212,748
Capital assets being depreciated:				
Production plant	13,414,291	49,413	-	13,463,704
Distribution plant	23,458,396	114,850	5,641	23,567,605
General plant	270,891	-	-	270,891
Broadband equipment	269,191	-	24,922	244,269
GIS	24,552	-	-	24,552
Sewer improvements	4,918,896	761,058	-	5,679,954
Total capital assets, being depreciated	42,356,217	925,321	30,563	43,250,975
Less accumulated depreciation for:				
Production plant	6,922,263	298,634		7,220,897
Distribution plant	14,516,406	678,620	5,641	15,189,385
General plant	183,137	11,696	-	194,833
Broadband equipment	231,899	14,335	24,922	221,312
GIS	21,987	1,923	-	23,910
Sewer improvements	1,006,088	157,255	-	1,163,343
Total accumulated depreciation	22,881,780	1,162,463	30,563	24,013,680
Total capital assets, being depreciated, net	19,474,437	(237,142)	-	19,237,295
Business-type activities capital assets, net	\$ 20,018,913	\$ 231,854	\$ 800,724	\$ 19,450,043

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 25,032
Public safety	20,028
Highway and streets	87,015
Cemetery	10,557
Economic development	239,529
Culture and recreation:	
Civic Center	54,065
Park and recreation	10,548
Library	<u>18,832</u>
Total depreciation expense - governmental activities	<u>\$ 465,606</u>
Business-type activities:	
Electric	\$ 451,069
Gas	47,136
Water and Sewer	<u>664,258</u>
Total depreciation expense - business-type activities	<u>\$ 1,162,463</u>

8. CONSTRUCTION IN PROGRESS

At April 30, 2018 the City's construction in progress was as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Civic Center Roof Repair	\$ 18,948	\$ 481,051
Business-type activities:		
Burdick Estates Water and Sewer Extension	<u>23,656</u>	<u>158,276</u>
	<u>\$ 42,604</u>	<u>\$ 639,327</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT

Bonds

On November 10, 2010, the City's Tax Increment Financing District (TIF 1) issued \$8,325,000 in General Obligation Bonds (Alternate Revenue Source), Series 2010, with interest rates ranging from 1.25% to 5.50% for the purpose of financing electrical system improvements, waste water treatment plant improvements, water system projects, civic center improvements, park improvements, radio frequency meter projects for electrical, gas and water measuring. These bonds mature on January 1 of each year, with final payment on January 1, 2023. The Tax Increment Financing District (TIF 1) Fund services the series 2010 bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. General Obligation Bonds currently outstanding are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
General Obligation (Alternate Revenue) Series 2010	4.80% to 5.50%	<u>\$ 4,380,000</u>

Under Illinois Statutes, bonds issued as General Obligation Alternate Revenue Source Bonds (the 2010 Series) are not considered general obligation debt as long as the debt service levy for the bonds are abated annually. It is the City's intent that the debt service requirements be paid from the revenues of the Tax Increment Financing District (TIF 1) Fund.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

Bonds (Continued)

Annual debt service requirements to maturity for bonds are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 700,000	\$ 227,912
2020	800,000	194,313
2021	885,000	154,313
2022	955,000	108,292
2023	<u>1,040,000</u>	<u>57,200</u>
Total governmental activities	<u>\$ 4,380,000</u>	<u>\$ 742,030</u>

Notes Payable

On October 28, 2015, the City's Water and Sewer Fund borrowed \$1,430,500 from the Illinois Environmental Protection Agency with an interest rate of 1.995% for the purpose of upgrading the waste-water treatment plant. During the fiscal year ended April 30, 2016, the Illinois Environmental Protection Agency forgave principal of \$275,000, which adjusted the original amount of \$1,155,500. During the fiscal year ended April 30, 2017, the City borrowed and additional \$257,806 to complete the project. Payments are made in April and October of each year, with final payment on April 17, 2035.

On March 8, 2016, the City's Water and Sewer Fund borrowed \$1,115,668 from the Illinois Environmental Protection Agency with an interest rate of 1.995% for the purpose of upgrading the water treatment plant. During the fiscal year ended April 30, 2016, the Illinois Environmental Protection Agency forgave principal of \$557,834, which adjusted the original amount to \$557,834. Payments are made in April and October of each year, with final payment on April 23, 2035.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Notes payable currently outstanding are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
Illinois Environmental Protection Agency (Waste-water treatment plant)	1.995%	\$ 1,283,603
Illinois Environmental Protection Agency (Water treatment plant)	1.995%	<u>508,018</u>
Total business-type activities		<u>\$ 1,791,621</u>

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending April 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 91,151	\$ 35,047
2020	92,979	33,219
2021	94,843	31,355
2022	96,744	29,453
2023	98,684	27,514
2024-2028	523,904	107,085
2029-2033	578,573	52,416
2034-2035	<u>214,744</u>	<u>4,227</u>
Total business-type activities	<u>\$ 1,791,621</u>	<u>\$ 320,314</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the City for the year ended April 30, 2018 was as follows:

	Balance April 30, 2017	Additions	Reductions	Balance April 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,025,000	\$ -	\$ 645,000	\$ 4,380,000	\$ 700,000
Compensated absences	56,924	66,444	56,924	66,444	66,444
Net post-employment healthcare benefits	322,454	49,862	-	372,316	-
Net pension liability	<u>1,796,526</u>	<u>64,704</u>	<u>1,861,230</u>	<u>-</u>	<u>-</u>
Governmental activities, long- term liabilities	<u>\$ 7,200,904</u>	<u>\$ 181,010</u>	<u>\$ 2,563,154</u>	<u>\$ 4,818,760</u>	<u>\$ 766,444</u>
Business-type activities:					
Compensated absences	\$ 64,744	\$ 60,190	\$ 64,744	\$ 60,190	\$ 60,190
Notes payable	1,879,352	-	87,731	1,791,621	91,151
Net post-employment healthcare benefits	<u>319,263</u>	<u>-</u>	<u>26,728</u>	<u>292,535</u>	<u>-</u>
Business-type activities, long- term liabilities	<u>\$ 2,263,359</u>	<u>\$ 60,190</u>	<u>\$ 179,203</u>	<u>\$ 2,144,346</u>	<u>\$ 151,341</u>

11. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues of the governmental fund financial statements during the year ended April 30, 2018, were as follows:

	General Fund	Other Governmental Funds	Total
Sales tax	\$ 857,685	\$ -	\$ 857,685
Income tax	463,523	-	463,523
Telecommunication tax	16,736	-	16,736
Franchise tax	36,752	-	36,752
Motor fuel tax	-	113,367	113,367
Personal property replacement tax	4,522	20,817	25,339
State operating and capital grants	<u>19,137</u>	<u>-</u>	<u>19,137</u>
Total governmental activities	<u>\$1,398,355</u>	<u>\$ 134,184</u>	<u>\$1,532,539</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assessed valuation	\$ 35,029,628	\$ 34,938,476	\$ 34,232,983
Rate per \$100, excluding road and bridge, TIF 1, TIF 2, TIF 3 rates	<u>2.16337</u>	<u>2.50633</u>	<u>2.55695</u>
Taxes extended, excluding road and bridge, TIF 1, TIF 2, TIF 3 taxes	757,820	875,674	875,300
Add: City's share of road and bridge, TIF 1, TIF 2, and TIF 3 taxes extended	<u>1,749,280</u>	<u>1,890,226</u>	<u>1,810,500</u>
Total taxes extended	<u>\$ 2,507,100</u>	<u>\$ 2,765,900</u>	<u>\$ 2,685,800</u>
Taxes available to City after abatement and losses in collection (2016 Estimated)	<u>\$ 2,507,100</u>	<u>\$ 2,764,404</u>	<u>\$ 2,678,922</u>
Percentage of extension available to City (2016 estimated)	<u>100%</u>	<u>99.95%</u>	<u>99.74%</u>

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

12. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED (Continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Distribution of taxes available (2017 estimated)			
General fund:			
General government	\$ 97,500	\$ 95,782	\$ 93,946
Audit	28,000	28,083	27,921
Tort insurance	161,000	46,134	45,870
Unemployment	11,000	11,033	10,971
Workers' compensation	67,500	62,679	64,815
Retirement fund:			
Social security	98,100	170,482	169,511
Illinois municipal retirement	180,000	300,423	298,707
Street Improvement fund:			
Bonds and Interest	-	50,517	50,082
* Street and Alley fund	25,800	25,974	26,033
* Police fund	26,300	25,749	25,249
* Library fund	52,500	51,495	50,505
* Park fund	26,300	25,749	25,249
Recreation fund	10,000	10,031	9,974
TIF 1 fund	1,425,100	1,525,957	1,450,695
TIF 2 fund	188,100	246,455	242,102
TIF 3 fund	84,600	87,861	87,292
TIF 4 fund	<u>25,300</u>	<u>-</u>	<u>-</u>
 Total reporting entity	 <u>\$ 2,507,100</u>	 <u>\$ 2,764,404</u>	 <u>\$ 2,678,922</u>

The City Council abated the 2016 and 2017 tax levy applicable to the Series 2010 General Obligation Bonds (Alternate Revenue Source).

*These funds are included within the general fund for financial reporting purposes.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. SCHEDULE OF TRANSFERS WITHIN THE REPORTING ENTITY

Operating transfers between funds during the year ended April 30, 2018 are as follows:

<u>Transfers out:</u>	<u>Transfers in</u>
	<u>General Fund</u>
Major enterprise funds:	
Electric fund	586,669
Gas fund	586,669
Water and Sewer fund	<u>91,663</u>
Total	<u>\$ 1,265,001</u>

Transfers are used to move unrestricted electric fund, gas fund, and water and sewer fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfers from the Electric Fund, Gas Fund and Water and Sewer Fund, respectively, to the General Fund were made to forestall the need for a property tax increase.

14. EMPLOYEE RETIREMENT SYSTEM

IMRF Plan Description

The City of Sullivan's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City of Sullivan's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Benefits Provided

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

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

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

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	72
Inactive plan members entitled to but not yet receiving benefits	31
Active plan members	<u>62</u>
	<u>165</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Contributions

As set by statute, the City of Sullivan's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City of Sullivan's annual contribution rate for calendar 2017 was 11.54%. For the calendar year ended 2017 the City of Sullivan contributed \$303,869 to the plan. The City of Sullivan also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

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

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

- 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 2.50%.
- Salary increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.50%.
- Projected Retirement Age was from the Experienced-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP 2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	37%	6.85%
International equity	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternative investments	7%	2.65%-7.35%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

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 3.31%, and the resulting single discount rate is 7.50%.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2016	\$ 18,778,934	\$ 16,982,408	\$ 1,796,526
Changes for the year:			
Service cost	265,225	-	265,225
Interest on total pension liability	1,381,004	-	1,381,004
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	(97,143)	-	(97,143)
Changes of assumptions	(565,850)	-	(565,850)
Contribution - employer	-	320,392	(320,392)
Contribution - employees	-	144,344	(144,344)
Net investment income	-	2,392,646	(2,392,646)
Benefit payments, including refunds of employee contributions	(1,090,991)	(1,090,991)	-
Other (Net transfer)	-	(12,916)	12,916
Net changes	(107,755)	1,753,475	(1,861,230)
Balances at December 31, 2017	\$ 18,671,179	\$ 18,735,883	\$ (64,704)

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net pension liability (asset)	\$ 2,277,272	\$ (64,704)	\$ (1,887,782)

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended April 30, 2018, the City of Sullivan recognized pension expense of \$118,750. At April 30, 2018, the City of Sullivan 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	\$ 37,998	\$ 424,249
Changes of assumptions	7,364	445,715
Net difference between projected and actual earnings on pension plan investments	<u>730,176</u>	<u>939,340</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>775,538</u>	<u>1,809,304</u>
Pension contributions made subsequent to the measurement date	<u>94,934</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 870,472</u>	<u>\$ 1,809,304</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

\$94,934 reported 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, 2018.

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

<u>Year ending December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2018	\$ (177,580)
2019	(194,860)
2020	(384,786)
2021	<u>(276,540)</u>
Total	<u>\$ (1,033,766)</u>

15. POST-EMPLOYMENT HEALTHCARE BENEFITS

The City provides post-employment healthcare benefits to former employees and retirees in the form of a defined benefit, single-employer plan. Illinois statutes mandate that a municipality must offer its retirees a health insurance plan equivalent to that offered to active employees. Illinois statutes enable a municipality to make the health plan benefits supplemental to Medicare and to offer these supplemental benefits at a different retiree contribution rate than regular benefits provided by the group plan. State statutes do not presently require the municipality to pay any portion of the cost of the plan for retired employees. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the City and is the basis for the OPEB obligation accounted for under GASB 45. The plan does not issue a publicly available financial report.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy

For fiscal year 2018, the City contributed \$188,242 for retiree healthcare benefits. Presently, the City requires a 100% retiree blended premium for continuation of the health plan. The total monthly blended premium of the health plan per retiree is projected to be \$475, retiree and spouse coverage is \$904, retiree and dependent child coverage is \$1,008, and family coverage is \$1,328.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation. The net OPEB obligation is the amount entered as of year-end as the net liability for post-employment benefits.

Annual required contribution	\$ 351,542
Interest on net OPEB obligation	19,546
Adjustment to annual required contribution	<u>(21,718)</u>
Annual OPEB cost (expense)	349,370
Contributions made	<u>(336,074)</u>
Change in net OPEB obligation	13,296
Net OPEB obligation - beginning of year	<u>651,555</u>
Net OPEB obligation - end of year	<u>\$ 664,851</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended April 30, 2018 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
04/30/2018	\$ 349,731	100%	\$ 664,851
04/30/2017	319,426	100%	631,875
04/30/2016	329,350	100%	659,449

Funded Status and Funding Progress

As of April 30, 2018, the actuarial accrued liability for benefits was \$7,932,468, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,816,687, and the ratio of the unfunded actuarial accrued liability to covered payroll was 282%.

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Methods and Assumptions

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

The actuarial valuation used a measurement date of April 30, 2018. The projected unit credit actuarial cost method was used. The actuarial assumptions included a 3% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rates of 34.10%, 8.50% and 8.50% initially, reduced by decrements to an ultimate rate of 5.50% after twelve years. All rates included a 3% inflation assumption. The Unfunded Actuarial Accrued liability (UAAL) is being amortized using the Level Dollar method.

16. DEFERRED COMPENSATION PLAN

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan covers all full-time policemen. Each participant defers 14.30% of their compensation to the plan for the purchase of annuity contracts. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City performs no investing function for this plan. The plan assets are the sole property of the participants and are not subject to claims of the City's creditors. Accordingly, these plan assets are not reflected in the financial statements.

17. TORT IMMUNITY

The City issues a tort immunity tax levy to provide protection for injuries to others. During the year ended April 30, 2018, the City expended \$300,046 for liability insurance.

18. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is, to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

19. LITIGATION

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a materially adverse impact on the affected funds of the City.

20. COMMITMENTS

The City has committed funds to various area governmental and non-governmental entities as of April 30, 2018. These commitments were made for the purpose of improving the infrastructure of various governmental entities and to assist various non-governmental entities with economic development within the City of Sullivan. At April 30, 2018, the City's measurable commitments are as follows:

<u>Entity</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sullivan Chamber & Economic Development	\$ 140,000	\$ 140,000
Sullivan Fire Protection District	<u>200,000</u>	<u>50,000</u>
Total	<u>\$ 340,000</u>	<u>\$ 190,000</u>

The above commitments for infrastructure improvements and economic development are being funded by real estate tax revenues levied and collected within the City's three Tax Increment Financing (TIF) Districts.

21. CONCENTRATION OF CREDIT RISK

The Electric, Gas, Water and Sewer Systems are enterprise funds principally engaged in the business of providing utilities to residents of the City. These systems grant credit to customers for service provided, with payment terms normal in the industry. The funds ability to collect the amounts due from customers may be affected by general economic fluctuations in the City and the surrounding geographic area.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. TAX ABATEMENT

The City adopted certain ordinances approving various redevelopment plans pursuant to provisions of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 through 11-74.4-11 (the “TIF Act”). The redevelopment plans designate a “redevelopment project area” under the Act, and adopt tax increment allocation financing for each redevelopment project area. In an effort to promote redevelopment and finance construction projects in the redevelopment project areas to eradicate blighted conditions, the City uses tax increment financing to reimburse developers for the costs of the TIF-funded improvements pursuant to the terms and conditions of redevelopment agreements entered into by the City and a developer.

Projects range from new construction to redevelopment and expansion initiatives throughout the City. The maximum reimbursable amount is set forth in each agreement. If the total project cost is lower than the project budget established in the agreement, the reimbursable amount will be prorated. For the year ended April 30, 2018, the amount of property tax revenue forgone by the City due to the agreements under the Tax Increment Allocation Redevelopment Act amounts to \$315,925.

23. SUBSEQUENT EVENTS

On September 10, 2018, the governing board of the City of Sullivan passed a resolution to pay in full, the city’s Taxable GO Bonds (Alternate Revenue Source), Series 2010 bond issue. This early retirement is expected to save a significant amount of money in the form of interest. The retirement is scheduled to occur on December 11, 2018 in the amount of \$4,494,756 which includes principal and interest.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SULLIVAN, ILLINOIS

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
UNAUDITED**

For the year ended April 30, 2018

(Amounts presented are for the calendar years ended December 31, 2017, 2016 and 2015)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service cost	\$ 265,225	\$ 291,117	\$ 280,695
Interest on the total pension liability	1,381,004	1,379,714	1,319,982
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(97,143)	(632,878)	116,706
Changes of assumptions	(565,850)	(22,485)	22,622
Benefit payments, including refunds of employee contributions	<u>(1,090,991)</u>	<u>(975,348)</u>	<u>(907,780)</u>
Net change in total pension liability	(107,755)	40,120	832,225
Total pension liability - beginning	<u>18,778,934</u>	<u>18,738,814</u>	<u>17,906,589</u>
Total pension liability - ending (A)	<u>18,671,179</u>	<u>18,778,934</u>	<u>18,738,814</u>
Plan Fiduciary Net Position			
Contributions - employer	320,392	303,869	329,332
Contributions - employees	144,344	139,510	147,299
Net investment income	2,392,646	840,507	(7,778)
Benefit payments, including refunds of employee contributions	(1,090,991)	(975,348)	(907,780)
Other (net transfer)	<u>(12,916)</u>	<u>(11,870)</u>	<u>1,095</u>
Net change in plan fiduciary net position	1,753,475	296,668	(437,832)
Plan fiduciary net position - beginning	<u>16,982,408</u>	<u>16,685,740</u>	<u>17,123,572</u>
Plan fiduciary net position - ending (B)	<u>18,735,883</u>	<u>16,982,408</u>	<u>16,685,740</u>
Net pension liability (asset) - ending (A) - (B)	<u>\$ (64,704)</u>	<u>\$ 1,796,526</u>	<u>\$ 2,053,074</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.00%	90.43%	89.04%
Covered Valuation Payroll	\$ 2,713,481	\$ 2,559,977	\$ 2,712,793
Net Pension Liability (Asset) as a Percentage of Covered Valuation Payroll	(2.39%)	70.18%	75.68%

Note to schedule:

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is complete, information is presented for those years for which information is available.

CITY OF SULLIVAN, ILLINOIS

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED**

For the year ended April 30, 2018

(Amounts presented are for the year ended December 31, 2017)

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2017	\$ 313,136	\$ 320,392	\$ (7,256)	\$ 2,713,481	11.81%
2016	303,869	303,869	-	2,559,977	11.87%
2015	329,333	329,332	1	2,712,793	12.14%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculations of the 2017 Contribution Rate

Valuation Date:

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

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	26 – year closed period
Asset Valuation Method:	5 – year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	3.75% to 14.50%, including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, and IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012).
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CITY OF SULLIVAN, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED
For the year ended April 30, 2018
(Amounts presented are for the year ended December 31, 2017)

Notes to Schedule (Continued)

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

Mortality (continued):

The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

There were no benefit changes during the year.

Based on Valuation Assumptions used in the December 31, 2014, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

CITY OF SULLIVAN, ILLINOIS

**POST-EMPLOYMENT HEALTHCARE BENEFIT PROGRAM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2018	-	\$ 7,932,468	\$ 7,932,468	0%	\$ 2,816,687	282.00%
4/30/2017	-	7,932,468	7,932,468	0%	2,741,532	289.00%
4/30/2016	-	7,932,468	7,932,468	0%	2,746,402	289.00%
4/30/2015	-	7,437,453	7,437,453	0%	2,706,907	275.00%
4/30/2014	-	7,437,453	7,437,453	0%	2,655,946	280.00%

CITY OF SULLIVAN, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$ 3,714,900	\$ 3,714,900	\$ 2,121,028	\$ (1,593,872)
Expenditures:				
Current:				
General government	2,689,500	2,689,500	1,373,759	1,315,741
Public safety	588,900	593,900	551,753	42,147
Highway and streets	297,400	303,900	236,244	67,656
Economic development	420,000	170,000	8,507	161,493
Cemetery	191,900	191,900	139,793	52,107
Cultural and recreation:				
Civic Center	407,700	407,700	331,258	76,442
Park and recreation	258,400	258,400	208,479	49,921
Library	281,100	281,100	232,832	48,268
Capital outlay	<u>390,000</u>	<u>628,500</u>	<u>354,421</u>	<u>274,079</u>
Total expenditures	<u>5,524,900</u>	<u>5,524,900</u>	<u>3,437,046</u>	<u>2,087,854</u>
Revenues under expenditures	<u>(1,810,000)</u>	<u>(1,810,000)</u>	<u>(1,316,018)</u>	<u>493,982</u>
Other financing sources (uses):				
Gain on sale of assets	-	-	5,550	5,550
Transfers in	<u>1,810,000</u>	<u>1,810,000</u>	<u>1,265,001</u>	<u>(544,999)</u>
Total other financing sources (uses)	<u>1,810,000</u>	<u>1,810,000</u>	<u>1,270,551</u>	<u>(539,449)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(45,467)</u>	<u>\$ (45,467)</u>
Fund balance, beginning of year			<u>1,756,846</u>	
Fund balance, end of year			<u>\$ 1,711,379</u>	

See accompanying note to required supplementary information.

CITY OF SULLIVAN, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND (TIF 1)
For the year ended April 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property tax	\$ -	\$ -	\$ 1,525,957	\$ -
Interest	-	-	4,013	-
Total revenues	<u>2,404,000</u>	<u>2,404,000</u>	<u>1,529,970</u>	<u>(874,030)</u>
Expenditures:				
Current:				
Consulting fees	42,500	42,500	19,313	23,187
Sullivan Chamber & Economic Development	70,000	70,000	70,000	-
Sullivan School District	175,000	190,000	168,014	21,986
Sullivan Fire Protection District	35,000	35,000	25,000	10,000
Façade improvement program	50,000	50,000	8,325	41,675
Reimbursements to contract holders	325,000	325,000	190,068	134,932
Debt Service:				
Principal	650,000	650,000	645,000	5,000
Interest	285,000	285,000	257,260	27,740
Annual bond service fee	1,500	1,500	800	700
Capital outlay:				
Park improvements	20,000	20,000	18,860	1,140
Electric improvements	7,000	7,000	6,892	108
Water & Sewer system improvements	643,000	628,000	-	628,000
Library improvements	<u>100,000</u>	<u>100,000</u>	<u>83,890</u>	<u>16,110</u>
Total expenditures	<u>2,404,000</u>	<u>2,404,000</u>	<u>1,493,422</u>	<u>910,578</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	36,548	<u>\$ 36,548</u>
Fund balance, beginning of year			<u>949,115</u>	
Fund balance, end of year			<u>\$ 985,663</u>	

See accompanying note to required supplementary information.

CITY OF SULLIVAN, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RETIREMENT FUND**

For the year ended April 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$ 490,000	\$ 490,000	\$ 491,722	\$ 1,722
Expenditures:				
Current:				
Retirement	<u>590,000</u>	<u>590,000</u>	<u>497,987</u>	<u>92,013</u>
Total expenditures	<u>590,000</u>	<u>590,000</u>	<u>497,987</u>	<u>92,013</u>
Revenues under expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(6,265)</u>	<u>93,735</u>
Other financing sources (uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(6,265)	<u>\$ (6,265)</u>
Fund balance, beginning of year			<u>148,446</u>	
Fund balance, end of year			<u>\$ 142,181</u>	

See accompanying note to required supplementary information.

CITY OF SULLIVAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY INFORMATION

Annual budgets for governmental funds are adopted on the cash basis of accounting, which is an other comprehensive basis of accounting. However, the difference between cash basis and a basis consistent with generally accepted accounting principles is considered immaterial. All annual budgets lapse at fiscal year-end. The legal level of budgetary control is the fund level. The City follow these procedures in establishing the budget figures:

1. A proposed appropriations ordinance for the fiscal year commencing May 1, is submitted to the City Council. The appropriations ordinance includes proposed expenditures and the means of financing them. Revenues are appropriated in the year receipt is expected, and expenditures are appropriated in the year monies are expected to be expended.
2. The appropriations are legally enacted through passage of an ordinance.
3. At any time during the fiscal year, the City Council may by a two-thirds vote, transfer money appropriated within any department to another appropriation line item within that department. A resolution was passed on April 23, 2018 transferring various amounts from line item to line item.

CITY OF SULLIVAN, ILLINOIS

COMBINING BALANCE SHEET --
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2018

	Tax Incremental Financing Fund (TIF 2)	Tax Incremental Financing Fund (TIF 3)	Tax Incremental Financing Fund (TIF 4)	Motor Fuel Tax Fund	Recreation Fund	Street Improvement Fund	Total
Assets:							
Cash	\$ 654,859	\$ 133,488	\$ 19,147	\$ 230,563	\$ 52,465	\$ 119,108	\$ 1,209,630
Receivables	188,100	84,600	25,300	10,164	10,000	-	318,164
Total assets	<u>\$ 842,959</u>	<u>\$ 218,088</u>	<u>\$ 44,447</u>	<u>\$ 240,727</u>	<u>\$ 62,465</u>	<u>\$ 119,108</u>	<u>\$ 1,527,794</u>
Liabilities, deferred inflows of resources and fund balances:							
Liabilities:							
Accounts payable	\$ 458	\$ 2,457	\$ 9,141	\$ 1,076	\$ -	\$ 268	\$ 13,400
Total liabilities	<u>458</u>	<u>2,457</u>	<u>9,141</u>	<u>1,076</u>	<u>-</u>	<u>268</u>	<u>13,400</u>
Deferred inflows of resources:							
Property taxes	188,100	84,600	25,300	-	10,000	-	308,000
Total deferred inflows of resources	<u>188,100</u>	<u>84,600</u>	<u>25,300</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>308,000</u>
Fund balances:							
Restricted for:							
Economic development	654,401	131,031	10,006	-	-	-	795,438
Highway and streets	-	-	-	239,651	-	-	239,651
Assigned to:							
Culture and recreation	-	-	-	-	52,465	-	52,465
Highway and streets	-	-	-	-	-	118,840	118,840
Total fund balances	<u>654,401</u>	<u>131,031</u>	<u>10,006</u>	<u>239,651</u>	<u>52,465</u>	<u>118,840</u>	<u>1,206,394</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 842,959</u>	<u>\$ 218,088</u>	<u>\$ 44,447</u>	<u>\$ 240,727</u>	<u>\$ 62,465</u>	<u>\$ 119,108</u>	<u>\$ 1,527,794</u>

CITY OF SULLIVAN, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2018

	Tax Incremental Financing Fund (TIF 2)	Tax Incremental Financing Fund (TIF 3)	Tax Incremental Financing Fund (TIF 4)	Motor Fuel Tax Fund	Recreation Fund	Street Improvement Fund	Total
Revenues:							
Property taxes	\$ 246,455	\$ 87,861	\$ -	\$ -	\$ 10,031	\$ 50,517	\$ 394,864
Intergovernmental revenues	-	-	-	113,367	-	-	113,367
Interest	2,015	401	29	245	-	-	2,690
Charges for services	-	-	-	-	-	71,571	71,571
Miscellaneous	-	-	-	-	3,850	-	3,850
Total revenues	<u>248,470</u>	<u>88,262</u>	<u>29</u>	<u>113,612</u>	<u>13,881</u>	<u>122,088</u>	<u>586,342</u>
Expenditures:							
Highway and streets	-	-	-	155,609	-	79,360	234,969
Economic development	118,349	59,361	20,413	-	-	-	198,123
Culture and recreation	-	-	-	-	9,503	-	9,503
Debt service:							
Principal	-	-	-	-	-	50,000	50,000
Interest	-	-	-	-	-	225	225
Capital outlay	-	-	69,610	-	-	-	69,610
Total expenditures	<u>118,349</u>	<u>59,361</u>	<u>90,023</u>	<u>155,609</u>	<u>9,503</u>	<u>129,585</u>	<u>562,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,121</u>	<u>28,901</u>	<u>(89,994)</u>	<u>(41,997)</u>	<u>4,378</u>	<u>(7,497)</u>	<u>23,912</u>
Other financing sources (uses):							
Contribution of capital	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>30,121</u>	<u>28,901</u>	<u>10,006</u>	<u>(41,997)</u>	<u>4,378</u>	<u>(7,497)</u>	<u>23,912</u>
Fund balances, beginning of year	<u>624,280</u>	<u>102,130</u>	<u>-</u>	<u>281,648</u>	<u>48,087</u>	<u>126,337</u>	<u>1,182,482</u>
Fund balances, end of year	<u>\$ 654,401</u>	<u>\$ 131,031</u>	<u>\$ 10,006</u>	<u>\$ 239,651</u>	<u>\$ 52,465</u>	<u>\$ 118,840</u>	<u>\$ 1,206,394</u>

ACCOMPANYING INFORMATION SECTION

CITY OF SULLIVAN

**COMPUTATION OF LEGAL DEBT MARGIN
UNAUDITED
April 30, 2018**

Assessed valuation, 2017 levy	<u>\$ 35,029,628</u>
Statutory debt limitation, 8.625% of assessed valuation	\$ 3,021,305
Total debt:	
TIF 1 General Obligation (Alternative Revenue) Bonds	(4,380,000)
Less debt exempt from statutory debt limitation computation:	
TIF 1 General Obligation (Alternative Revenue) Bonds	<u>4,380,000</u>
Legal debt margin	<u>\$ 3,021,305</u>