

CITY OF SULLIVAN, ILLINOIS
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2016
and
INDEPENDENT AUDITORS' REPORT

CITY OF SULLIVAN, ILLINOIS
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CITY OF SULLIVAN, ILLINOIS

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INDEPENDENT AUDITOR'S 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, 2016, and the related notes to the financial statements, which collectively comprise the City of Sullivan, Illinois' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

Mayor and City Commissioners
City of Sullivan
Sullivan, Illinois

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 4-14 and 71-80 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.

Mayor and City Commissioner
City of Sullivan
Sullivan, Illinois

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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements on pages 81-82 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor 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 83 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.

West & Company LLC

Sullivan, Illinois
October 25, 2016

CITY OF SULLIVAN, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of the City of Sullivan is intended to provide an overview of the City's financial activities for the fiscal year ended April 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information as furnished in the financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The City of Sullivan has total assets of \$49,825,776, total deferred outflows of resources of \$1,213,318 and liabilities of \$11,642,415, and deferred inflows of resources of \$2,685,800, resulting in net positions of \$36,710,879 as of April 30, 2016. Of the net positions, \$24,425,213 represents the City's investment in capital assets, \$300,494 held for restricted purposes, and \$11,985,172 is available to meet the City's ongoing obligations to its citizens and creditors.

- The following table shows the changes in major revenue sources from 2015 to 2016.

City of Sullivan, Illinois Changes in Major Revenue Sources For the year ending April 30,

Source	2016	2015	Change
Intergovernmental revenue	\$ 1,477,435	\$ 1,517,263	(39,828)
Property tax revenue	2,520,073	2,523,342	(3,269)
Electric charges for services	8,114,363	8,082,338	32,025
Gas charges for services	2,420,268	3,188,794	(768,526)
Water/Sewer charges for services	1,960,999	1,814,569	146,430
Civic Center charges for services	197,173	175,401	21,772
Cemetery charges for services	46,400	37,125	9,275
Investment income	130,046	139,087	(9,041)

- During FY 2016, the City of Sullivan continued a proactive plan for the replacement of aging infrastructure, the upgrade of technology used in operations, and the improvement of utility services. The City invested more than \$2,399,000 in upgrading infrastructure systems and other capital assets.
- Electric charges for services experienced a modest increase due to a slight increase in volume sold. Gas charges for services experienced a significant decrease due primarily to a mild winter, a decrease in volume sold, and monthly price fluctuations. Water and Sewer charges for services increased due to an increase in rates charged.

- Illinois statute restricts municipality general obligation debt to less than 8.625% of equalized property value. As all of Sullivan's debt will be retired from revenue sources other than property taxes, the City's general obligation debt is well below the statutory limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section serves as an introduction to the City of Sullivan's basic financial statements. The basic financial statements for the City of Sullivan are comprised of three components:

- Government-wide statements,
- Fund financial statements, and
- Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business entities. The Statement of Net Position presents information on all of the City of Sullivan's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 15 through 18 of this report.

Both of the government-wide financial statements distinguish those functions of the municipality that are principally supported by taxes and intergovernmental revenues, known as governmental activities, from other functions that are intended to recover all, or a significant portion, of their costs through user fees and service charges, called business-type activities. The governmental activities of the City of Sullivan include general government, public safety, highway and streets, economic development, culture and recreation, capital outlay, and other miscellaneous activities. The business-type activities of the City of Sullivan include the electric, gas and water/sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sullivan, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. 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 statements, governmental fund financial statements focus on near term inflows and outflows of current expendable resources, as well as balances of expendable resources that can be converted to cash and balances available at the end of the fiscal year for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental funds include the general, special revenue, and capital projects funds. On the Balance Sheet – Governmental Funds, the General fund, TIF 1, 2 and 3 funds, and the Retirement fund are shown in separate columns and data from the other governmental funds are combined into a single column for 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. Reconciliations follow the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds. The reconciliations show the adjustments that are needed to convert the governmental funds financial statements to the government-wide Statement of Net Position and Statement of Activities.

Proprietary Funds

Proprietary funds maintained by the City of Sullivan are enterprise funds. Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for activities that provide supplies and services to the general public. Proprietary fund statements provide the same type of information as the government-wide financial statements, but in more detail. The City's fund financial statements present separate enterprise fund information for the electric utility, gas utility and water and sewer utility. The proprietary fund financial statements are on pages 25 through 29 of this report.

Internal Service Fund

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 an internal service fund to account for its broadband services. Because this service predominantly benefits the government rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Notes to the Basic Financial Statements

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

Additional Supplementary Information

Following the basic government-wide and fund financial statements and accompanying notes, combining statements are included for the non-major governmental funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The Statement of Net Position for the City of Sullivan is summarized in the following table. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities and deferred inflows of resources by \$36.7 million as of April 30, 2016. The majority of these net positions reflect the City's investment in capital assets, including land, buildings, equipment, infrastructure, and construction in progress, net of depreciation and related debt. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Statement of Net Position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 8,174,753	\$ 15,524,384	\$ 23,699,137
Capital assets (net)	<u>6,216,608</u>	<u>19,910,031</u>	<u>26,126,639</u>
Total assets	<u>\$ 14,391,361</u>	<u>\$ 35,434,415</u>	<u>\$ 49,825,776</u>
Deferred outflows of resources	<u>\$ 1,213,318</u>	<u>\$ -</u>	<u>\$ 1,213,318</u>
Current liabilities	\$ 463,546	\$ 1,022,729	\$ 1,486,275
Non-current liabilities	<u>8,056,868</u>	<u>2,099,272</u>	<u>10,156,140</u>
Total liabilities	<u>\$ 8,520,414</u>	<u>\$ 3,122,001</u>	<u>\$ 11,642,415</u>
Deferred inflows of resources	<u>\$ 2,685,800</u>	<u>\$ -</u>	<u>\$ 2,685,800</u>
Net position:			
Net investment in capital assets	\$ 6,216,608	\$ 18,208,605	\$ 24,425,213
Restricted	300,494	-	300,494
Unrestricted	<u>(2,118,637)</u>	<u>14,103,809</u>	<u>11,985,172</u>
Total net position	<u>\$ 4,398,465</u>	<u>\$ 32,312,414</u>	<u>\$ 36,710,879</u>
Total net position as a % of total liabilities and deferred inflows of resources	39%	1035%	256%
Unrestricted net position as a % of total liabilities and deferred inflows of resources	-19%	452%	84%

A portion of the City's net position (1%) represents resources that are subject to other restrictions as to how they may be used. 33% of total net position is considered unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

An examination of the Statement of Activities provides a concise picture of how the various activities of the City are funded. The following table summarizes the City's governmental and business-type activities.

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Revenue:			
Program Revenues:			
Charges for services	\$ 355,254	\$ 12,495,630	\$ 12,850,884
Operating grants and contributions	4,350	-	4,350
Capital grants and contributions	-	889,943	889,943
General Revenues:			
Property tax	2,520,073	-	2,520,073
Sales tax	812,203	-	812,203
Income tax	454,153	-	454,153
Replacement tax	27,260	-	27,260
Motor fuel tax	113,570	-	113,570
Telecommunications and franchise tax	65,899	-	65,899
Interest income	118,561	11,485	130,046
Sale of assets	13,500	18,530	32,030
Miscellaneous income	27,256	32,659	59,915
Total revenue	<u>\$ 4,512,079</u>	<u>\$ 13,448,247</u>	<u>\$ 17,960,326</u>
Expenses:			
Program Expenses:			
General government	\$ 1,116,008	\$ -	\$ 1,116,008
Public safety	511,816	-	511,816
Highway and streets	444,867	-	444,867
Culture and recreation	942,603	-	942,603
Economic development	831,484	-	831,484
Cemetery	168,019	-	168,019
Interest	302,013	-	302,013
Retirement	661,100	-	661,100
Electric fund	-	7,500,813	7,500,813
Gas fund	-	1,482,781	1,482,781
Water and Sewer Fund	-	1,891,695	1,891,695
Total expenses	<u>\$ 4,977,910</u>	<u>\$ 10,875,289</u>	<u>\$ 15,853,199</u>

	Governmental Activities	Business-Type Activities	Total
Increase (decrease) in net assets before transfers	\$ (465,831)	\$ 2,572,958	\$ 2,107,127
Transfers	<u>800,320</u>	<u>(800,320)</u>	<u>-</u>
Change in net position	334,489	1,772,638	2,107,127
Net position - beginning of year, restated	<u>4,063,976</u>	<u>30,539,776</u>	<u>34,603,752</u>
Net position - end of year	<u>\$ 4,398,465</u>	<u>\$ 32,312,414</u>	<u>\$ 36,710,879</u>

Sales taxes provided eighteen percent (18%) of the revenue for governmental revenues. Property taxes provided fifty-six percent (56%) of the revenue for governmental revenues. All other taxes collectively provided fifteen percent (15%) of the revenue for governmental revenues. Interest and miscellaneous provided three percent (3%) of the revenue for governmental revenues. The remaining eight percent (8%) came from charges for services. Less than one percent came from grants and contributions.

Business-type activities, electric, gas and water & sewer utilities depend on charges for services as their primary revenue source, over ninety-three percent (93%) of revenues are generated from user charges.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows, and expendable resources. Such information can be useful in assessing the City's financing requirements.

As of April 30, 2016, the City of Sullivan's Balance Sheet – Governmental Funds reported combined ending fund balances of \$4,903,378, a decrease of (\$53,838) from April 30, 2015. This decrease was due to major infrastructure improvements being made. Of the ending fund balances total, \$68,298 is reported as nonspendable for prepaid expenditures, \$2,848,642 is restricted for specific purposes, \$1,263,671 is assigned for specific purposes, leaving total unassigned governmental fund balances of \$722,767 to meet future budget requirements.

The General Fund is the primary operating fund used to account for the governmental operations of the City of Sullivan. The largest revenue sources for the General Fund are intergovernmental revenues and monies transferred in from the utility funds which account for forty-eight (48%) and twenty-three percent (23%) respectively of revenues. General administration, police protection, parks and recreation, highway and streets, library services, and cemetery services are the primary operations of the General Fund. Thirty-eight percent (38%) of the General Fund expenditures of \$2.9 million are allocated to general governmental operations. Another sixteen percent (16%) of the General Fund costs are derived from public safety. Of the remaining expenditures, fourteen percent (14%) are derived from operation of the civic center, seven percent (7%) are derived from highway and streets, eight percent (8%) are derived from library operations, five percent (5%) are derived from operation of the cemetery, and six percent (6%) are derived from park and recreation.

With regard to the other governmental funds, TIF 1 Fund had a total fund balance of \$1,491,301. TIF 2 Fund had a total fund balance of \$528,066. TIF 3 Fund had a total fund balance of \$78,781. Retirement Fund had a total fund balance of \$103,754. Other Governmental Funds had a combined total fund balance of \$803,970. The TIF 1, 2, and 3 fund balances primarily reflect the amounts restricted to pay for economic development expenses for designated blighted areas of the City. The Retirement fund balance reflects the amount assigned to pay for retirement expenses for city employees. The remaining Other Governmental Funds column in the balance sheet includes various special revenue funds.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in greater detail. The detail of the City's proprietary funds can be found on pages 25 through 29. The net position of the enterprise type proprietary funds as of April 30, 2016 totaled \$32,312,414, an increase of \$1,772,638 from the previous year. The Electric Utility Fund increased \$265,950, the Gas Utility Fund increased \$549,779 and the Water & Sewer Utility Fund increased \$956,909.

For the year ended April 30, 2016, revenues in the Electric Utility Fund totaled \$8,126,727 (an increase of \$40,252 from 2015), operating expenditures totaled \$7,500,813 (an increase of \$402,661 from 2015) producing operating income of \$625,914 (a decrease of \$362,409 from 2015). Non-operating revenues totaled \$24,935, with transfers out of \$403,500 and capital contributions of \$18,601, leaving a gain of \$265,950 in the Net Position of the Electric Utility Fund.

For the year ended April 30, 2016, revenues in the Gas Utility Fund totaled \$2,431,854 (a decrease of \$761,666 from 2015), operating expenditures totaled \$1,482,781 (a decrease of \$451,486 from 2015) producing operating income of \$949,073 (a decrease of \$310,180 from 2015). Non-operating revenue totaled \$4,206, with transfers out of \$403,500 leaving a gain of \$549,779 in the Net Position of the Gas Utility Fund.

For the year ended April 30, 2016, revenues in the Water & Sewer Utility Fund totaled \$1,969,708 (an increase of \$152,382 from 2015), operating expenditures totaled \$1,878,407 (a decrease of \$48,429 from 2015) producing an operating income of \$91,301 (an increase of \$200,811 from 2015). Non-operating revenues totaled \$820,420, with transfers in of \$6,680 and capital contributions of \$38,508, leaving a gain of \$956,909 in the Net Position of the Water & Sewer Utility Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Required Supplementary Information section contains the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General Fund. This schedule can be found on page 75 of this report.

The original and the final 2016 General Fund appropriated budget authorized expenditures and other financing uses of \$4,594,950 and \$4,642,950 respectively, funded by anticipated revenues and other financing sources of \$4,594,950 and \$4,642,950 respectively. The actual amount of revenues and other financing sources over expenditures and other financing uses was a positive appropriated budget to actual variance of \$40,033. From time to time during the year, the City Council approved adjustments to the appropriated budget. These changes are reflected in the Final Budget column.

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for each of the other Major Governmental Funds can be found on pages 76 through 79 of this report.

CAPITAL ASSETS AND DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2016 totaled around \$53.3 million. Around seventy-eight percent (78%) of this total cost was related to the business-type activities, with the City's electrical generating and distribution system, along with the water/sewer distribution system comprising the most significant components.

Total accumulated depreciation was calculated to be over \$27.2 million. Net of accumulated depreciation, the City's investment in capital assets is in excess of \$26.1 million.

At April 30, 2016, the city had various capital projects in progress. The City has spent over \$2.7 million on these projects, with an estimated remaining commitment of \$1.4 million. Major projects in progress are various street, alley and sidewalk projects, electrical plant upgrades, and wastewater treatment facility upgrades.

CITY OF SULLIVAN, ILLINOIS
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
APRIL 30, 2016

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 125,276	\$ 228,758	\$ 354,034
Building & Improvements	3,353,286	-	3,353,286
Production Plant	-	13,018,525	13,018,525
Distribution Plant	-	23,173,482	23,173,482
General Plant	-	270,890	270,890
Broadband	-	269,190	269,190
Sewer Improvements	-	2,235,281	2,235,281
Equipment	7,879,394	-	7,879,394
GIS Equipment	-	24,552	24,552
Construction in Progress	257,582	2,496,372	2,753,954
Subtotal	11,615,538	41,717,050	53,332,588
Less:			
Accumulated Depreciation	(5,398,930)	(21,807,019)	(27,205,949)
Total	\$ 6,216,608	\$ 19,910,031	\$ 26,126,639

**CITY OF SULLIVAN, ILLINOIS
GENERAL OBLIGATION BONDS OUTSTANDING
APRIL 30, 2015**

Long-Term Debt

On April 30, 2016, the City of Sullivan had \$5,610,000 of bonds outstanding, as summarized in the following table:

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 5,610,000	\$ -	\$ 5,610,000

On April 30, 2016, the City of Sullivan also reported as noncurrent liabilities post-employment healthcare obligations for city retirees in the amount of \$659,449 and net pension liability of \$2,053,074. This represents increases of \$55,650 and \$1,270,057 respectively from the previous fiscal year.

In 2016, the City of Sullivan implemented Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB No. 68. These statements improve accounting and financial reporting by the City of Sullivan for pensions by including pension related balances and activity on the Statement of Net Position and the Statement of Activities. The implementation also required the restatement of fund balance as of April 30, 2015.

REQUESTS 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 4,470,318	\$ 13,238,646	\$17,708,964
Receivables	3,032,755	1,810,458	4,843,213
Notes receivable	358,109	-	358,109
Inventories	-	398,845	398,845
Prepaid items	68,299	76,435	144,734
Restricted assets:			
Cash and investments	<u>245,272</u>	<u>-</u>	<u>245,272</u>
Total current assets	8,174,753	15,524,384	23,699,137
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	125,276	228,758	354,034
Buildings and improvements	1,231,199	-	1,231,199
Production plant	-	6,368,326	6,368,326
Distribution plant	-	9,351,534	9,351,534
General plant	-	100,531	100,531
Broadband	-	51,625	51,625
Sewer improvements	-	1,308,394	1,308,394
Equipment	4,602,551	-	4,602,551
GIS	-	4,491	4,491
Construction in progress	<u>257,582</u>	<u>2,496,372</u>	<u>2,753,954</u>
Total assets	<u>14,391,361</u>	<u>35,434,415</u>	<u>49,825,776</u>
Deferred outflows of resources:			
Deferred outflows of resources - pension	<u>\$ 1,213,318</u>	<u>\$ -</u>	<u>\$ 1,213,318</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
(CONTINUED)
April 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 330,188	\$ 589,195	\$ 919,383
Accrued payroll	83,358	49,482	132,840
Tax anticipation bonds	50,000	-	50,000
Customer deposits	<u>-</u>	<u>384,052</u>	<u>384,052</u>
Total current liabilities	463,546	1,022,729	1,486,275
Noncurrent liabilities:			
Due within one year	649,070	142,161	791,231
Due in more than one year	<u>7,407,798</u>	<u>1,957,111</u>	<u>9,364,909</u>
Total liabilities	<u>8,520,414</u>	<u>3,122,001</u>	<u>11,642,415</u>
Deferred Inflows of Resources:			
Deferred property taxes	<u>2,685,800</u>	<u>-</u>	<u>2,685,800</u>
Net Position:			
Net investment in capital assets	6,216,608	18,208,605	24,425,213
Restricted for:			
Highway and streets	195,485	-	195,485
Culture and recreation	50,000	-	50,000
Perpetual cemetery care	55,009	-	55,009
Unrestricted	<u>(2,118,637)</u>	<u>14,103,809</u>	<u>11,985,172</u>
Total net position	<u>\$ 4,398,465</u>	<u>\$ 32,312,414</u>	<u>\$36,710,879</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

STATEMENT OF ACTIVITIES
For the year ended April 30, 2016

	Program Revenues				Net (Expense) Revenue and		
	Expenses	Charges for Services	Operating		Changes in Net Position		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 1,116,008	\$ 31,266	\$ -	\$ -	\$ (1,084,742)	\$ -	\$ (1,084,742)
Public safety	511,816	3,433	-	-	(508,383)	-	(508,383)
Highway and streets	444,867	62,599	427	-	(381,841)	-	(381,841)
Economic development	831,484	-	-	-	(831,484)	-	(831,484)
Cemetery	168,019	46,400	-	-	(121,619)	-	(121,619)
Retirement	661,100	-	-	-	(661,100)	-	(661,100)
Culture and recreation	942,603	211,556	3,923	-	(727,124)	-	(727,124)
Interest	302,013	-	-	-	(302,013)	-	(302,013)
Total governmental activities	4,977,910	355,254	4,350	-	(4,618,306)	-	(4,618,306)
Business-type activities:							
Electric	7,500,813	8,114,363	-	18,601	-	632,151	632,151
Gas	1,482,781	2,420,268	-	-	-	937,487	937,487
Water and Sewer	1,891,695	1,960,999	-	871,342	-	940,646	940,646
Total business-type activities	10,875,289	12,495,630	-	889,943	-	2,510,284	2,510,284
Total primary government	\$ 15,853,199	\$ 12,850,884	\$ 4,350	\$ 889,943	\$ (4,618,306)	\$ 2,510,284	\$ (2,108,022)

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF ACTIVITIES
(CONTINUED)**

For the year ended April 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expense) revenue and changes in net position	<u>\$ (4,618,306)</u>	<u>\$ 2,510,284</u>	<u>\$ (2,108,022)</u>
General revenues:			
Property tax	2,520,073	-	2,520,073
Sales tax	812,203	-	812,203
Income tax	454,153	-	454,153
Personal property replacement tax	27,260	-	27,260
Motor fuel tax	113,570	-	113,570
Telecommunication and franchise tax	65,899	-	65,899
Interest income	118,561	11,485	130,046
Gain on sale of assets	13,500	18,530	32,030
Miscellaneous income	27,256	32,659	59,915
Transfers	<u>800,320</u>	<u>(800,320)</u>	<u>-</u>
Total general revenues and transfers	<u>4,952,795</u>	<u>(737,646)</u>	<u>4,215,149</u>
Change in net position	334,489	1,772,638	2,107,127
Net position - beginning of year, restated	<u>4,063,976</u>	<u>30,539,776</u>	<u>34,603,752</u>
Net position - end of year	<u>\$ 4,398,465</u>	<u>\$ 32,312,414</u>	<u>\$ 36,710,879</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2016**

	<u>General Fund</u>	<u>TIF 1 Fund</u>	<u>TIF 2 Fund</u>
Assets:			
Cash	\$1,473,515	\$ 1,452,641	\$ 528,066
Receivables	704,632	1,454,300	242,100
Notes receivable	186,476	171,633	-
Prepaid items	68,299	-	-
Restricted cash and investments	<u>105,009</u>	<u>140,263</u>	<u>-</u>
Total assets	<u>\$2,537,931</u>	<u>\$ 3,218,837</u>	<u>\$ 770,166</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	\$ 52,480	\$ 273,236	\$ -
Accrued payroll	83,358	-	-
Compensated absences	<u>64,070</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>199,908</u>	<u>273,236</u>	<u>-</u>
Deferred Inflows of Resources:			
Deferred property taxes	372,300	1,454,300	242,100
Deferred sales taxes	66,731	-	-
Deferred telecommunication taxes	<u>1,486</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>440,517</u>	<u>1,454,300</u>	<u>242,100</u>
Fund balances:			
Nonspendable - prepaid expenditures	68,298	-	-
Restricted for:			
Economic development	400,000	1,491,301	528,066
Highway and streets	-	-	-
Culture and recreation	50,000	-	-
Perpetual cemetery care	55,009	-	-
Assigned to:			
Economic development	592,301	-	-
Culture and recreation	9,131	-	-
Highway and streets	-	-	-
Retirement	-	-	-
Unassigned	<u>722,767</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,897,506</u>	<u>1,491,301</u>	<u>528,066</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,537,931</u>	<u>\$ 3,218,837</u>	<u>\$ 770,166</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS
(CONTINUED)
April 30, 2016

	TIF 3 Fund	Retirement Fund	Other Governmental Funds	Totals
Assets:				
Cash	\$ 78,781	\$ 99,236	\$ 798,337	\$ 4,430,576
Receivables	87,300	474,118	70,305	3,032,755
Notes receivable	-	-	-	358,109
Prepaid expenses	-	-	-	68,299
Restricted cash and investments	-	-	-	245,272
Total assets	<u>\$ 166,081</u>	<u>\$ 573,354</u>	<u>\$ 868,642</u>	<u>\$ 8,135,011</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 4,472	\$ 330,188
Accrued payroll	-	-	-	83,358
Compensated absences	-	-	-	64,070
Total liabilities	<u>-</u>	<u>-</u>	<u>4,472</u>	<u>477,616</u>
Deferred Inflows of Resources:				
Deferred property taxes	87,300	469,600	60,200	2,685,800
Deferred sales taxes	-	-	-	66,731
Deferred telecommunication taxes	-	-	-	1,486
Total deferred inflows of resources	<u>87,300</u>	<u>469,600</u>	<u>60,200</u>	<u>2,754,017</u>
Fund balances:				
Nonspendable - prepaid expenditures	-	-	-	68,298
Restricted for:				
Economic development	78,781	-	-	2,498,148
Highway and streets	-	-	245,485	245,485
Culture and recreation	-	-	-	50,000
Perpetual cemetery care	-	-	-	55,009
Assigned to:				
Economic development	-	-	-	592,301
Culture and recreation	-	-	47,283	56,414
Highway and streets	-	-	511,202	511,202
Retirement	-	103,754	-	103,754
Unassigned	-	-	-	722,767
Total fund balances	<u>78,781</u>	<u>103,754</u>	<u>803,970</u>	<u>4,903,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 166,081</u>	<u>\$ 573,354</u>	<u>\$ 868,642</u>	<u>\$ 8,135,011</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2016

Total fund balances, governmental funds	\$ 4,903,378
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources related to certain changes in the net pension liability are not yet recognized in pension expense, are not current financial resources and, therefore, are not reported in the funds.	1,213,318
The net pension liability is the difference between the total pension liability and fiduciary net position of the plan and is not due and payable in the current period and, therefore, is not reported in the funds.	(2,053,074)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	68,217
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	6,216,608
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,660,000)
Some liabilities reported in the Statement of Net Position do not require the use of current resources and, therefore, are not reported as liabilities in governmental funds. These activities consist of post-employment healthcare benefits obligation	(329,724)
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>39,742</u>
Net position of governmental activities	<u>\$ 4,398,465</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, 2016**

	<u>General Fund</u>	<u>TIF 1 Fund</u>	<u>TIF 2 Fund</u>
Revenues:			
Property taxes	\$ 367,854	\$ 1,347,847	\$ 234,768
Intergovernmental revenues	1,418,547	-	-
Interest	111,834	4,012	2,146
Licenses, fines, and permits	47,864	-	-
Charges for services	257,992	-	-
Miscellaneous	<u>26,256</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,230,347</u>	<u>1,351,859</u>	<u>236,914</u>
Expenditures:			
Current:			
General government	1,086,775	-	-
Public safety	485,133	-	-
Highway and streets	215,351	-	-
Economic development	15,337	489,812	110,694
Cemetery	156,644	-	-
Retirement	-	-	-
Culture and recreation:			
Civic Center	411,709	-	-
Park and recreation	186,753	-	-
Library	246,843	-	-
Debt service:			
Principal	-	540,000	-
Interest	-	301,788	-
Annual bond service fee	-	800	-
Capital outlay	<u>81,589</u>	<u>372,416</u>	<u>-</u>
Total expenditures	<u>2,886,134</u>	<u>1,704,816</u>	<u>110,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(655,787)</u>	<u>(352,957)</u>	<u>126,220</u>
Other Financing Sources (Uses):			
Bond proceeds	-	-	-
Proceeds from sale of capital assets	13,500	-	-
Transfers in (out)	<u>682,320</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>695,820</u>	<u>-</u>	<u>-</u>
Net change in fund balances	40,033	(352,957)	126,220
Fund balances, beginning of year	<u>1,857,473</u>	<u>1,844,258</u>	<u>401,846</u>
Fund balances, end of year	<u>\$1,897,506</u>	<u>\$ 1,491,301</u>	<u>\$ 528,066</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, 2016

	TIF 3	Retirement	Other	
	Fund	Fund	Governmental	Totals
			Funds	
Revenues:				
Property taxes	\$ 75,329	\$ 434,227	\$ 60,048	\$ 2,520,073
Intergovernmental revenues	-	23,011	113,570	1,555,128
Interest	326	-	201	118,519
Licenses, fines, and permits	-	-	-	47,864
Charges for services	-	-	43,023	301,015
Miscellaneous	-	-	1,000	27,256
Total revenues	<u>75,655</u>	<u>457,238</u>	<u>217,842</u>	<u>4,569,855</u>
Expenditures:				
Current:				
General government	-	-	-	1,086,775
Public safety	-	-	-	485,133
Highway and streets	-	-	178,723	394,074
Economic development	48,208	-	-	664,051
Cemetery	-	-	-	156,644
Retirement	-	500,750	-	500,750
Culture and recreation:				
Civic Center	-	-	-	411,709
Park and recreation	-	-	7,963	194,716
Library	-	-	-	246,843
Debt service:				
Principal	-	-	50,000	590,000
Interest	-	-	225	302,013
Annual bond service fee	-	-	-	800
Capital outlay	-	-	-	454,005
Total expenditures	<u>48,208</u>	<u>500,750</u>	<u>236,911</u>	<u>5,487,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,447</u>	<u>(43,512)</u>	<u>(19,069)</u>	<u>(917,658)</u>
Other Financing Sources (Uses):				
Bond proceeds	-	-	50,000	50,000
Proceeds from sale of capital assets	-	-	-	13,500
Transfers in (out)	-	118,000	-	800,320
Total other financing sources (uses)	<u>-</u>	<u>118,000</u>	<u>50,000</u>	<u>863,820</u>
Net change in fund balances	27,447	74,488	30,931	(53,838)
Fund balances, beginning of year	<u>51,334</u>	<u>29,266</u>	<u>773,039</u>	<u>4,957,216</u>
Fund balances, end of year	<u>\$ 78,781</u>	<u>\$ 103,754</u>	<u>\$ 803,970</u>	<u>\$ 4,903,378</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, 2016**

Net changes in fund balance, total governmental funds	\$	(53,838)
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 is reported as pension expense.		
Pension contributions	318,248	
Cost of benefits earned, net of employee contributions	<u>(478,598)</u>	(160,350)
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.		
		(77,692)
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 capital outlay exceeded depreciation in the current period.		
		106,915
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 debt and related items.		
		540,800
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Increase in post-employment healthcare benefits obligation		(27,825)
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>6,479</u>
Change in net position of governmental activities	\$	<u>334,489</u>
See notes to financial statements.		

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

April 30, 2016

					<u>Governmental Activities</u>
	<u>Electric Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Water and Sewer Utility Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Assets:					
Current assets:					
Cash	\$ 7,190,055	\$ 4,667,019	\$ 1,381,572	\$ 13,238,646	\$ 39,742
Receivables	1,158,310	396,770	255,378	1,810,458	-
Inventories	285,387	60,846	52,612	398,845	-
Prepaid items	<u>37,575</u>	<u>17,882</u>	<u>20,978</u>	<u>76,435</u>	<u>-</u>
Total current assets	<u>8,671,327</u>	<u>5,142,517</u>	<u>1,710,540</u>	<u>15,524,384</u>	<u>39,742</u>
Noncurrent assets:					
Capital assets:					
Land	102,733	4,185	121,840	228,758	-
Production plant, net	5,790,504	-	577,822	6,368,326	-
Distribution plant, net	2,346,643	347,101	6,657,790	9,351,534	-
General plant, net	100,531	-	-	100,531	-
Broadband, net	51,625	-	-	51,625	65,475
Sewer improvements, net	-	-	1,308,394	1,308,394	-
GIS, net	1,497	1,497	1,497	4,491	-
Construction in progress	<u>-</u>	<u>-</u>	<u>2,496,372</u>	<u>2,496,372</u>	<u>-</u>
Total capital assets					
(net of accumulated depreciation)	<u>8,393,533</u>	<u>352,783</u>	<u>11,163,715</u>	<u>19,910,031</u>	<u>65,475</u>
Total assets	<u>\$ 17,064,860</u>	<u>\$ 5,495,300</u>	<u>\$ 12,874,255</u>	<u>\$ 35,434,415</u>	<u>\$ 105,217</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(CONTINUED)
April 30, 2016

					<u>Governmental Activities</u>
	<u>Electric Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Water and Sewer Utility Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 501,364	\$ 51,008	\$ 36,823	\$ 589,195	\$ -
Accrued payroll	20,089	10,377	19,016	49,482	-
Customer deposits	150,720	125,035	108,297	384,052	-
Notes payable - current	<u>-</u>	<u>-</u>	<u>74,040</u>	<u>74,040</u>	<u>-</u>
Total current liabilities	<u>672,173</u>	<u>186,420</u>	<u>238,176</u>	<u>1,096,769</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences payable	31,247	13,223	23,651	68,121	-
Notes Payable	-	-	1,627,386	1,627,386	-
Post-employment healthcare benefits obligation	<u>118,701</u>	<u>72,539</u>	<u>138,485</u>	<u>329,725</u>	<u>-</u>
Total noncurrent liabilities	<u>149,948</u>	<u>85,762</u>	<u>1,789,522</u>	<u>2,025,232</u>	<u>-</u>
Total liabilities	<u>822,121</u>	<u>272,182</u>	<u>2,027,698</u>	<u>3,122,001</u>	<u>-</u>
Net position:					
Net investment in capital assets	8,393,533	352,783	9,462,289	18,208,605	65,475
Unrestricted	<u>7,849,206</u>	<u>4,870,335</u>	<u>1,384,268</u>	<u>14,103,809</u>	<u>39,742</u>
Total net position	<u>\$ 16,242,739</u>	<u>\$ 5,223,118</u>	<u>\$10,846,557</u>	<u>\$ 32,312,414</u>	<u>\$ 105,217</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, 2016

					<u>Governmental Activities</u>
	<u>Electric Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating revenues:					
Charges for services	\$ 8,114,363	\$ 2,420,268	\$ 1,960,999	\$ 12,495,630	\$ 9,711
Other income	<u>12,364</u>	<u>11,586</u>	<u>8,709</u>	<u>32,659</u>	<u>-</u>
Total operating revenue	<u>8,126,727</u>	<u>2,431,854</u>	<u>1,969,708</u>	<u>12,528,289</u>	<u>9,711</u>
Operating expenses:					
Salaries	569,555	273,895	522,217	1,365,667	-
Materials, supplies, and chemicals	248,009	12,030	217,143	477,182	-
Fuel	76,492	5,125	20,030	101,647	-
Purchased power and gas	5,187,099	811,709	-	5,998,808	-
Repairs	9,927	9,563	95,502	114,992	-
Other distribution expense	128,027	-	50,189	178,216	-
Training and seminars	13,946	5,311	2,048	21,305	-
Professional fees	51,086	4,585	8,380	64,051	-
Health insurance	112,609	62,109	134,919	309,637	-
Insurance	160,611	51,880	86,656	299,147	-
Public utility taxes	202,891	57,779	-	260,670	-
Bad debts	173,623	68,286	31,889	273,798	-
Utilities	1,306	1,573	83,479	86,358	-
Other general expense	115,860	69,904	45,802	231,566	-
Depreciation	<u>449,772</u>	<u>49,032</u>	<u>580,153</u>	<u>1,078,957</u>	<u>3,274</u>
Total operating expenses	<u>7,500,813</u>	<u>1,482,781</u>	<u>1,878,407</u>	<u>10,862,001</u>	<u>3,274</u>
Operating income (loss)	<u>625,914</u>	<u>949,073</u>	<u>91,301</u>	<u>1,666,288</u>	<u>6,437</u>
Nonoperating revenue (expenses):					
Intergovernmental	-	-	832,834	832,834	-
Gain on sale of capital assets	18,530	-	-	18,530	-
Interest income	6,405	4,206	874	11,485	42
Interest expense	<u>-</u>	<u>-</u>	<u>(13,288)</u>	<u>(13,288)</u>	<u>-</u>
Total non-operating revenues	<u>24,935</u>	<u>4,206</u>	<u>820,420</u>	<u>849,561</u>	<u>42</u>
Income (loss) before contributions and transfers	650,849	953,279	911,721	2,515,849	6,479
Capital contributions	18,601	-	38,508	57,109	-
Transfers in (out)	<u>(403,500)</u>	<u>(403,500)</u>	<u>6,680</u>	<u>(800,320)</u>	<u>-</u>
Change in net position	265,950	549,779	956,909	1,772,638	6,479
Net position, beginning of year	<u>15,976,789</u>	<u>4,673,339</u>	<u>9,889,648</u>	<u>30,539,776</u>	<u>98,738</u>
Net position, end of year	<u>\$ 16,242,739</u>	<u>\$ 5,223,118</u>	<u>\$ 10,846,557</u>	<u>\$ 32,312,414</u>	<u>\$ 105,217</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the year ended April 30, 2016

				Governmental Activities	
	Electric Fund	Gas Fund	Water and Sewer Fund	Totals	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,109,916	\$ 2,508,675	\$ 1,975,808	\$ 12,594,399	\$ 9,711
Payments to employees	(573,008)	(271,554)	(525,297)	(1,369,859)	-
Payments to suppliers	(6,402,090)	(1,160,837)	(2,028,527)	(9,591,454)	-
Net cash provided (used) by operating activities	<u>1,134,818</u>	<u>1,076,284</u>	<u>(578,016)</u>	<u>1,633,086</u>	<u>9,711</u>
Cash flows from noncapital financing activities:					
Transfers (to) from other funds	(403,500)	(403,500)	6,680	(800,320)	-
Net cash provided (used) by noncapital financing activities	<u>(403,500)</u>	<u>(403,500)</u>	<u>6,680</u>	<u>(800,320)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	-	2,546,168	2,546,168	-
Sale of capital assets	18,530	-	-	18,530	-
Principal paid on capital debt	-	-	(28,110)	(28,110)	-
Interest paid on capital debt	-	-	(13,288)	(13,288)	-
Purchase of capital assets	(295,681)	-	(1,507,835)	(1,803,516)	(68,749)
Net cash provide (used) by capital and related financing activities	<u>(277,151)</u>	<u>-</u>	<u>996,935</u>	<u>719,784</u>	<u>(68,749)</u>
Cash flows from investing activities:					
Investment income received	<u>6,405</u>	<u>4,206</u>	<u>874</u>	<u>11,485</u>	<u>42</u>
Net cash provided by investing activities	<u>6,405</u>	<u>4,206</u>	<u>874</u>	<u>11,485</u>	<u>42</u>
Net increase (decrease) in cash	460,572	676,990	426,473	1,564,035	(58,996)
Cash, beginning of year	<u>6,729,483</u>	<u>3,990,029</u>	<u>955,099</u>	<u>11,674,611</u>	<u>98,738</u>
Cash, end of year	<u>\$ 7,190,055</u>	<u>\$ 4,667,019</u>	<u>\$ 1,381,572</u>	<u>\$ 13,238,646</u>	<u>\$ 39,742</u>

Noncash investing, capital and related financing activities:

During the current fiscal year, the City's TIF funds contributed \$57,109 in capital assets to the City's proprietary funds (electric, water & sewer) for construction of the utility's infrastructure.

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
(CONTINUED)
For the year ended April 30, 2016

					Governmental Activities
	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 625,914	\$ 949,073	\$ 91,301	\$ 1,666,288	\$ 6,437
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	449,772	49,032	580,153	1,078,957	3,274
(Increase) decrease in account receivables	(21,826)	72,535	1,503	52,212	-
(Increase) decrease in inventories	36,346	(2,490)	(20,247)	13,609	-
(Increase) decrease in prepaid expenses	(741)	(2,264)	712	(2,293)	-
Increase (decrease) in accounts payable	45,850	(8,387)	(1,250,680)	(1,213,217)	-
Increase (decrease) in accrued payroll	(192)	2,435	(2,481)	(238)	-
Increase (decrease) in customer deposits	5,015	4,285	4,597	13,897	-
Increase (decrease) in post-employment healthcare benefits obligation	(2,059)	12,159	17,725	27,825	-
Increase (decrease) in compensated absences	(3,261)	(94)	(599)	(3,954)	-
Total adjustments	508,904	127,211	(669,317)	(33,202)	3,274
Net cash provided by operating activities	<u>\$ 1,134,818</u>	<u>\$ 1,076,284</u>	<u>\$ (578,016)</u>	<u>\$ 1,633,086</u>	<u>\$ 9,711</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, 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 are 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:

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

TIF 1, 2 and 3 Funds – These funds are used to account for the revenues and expenditures related to redevelopment projects financed by property taxes collected and distributions from the State of Illinois, for the purpose of economic development in designated blighted areas of the city.

Retirement Fund – This fund is used to account for Social Security and IMRF retirement payments paid by the City.

Major Proprietary Funds

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-major Governmental Funds

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. Included among these funds are:

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.

Motor Fuel Tax Fund – This fund is used to account for the revenue and expenditures related to projects financed by the motor fuel tax funds collected and distributed by the State of Illinois.

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 City's records are generally maintained on the modified accrual basis of accounting. The basis of accounting used in the preparation of the basic financial statements is described in the following paragraphs.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 are recognized when the underlying exchange transaction occurs. Revenues from shared non-exchange transactions are also recognized in the period when the underlying transaction occur, 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 report 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 City considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized when a liability is incurred as under the accrual method of accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recorded only when payment is due.

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 revenues arise when potential revenue does not meet both the measurable and available criteria, or when resources are received prior to the government having a legal claim to them. The revenues are subsequently recognized when both recognition criteria are met.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting. (Continued):

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 usually in July and September each year. The Moultrie County Treasurer distributed the 2014 tax extension to the City on August 20, 2015, August 31, 2015, September 30, 2015, and November 16, 2015. The City Council adopted the 2015 tax levy (receivable in calendar year 2016) on December 14, 2015. For governmental fund financial statements, the 2015 property tax levy is deferred since this amount is normally not collected within the time period to be available (defined as within 60 days). The 2015 property tax levy is also deferred in the government-wide statements, since the levy is intended to finance the fiscal year 2016 expenditures. Property tax revenues recorded in these financial statements are from the 2014 tax levy.

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 principal operating revenues of the Electric Fund, Gas Fund, and Water and Sewer Fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

The City considers cash on hand, checking accounts, savings accounts, money market funds, and investments held with an original maturity date of less than three months from the date of purchase 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” for the current portion and 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.”

All customer receivables are shown net of an allowance for uncollectibles. Customer accounts receivable in excess of 180 days comprise the customer accounts receivable allowance for uncollectibles.

Inventories and Prepaid Items

All inventories for proprietary funds are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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

Restricted Cash and Investments

General Fund restricted cash and investments consist of \$55,009 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 \$140,263 in the TIF 1 fund. These monies are set aside to meet the repayment requirements of the City’s Tax Increment Financing District (TIF 1) General Obligation Bonds (Alternate Revenue Source), Series 2010.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,500 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 \$50,000 or more and an estimated life 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.

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. In the governmental fund balance sheet, the deferred inflows of resources consist of current year taxes levied and unavailable revenues.

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

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, in a governmental fund. The following types of fund balances may be presented in the Balance Sheet – Governmental Funds and Combining Balance Sheet-Nonmajor Special Revenue Funds:

Nonspendable 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 nonspendable 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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.

When an expenditure is incurred for which resources are available from multiple types of fund balances, it is the City’s policy to use fund balance in the following order: restricted, committed, assigned, and unassigned.

Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net positions are displayed in three categories:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings 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 – Consists of the net amount 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.

The governmental activities column on the statement of net position reports a restricted amount of \$300,494 of which \$250,494 is restricted by enabling legislation.

It is the City’s policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncement

In 2016, the City of Sullivan implemented Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB No. 68. These statements improve accounting and financial reporting by the City of Sullivan for pensions by including pension related balances and activity on the Statement of Net Position and the Statement of Activities.

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 a reconciliation between 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	\$ 66,731
Telecommunication tax receivable	<u>1,486</u>
Net adjustment to increase fund balance- total governmental funds to arrive at net position - governmental activities	<u><u>\$ 68,217</u></u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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	\$ 454,005
Depreciation expense	<u>(347,090)</u>
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	<u>\$ 106,915</u>

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	\$ 411
State income tax	(79,589)
Telecommunication tax	<u>1,486</u>
Net adjustment to decrease net changes in fund balances – total governmental funds” to arrive at “changes in net position of governmental activities”	<u>\$(77,692)</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. 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.

4. DEPOSITS AND INVESTMENTS

Deposits

At April 30, 2016, the carrying amount of the City's deposits (checking, savings, money market and certificates of deposit) was \$17,954,236 and the bank balance was \$17,981,092. Of the bank balance, \$751,855 was covered by federal depository insurance and \$17,229,237 was covered by collateral held by the pledging bank's agent in the City's name.

Investments

The City's investments at April 30, 2016 consisted of certificates of deposit (included in the above deposit section of the notes to financial statements.)

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, 2016, 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

5. NOTES RECEIVABLE

Economic Development

The City was the recipient of a Community Development Block Grant in 1986 in the amount of \$400,000. These funds are held by the City and loaned to qualifying businesses who meet certain economic development criteria. As the funds are repaid by the qualifying businesses, those funds are reserved for future lending by the City.

Economic Development note receivables are reported in the City's General Fund net of uncollectible amounts. Net notes receivable balance at April 30, 2016 was \$186,476, which is comprised of three notes totaling \$292,897 with a related allowance for uncollectible totaling \$106,421.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. RECEIVABLES

Receivables as of April 30, 2016 for the City's individual major funds and non-major funds are as follows:

	Governmental Activities					Business-type Activities			
	General Fund	TIF 1 Fund	TIF 2 Fund	TIF 3 Fund	Other Governmental Funds	Electric Fund	Gas Fund	Water and Sewer Fund	Total
Property Taxes	\$ 372,300	\$ 1,454,300	\$ 242,100	\$ 87,300	\$ 529,800	\$ -	\$ -	\$ -	\$ 2,685,800
Telecommunication taxes	4,981	-	-	-	-	-	-	-	4,981
Sales and Use Tax	188,677	-	-	-	-	-	-	-	188,677
Video Gaming Tax	3,053	-	-	-	-	-	-	-	3,053
Income taxes	131,297	-	-	-	-	-	-	-	131,297
Motor fuel taxes	-	-	-	-	10,105	-	-	-	10,105
Replacement tax receivable	-	-	-	-	4,518	-	-	-	4,518
Employee benefit receivable	901	-	-	-	-	-	-	-	901
Grant receivable	3,423	-	-	-	-	-	-	-	3,423
Customer receivables	-	-	-	-	-	1,158,310	396,770	255,378	1,810,458
Totals	\$ 704,632	\$ 1,454,300	\$ 242,100	\$ 87,300	\$ 544,423	\$ 1,158,310	\$ 396,770	\$ 255,378	\$ 4,843,213

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	Balance April 30, 2015	Additions	Deletions	Balance April 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 125,276	\$ -	\$ -	\$ 125,276
Construction in progress	<u>297,199</u>	<u>238,634</u>	<u>(278,251)</u>	<u>257,582</u>
Total assets not being depreciated	<u>422,475</u>	<u>238,634</u>	<u>(278,251)</u>	<u>382,858</u>
Capital assets being depreciated:				
Buildings and improvements	3,353,286	-	-	3,353,286
Less: Accumulated depreciation	<u>(2,047,946)</u>	<u>(74,141)</u>	<u>-</u>	<u>(2,122,087)</u>
Building and improvements, net	<u>1,305,340</u>	<u>(74,141)</u>	<u>-</u>	<u>1,231,199</u>
Equipment	7,682,216	562,370	(365,192)	7,879,394
Less: Accumulated depreciation	<u>(3,368,957)</u>	<u>(272,949)</u>	<u>365,063</u>	<u>(3,276,843)</u>
Equipment, net	<u>4,313,259</u>	<u>289,421</u>	<u>(129)</u>	<u>4,602,551</u>
Total capital assets being depreciated, net	<u>5,618,599</u>	<u>215,280</u>	<u>(129)</u>	<u>5,833,750</u>
Governmental activities, capital assets, net	<u>\$ 6,041,074</u>	<u>\$ 453,914</u>	<u>\$ (278,380)</u>	<u>\$ 6,216,608</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS (Continued)

The following table provides a summary of changes in capital assets (continued):

	Balance April 30, 2015	Additions	Deletions	Balance April 30, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 228,758	\$ -	\$ -	\$ 228,758
Construction in progress	<u>8,253,857</u>	<u>1,462,930</u>	<u>(7,220,415)</u>	<u>2,496,372</u>
Total assets not being depreciated	<u>8,482,615</u>	<u>1,462,930</u>	<u>(7,220,415)</u>	<u>2,725,130</u>
Capital assets being depreciated:				
Production plant	9,041,307	4,035,492	(58,274)	13,018,525
Less: Accumulated depreciation	<u>(6,414,336)</u>	<u>(294,137)</u>	<u>58,274</u>	<u>(6,650,199)</u>
Production plant, net	<u>2,626,971</u>	<u>3,741,355</u>	<u>-</u>	<u>6,368,326</u>
Distribution plant	20,052,722	3,566,724	(445,964)	23,173,482
Less: Accumulated depreciation	<u>(13,554,191)</u>	<u>(713,721)</u>	<u>445,964</u>	<u>(13,821,948)</u>
Distribution plant, net	<u>6,498,531</u>	<u>2,853,003</u>	<u>-</u>	<u>9,351,534</u>
General plant	246,213	32,096	(7,419)	270,890
Less: Accumulated depreciation	<u>(166,354)</u>	<u>(11,424)</u>	<u>7,419</u>	<u>(170,359)</u>
General plant, net	<u>79,859</u>	<u>20,672</u>	<u>-</u>	<u>100,531</u>
Broadband equipment	269,190	-	-	269,190
Less: Accumulated depreciation	<u>(203,231)</u>	<u>(14,334)</u>	<u>-</u>	<u>(217,565)</u>
Broadband equipment, net	<u>65,959</u>	<u>(14,334)</u>	<u>-</u>	<u>51,625</u>
GIS	24,552	-	-	24,552
Less: Accumulated depreciation	<u>(18,138)</u>	<u>(1,923)</u>	<u>-</u>	<u>(20,061)</u>
GIS, net	<u>6,414</u>	<u>(1,923)</u>	<u>-</u>	<u>4,491</u>
Sewer improvements	2,235,281	-	-	2,235,281
Less: Accumulated depreciation	<u>(883,468)</u>	<u>(43,419)</u>	<u>-</u>	<u>(926,887)</u>
Sewer improvements, net	<u>1,351,813</u>	<u>(43,419)</u>	<u>-</u>	<u>1,308,394</u>
Total capital assets being depreciated, net	<u>10,629,547</u>	<u>6,555,354</u>	<u>-</u>	<u>17,184,901</u>
Business-type activities, capital assets, net	<u>\$19,112,162</u>	<u>\$ 8,018,284</u>	<u>\$(7,220,415)</u>	<u>\$19,910,031</u>

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	\$ 23,943
Public safety	24,150
Highway and streets	40,080
Cemetery	8,927
Economic development	167,434
Culture and recreation:	
Civic Center	52,682
Park and recreation	10,351
Library	<u>19,523</u>

Total depreciation expense	<u><u>\$ 347,090</u></u>
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Business-type activities:

Electric	\$ 449,772
Gas	49,032
Water and Sewer	<u>580,153</u>

Total depreciation expense	<u><u>\$ 1,078,957</u></u>
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CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

8. CONSTRUCTION IN PROGRESS

At April 30, 2016 the City's construction in progress are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Government activities:		
City Square Paving Project	\$ 238,633	\$ 611,366
Civic Center Northside Roofing Repair	18,950	481,051
Business-type activities:		
Wastewater Treatment Plant Upgrade	<u>2,496,372</u>	<u>334,910</u>
	<u>\$ 2,753,955</u>	<u>\$ 1,427,327</u>

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

9. INTERNAL SERVICE FUND COST RECOVERY

The City has established an internal service fund that provides broadband services to all city departments. The City does not intend to fund the cost of the capital assets used for providing broadband services through user charges. Capital assets related to broadband services are being accounted for in the electric fund, the fund that actually paid for the assets. The only costs being accounted for in the internal service fund are those directly related to the daily operations of the fund.

10. LONG-TERM DEBT

General Obligation 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 1.250% to 5.50% for the purpose of financing electrical system improvements, waste water plant upgrades, 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 TIF 1 Fund services the series 2010 bonds.

On October 15, 2015, the City issued a \$50,000 Non-Referendum Street Improvement Tax Anticipation Bond with an interest rate of .45% for the purpose of obtaining funds to improve streets and alleys. This bond matures October 15, 2016. The Street Improvement Bond Fund services this bond.

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:		
Non-Referendum Street Improvement Tax Anticipation Bond	.45%	\$ 50,000
 General Obligation (Alternate Revenue) Series 2010	 1.25% to 5.50%	 <u>5,610,000</u>
		<u>\$5,660,000</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

10. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

Year Ending April 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 635,000	\$ 281,763
2018	645,000	257,260
2019	700,000	227,912
2020	800,000	194,312
2021	885,000	154,312
2022-2026	<u>1,995,000</u>	<u>165,492</u>
	<u><u>\$5,660,000</u></u>	<u><u>\$1,281,051</u></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 TIF 1 fund.

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 to \$1,155,500. 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

10. 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%	\$ 1,144,144
Illinois Environmental Protection Agency (Water treatment plant)	1.995%	<u>557,282</u>
		<u>\$ 1,701,426</u>

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

<u>April 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 74,040	\$ 33,386
2018	75,524	31,901
2019	77,038	30,387
2020	78,583	28,843
2021	80,158	27,267
2022-2026	425,553	111,574
2027-2031	469,959	67,168
2032-2035	420,571	18,664
	<u>\$1,701,426</u>	<u>\$ 349,190</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the City for the year ended April 30, 2016 was as follows:

	Balance April 30, 2015	Additions	Reductions	Balance April 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 6,150,000	\$ -	\$ 540,000	\$ 5,610,000	\$ 585,000
Compensated absences	70,865	64,070	70,865	64,070	64,070
Net post-employment healthcare obligation	301,899	27,825	-	329,724	-
Net pension liability	<u>783,017</u>	<u>1,270,057</u>	<u>-</u>	<u>2,053,074</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 7,305,781</u>	<u>\$ 1,361,952</u>	<u>\$ 610,865</u>	<u>\$ 8,056,868</u>	<u>\$ 649,070</u>
Business-type Activities:					
Compensated absences	\$ 72,075	68,121	\$ 72,075	\$ 68,121	\$ 68,121
Notes payable	-	1,713,334	\$ 11,908	1,701,426	74,040
Net post-employment healthcare obligation	<u>301,900</u>	<u>27,825</u>	<u>-</u>	<u>329,725</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 373,975</u>	<u>\$ 1,809,280</u>	<u>\$ 83,983</u>	<u>\$ 2,099,272</u>	<u>\$ 142,161</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues during the year ended April 30, 2016, were as follows:

	Governmental Activities		
	General	Other	
	Fund	Governmental	Total
		Funds	
Sales tax	\$ 812,203	\$ -	\$ 812,203
Income tax	454,153	-	454,153
Telecommunication tax	25,475	-	25,475
Franchise tax	40,424	-	40,424
Motor fuel tax	-	113,570	113,570
Personal property replacement tax	4,249	23,011	27,260
State operating and capital grants	<u>4,350</u>	<u>-</u>	<u>4,350</u>
Totals	<u>\$ 1,340,854</u>	<u>\$ 136,581</u>	<u>\$ 1,477,435</u>

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2015	2014	2013
Assessed valuation	\$ 34,232,983	\$ 33,772,150	\$33,703,850
Rate per \$100, excluding road and bridge, TIF 1, TIF 2, and TIF 3 rates	<u>2.55695</u>	<u>2.48097</u>	<u>2.52909</u>
Taxes extended, excluding road and bridge, TIF 1, TIF 2, and TIF 3 rates	875,300	837,880	852,400
Add: City's share of road and bridge, TIF 1, TIF 2, and TIF 3 taxes extended	<u>1,810,500</u>	<u>1,690,770</u>	<u>1,692,500</u>
Total taxes extended	<u>\$ 2,685,800</u>	<u>\$ 2,528,650</u>	<u>\$ 2,544,900</u>
Taxes available to City after abatements and losses in collection (2015 estimated)	<u>\$ 2,685,800</u>	<u>\$ 2,520,073</u>	<u>\$ 2,523,342</u>
Percentage of extension available to City (2015 estimated)	<u>100%</u>	<u>99%</u>	<u>99%</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2015	2014	2013
Distribution of taxes available (2015 estimated):			
General Fund:			
General government	\$ 94,200	\$ 93,743	\$ 93,945
Audit	28,000	27,916	27,971
Tort Insurance	46,000	50,849	74,461
Unemployment	11,000	9,973	8,992
Workers' compensation	65,000	57,826	48,450
Retirement Fund:			
Social Security	170,000	159,521	150,839
IMRF	299,600	274,705	237,978
Street Improvement Fund:			
Bonds and Interest	50,200	50,075	100,345
Street and Alley Fund	26,800	26,768	27,223
Police Fund	25,300	25,192	25,251
Library Fund	50,700	50,395	50,503
Park Fund	25,300	25,192	25,251
Recreation Fund	10,000	9,974	7,495
TIF 1 Fund	1,454,300	1,347,847	1,340,243
TIF 2 Fund	242,100	234,768	233,450
TIF 3 Fund	87,300	75,329	70,945
	<u>\$ 2,685,800</u>	<u>\$ 2,520,073</u>	<u>\$ 2,523,342</u>

The City Council abated the 2014 and 2015 tax levy applicable to the Series 2010 General Obligation Bonds (Alternate Revenue Source).

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. SCHEDULE OF TRANSFERS WITHIN THE REPORTING ENTITY

The following schedule reports transfers within the reporting entity during the year ended April 30, 2016:

	Transfers To:			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
		Other		Total
	General	Governmental	Water & Sewer	Transfers
Transfers from:	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>From</u>
Governmental Activities:				
Major Governmental Funds:				
General Fund	\$ -	\$ -	\$ 81,681	\$ 81,681
Business-type Activities:				
Major Enterprise Funds:				
Electric Fund	344,500	59,000	-	403,500
Gas Fund	344,500	59,000	-	403,500
Water & Sewer Fund	<u>75,001</u>	<u>-</u>	<u>-</u>	<u>75,001</u>
Total transfer to	\$ 764,001	\$ 118,000	\$ 81,681	\$ 963,682

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 and Other Governmental Funds were made to forestall the need for a property tax increase.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. 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.

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.

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

Benefits Provided (Continued)

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

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	68
Inactive plan members entitled to but not yet receiving benefits	26
Active plan members	<u>64</u>
	<u>158</u>

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 2015 was 12.14%. For the calendar year ended 2015, the City of Sullivan contributed \$329,332 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

Net Pension Liability

The City of Sullivan's net pension liability was measured as of December 31, 2015. 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, 2015:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 3.5%.
- Salary Increases were expected to be 3.75% to 14.50%, 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 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. 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	38%	7.60%
International equity	17%	7.80%
Fixed income	27%	3.00%
Real estate	8%	6.15%
Alternative investments	9%	5.25-8.50%
Cash equivalents	<u>1%</u>	2.25%
Total	<u><u>100%</u></u>	

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. 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 3.56%, and the resulting single discount rate is 7.50%.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	\$ 17,906,589	\$ 17,123,572	\$ 783,017
Changes or the year:			
Service cost	280,695	-	280,695
Interest on total pension liability	1,319,982	-	1,319,982
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	116,706	-	116,706
Changes of assumptions	22,622	-	22,622
Contribution - employer	-	329,332	(329,332)
Contribution - employees	-	147,299	(147,299)
Net investment income	-	(7,778)	7,778
Benefit payments, including refunds of employee contributions	(907,780)	(907,780)	-
Other (Net transfer)	-	1,095	(1,095)
Net changes	832,225	(437,832)	1,270,057
Balances at December 31, 2015	<u>\$ 18,738,814</u>	<u>\$ 16,685,740</u>	<u>\$ 2,053,074</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

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

	1% Lower 6.50%	Current Discount 7.50%	1% Higher 8.50%
Net pension Liability	<u>\$ 4,513,017</u>	<u>\$ 2,053,074</u>	<u>\$ 56,008</u>

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

For the year ended April 30, 2016, the City of Sullivan recognized pension expense of \$478,597. At April 30, 2016, 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>
Deferred amounts to be recognized in pension expense in future periods	
Differences between expected and actual experience	\$ 90,470
Change of assumptions	17,536
Net difference between projected and actual earnings on pension plan investments	<u>1,012,786</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>1,120,792</u>
Pension contributions made subsequent to the measurement date	<u>92,526</u>
Total deferred amounts related to pensions	<u>\$ 1,213,318</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

\$92,526 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, 2017.

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 of Resources</u>
2016	\$ 284,518
2017	284,518
2018	284,518
2019	<u>267,238</u>
Total	<u><u>\$ 1,120,792</u></u>

16. 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

16. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy

For fiscal year 2016, the City contributed \$174,930 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 \$333, retiree and spouse coverage is \$634, retiree and dependent child coverage is \$707, and family coverage is \$931.

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	\$ 331,363
Interest on net OPEB obligation	18,114
Adjustment to annual required contribution	<u>(20,127)</u>
Annual OPEB cost (expense)	329,350
Contributions made	<u>(273,702)</u>
Change in net OPEB obligation	55,648
Net OPEB obligation - beginning of year	<u>603,801</u>
Net OPEB obligation - end of year	<u>\$ 659,449</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. 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, 2016 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>
04/30/2016	\$ 329,350	100.00%	\$ 659,449
04/30/2015	467,727	100.00%	603,801
04/30/2014	467,561	100.00%	652,072

Funded Status and Funding Progress

As of April 30, 2016, 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 \$2,746,402, and the ratio of the unfunded actuarial accrued liability to covered payroll was 289%.

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, present 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

16. 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, 2016. 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.

17. 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.

18. TORT IMMUNITY

The City issues a tort immunity tax levy to provide protection for injuries to others. During the year ended April 30, 2016, the City expended \$379,009 for liability insurance.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

19. 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.

20. 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.

21. COMMITMENTS

The City has committed funds to various area governmental and non-governmental entities as of April 30, 2016. 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, 2016, the City's measurable commitments are as follows:

<u>Entity</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sullivan Chamber & Economic Development	\$ -	\$ 280,000
Sullivan Fire Protection District	150,000	100,000
Total	<u>\$ 150,000</u>	<u>\$ 380,000</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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. 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.

23. CHANGE IN ACCOUNTING PRINCIPLE

The City of Sullivan has restated net position of the governmental activities as of April 30, 2015. The governmental activities' net position was restated to present a net pension liability and the related deferred outflows of resources in accordance with Governmental Accounting Standards Board Statement No. 68.

	<u>Governmental Activities</u>
Net position at April 30, 2015	\$ 4,903,732
Recognition of net pension liability	(2,053,074)
Recognition of deferred outflows related to pensions	<u>1,213,318</u>
Net position restated at April 30, 2015	<u><u>\$ 4,063,976</u></u>

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, 2016

(Amounts presented are for the year ended December 31, 2015)

Total Pension Liability

Service cost	280,695
Interest on the total pension liability	1,319,982
Changes of benefit terms	-
Difference between expected and actual experience of the total pension liability	116,706
Changes of assumptions	22,622
Benefit payments, including refunds of employee contributions	(907,780)
Net change in total pension liability	832,225
Total pension liability - beginning	17,906,589
Total pension liability - ending (A)	18,738,814

Plan Fiduciary Net Position

Contributions - employer	329,332
Contributions - employees	147,299
Net investment income	(7,778)
Benefit payments, including refunds of employee contributions	(907,780)
Other (net transfer)	1,095
Net change in plan fiduciary net position	(437,832)
Plan fiduciary net position - beginning	17,123,572
Plan fiduciary net position - ending (B)	16,685,740
Net pension liability (asset) - ending (A) - (B)	2,053,074

**Plan Fiduciary Net Position as a Percentage
of the Total Pension Liability**

89.04%

Covered Valuation Payroll \$ 2,712,793

Net Pension Liability as a Percentage of Covered Valuation Payroll 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, 2016

(Amounts presented are for the year ended December 31, 2015)

<u>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>as a Percentage of Covered Valuation Payroll</u>
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 2015 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 2015 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age = normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	29 – year closed period
Asset Valuation Method:	5 – year smoothed market; 20% corridor
Wage Growth:	4%
Price Inflation:	3%, approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases:	4.40% to 16%, 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality:	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92 percent of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

CITY OF SULLIVAN, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED
For the year ended April 30, 2016
(Amounts presented are for the year ended December 31, 2015)

Notes to Schedule (Continued)

Other Information:

There were no benefit changes during the year.

Based on Valuation Assumptions used in the December 31, 2013, 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)	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)
4/30/2016	-	\$ 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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$ 2,899,950	\$ 2,995,950	\$2,230,347	\$ (765,603)
Expenditures:				
Current:				
General government	2,059,000	2,107,000	1,086,775	1,020,225
Public safety	529,900	525,900	485,133	40,767
Highway and streets	294,700	319,700	215,351	104,349
Economic development	430,000	430,000	15,337	414,663
Cemetery	177,600	182,600	156,644	25,956
Cultural and recreation:				
Civic Center	468,700	468,700	411,709	56,991
Park and recreation	210,100	212,600	186,753	25,847
Library	269,950	269,950	246,843	23,107
Capital outlay	<u>155,000</u>	<u>126,500</u>	<u>81,589</u>	<u>44,911</u>
Total expenditures	<u>4,594,950</u>	<u>4,642,950</u>	<u>2,886,134</u>	<u>1,756,816</u>
Revenues under expenditures	<u>(1,695,000)</u>	<u>(1,647,000)</u>	<u>(655,787)</u>	<u>991,213</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	13,500	13,500
Transfers in	<u>1,695,000</u>	<u>1,647,000</u>	<u>682,320</u>	<u>(964,680)</u>
Total other financing sources (uses)	<u>1,695,000</u>	<u>1,647,000</u>	<u>695,820</u>	<u>(951,180)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	40,033	<u>\$ 40,033</u>
Fund balance, beginning of year			<u>1,857,473</u>	
Fund balance, end of year			<u>\$1,897,506</u>	

See accompanying note to required supplementary information

CITY OF SULLIVAN, ILLINOIS

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

TIF 1 FUND

For the year ended April 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property tax	\$	\$	\$ 1,347,847	\$
Interest			4,012	
Total revenues	<u>3,214,000</u>	<u>3,214,000</u>	<u>1,351,859</u>	<u>(1,862,141)</u>
Expenditures:				
Current:				
Consulting fees	42,500	42,500	15,643	26,857
Moultrie County	25,000	25,000	-	25,000
Sullivan Chamber & Economic Development	70,000	70,000	70,000	-
Sullivan School District	145,000	145,000	132,473	12,527
Sullivan Fire Protection District	35,000	35,000	25,000	10,000
Façade improvement program	100,000	100,000	1,773	98,227
Reimbursements to contract holders	325,000	325,000	182,084	142,916
Library maintenance	-	-	5,730	(5,730)
Water & sewer improvements	146,250	146,250	38,508	107,742
Electric system improvements	65,000	65,000	18,601	46,399
Debt Service:				
Principal	540,000	540,000	540,000	-
Interest	305,000	305,000	301,788	3,212
Annual bond service fee	1,500	1,500	800	700
Capital outlay:				
Street improvements	893,750	893,750	238,184	655,566
Civic Center improvements	-	-	450	(450)
Library improvements	<u>520,000</u>	<u>520,000</u>	<u>133,782</u>	<u>386,218</u>
Total expenditures	<u>3,214,000</u>	<u>3,214,000</u>	<u>1,704,816</u>	<u>1,509,184</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(352,957)</u>	<u>\$ (352,957)</u>
Fund balance, beginning of year			1,844,258	
Fund balance, end of year			<u>\$ 1,491,301</u>	

See accompanying note to required supplementary information

CITY OF SULLIVAN, ILLINOIS

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

TIF 2 FUND

For the year ended April 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property tax	\$	\$	\$ 234,768	\$
Interest			2,146	
Total revenues	268,000	268,000	236,914	(31,086)
Expenditures:				
Current:				
Consulting fees	8,000	8,000	2,154	5,846
Sullivan School District	25,000	25,000	23,380	1,620
Reimbursements to contract holders	125,000	125,000	85,160	39,840
Water & Sewer improvements	100,000	100,000	-	100,000
Capital outlay:				
Equipment	10,000	10,000	-	10,000
Total expenditures	268,000	268,000	110,694	157,306
Net change in fund balance	\$ -	\$ -	126,220	\$ 126,220
Fund balance, beginning of year			401,846	
Fund balance, end of year			\$ 528,066	

See accompanying note to required supplementary information

CITY OF SULLIVAN, ILLINOIS

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

TIF 3 FUND

For the year ended April 30, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property tax	\$	\$	\$ 75,329	\$
Interest			326	
Total revenues	<u>111,000</u>	<u>111,000</u>	<u>75,655</u>	<u>(35,345)</u>
Expenditures:				
Current:				
Consulting fees	16,500	16,500	10,594	5,906
Sullivan School District	8,000	8,000	7,502	498
Reimbursements to contract holders	35,000	35,000	30,112	4,888
Water & Sewer improvements	50,000	50,000	-	50,000
Capital outlay:				
Equipment	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total expenditures	<u>111,000</u>	<u>111,000</u>	<u>48,208</u>	<u>62,792</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	27,447	<u>\$ 27,447</u>
Fund balance, beginning of year			<u>51,334</u>	
Fund balance, end of year			<u>\$ 78,781</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, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	<u>\$ 580,000</u>	<u>\$ 580,000</u>	<u>\$ 457,238</u>	<u>\$ (122,762)</u>
Expenditures:				
Current:				
Retirement	<u>580,000</u>	<u>580,000</u>	<u>500,750</u>	<u>79,250</u>
Total expenditures	<u>580,000</u>	<u>580,000</u>	<u>500,750</u>	<u>79,250</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(43,512)</u>	<u>(43,512)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>118,000</u>	<u>118,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>118,000</u>	<u>118,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>74,488</u>	<u>\$ 74,488</u>
Fund balance, beginning of year			<u>29,266</u>	
Fund balance, end of year			<u>\$ 103,754</u>	

See accompanying note to required supplementary information

CITY OF SULLIVAN, ILLINOIS

NOTE 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 25, 2016, transferring various amounts from line item to line item.

CITY OF SULLIVAN, ILLINOIS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2016

	Special Revenue			
	Motor Fuel Tax Fund	Recreation Fund	Street Improvement Fund	Total
Assets:				
Cash	\$ 235,380	\$ 47,491	\$ 515,466	\$ 798,337
Receivables	10,105	10,000	50,200	70,305
Total assets	<u>\$ 245,485</u>	<u>\$ 57,491</u>	<u>\$ 565,666</u>	<u>\$ 868,642</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ 208	\$ 4,264	\$ 4,472
Total liabilities	<u>-</u>	<u>208</u>	<u>4,264</u>	<u>4,472</u>
Deferred inflows of resources:				
Property taxes	<u>-</u>	<u>10,000</u>	<u>50,200</u>	<u>60,200</u>
Total deferred inflows of resources	<u>-</u>	<u>10,000</u>	<u>50,200</u>	<u>60,200</u>
Fund balances:				
Restricted for:				
Highways and Streets	245,485	-	-	245,485
Assigned to:				
Culture and recreation	-	47,283	-	47,283
Highways and Streets	<u>-</u>	<u>-</u>	<u>511,202</u>	<u>511,202</u>
Total fund balances	<u>245,485</u>	<u>47,283</u>	<u>511,202</u>	<u>803,970</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 245,485</u>	<u>\$ 57,491</u>	<u>\$ 565,666</u>	<u>\$ 868,642</u>

CITY OF SULLIVAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2016

	Special Revenue			
	Motor Fuel		Street	
	Tax	Recreation	Improvement	Total
	Fund	Fund	Fund	
Revenues:				
Property taxes	\$ -	\$ 9,973	\$ 50,075	\$ 60,048
Intergovernmental revenues	113,570	-	-	113,570
Interest	201	-	-	201
Charges for services	-	-	43,023	43,023
Miscellaneous	-	1,000	-	1,000
Total revenues	<u>113,771</u>	<u>10,973</u>	<u>93,098</u>	<u>217,842</u>
Expenditures:				
Highways and streets	82,307	-	96,416	178,723
Culture and recreation	-	7,963	-	7,963
Debt service				
Principal	-	-	50,000	50,000
Interest	-	-	225	225
Total expenditures	<u>82,307</u>	<u>7,963</u>	<u>146,641</u>	<u>236,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,464</u>	<u>3,010</u>	<u>(53,543)</u>	<u>(19,069)</u>
Other financing sources (uses):				
Bond proceeds	-	-	50,000	50,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balances	31,464	3,010	(3,543)	30,931
Fund balances, beginning of year	<u>214,021</u>	<u>44,273</u>	<u>514,745</u>	<u>773,039</u>
Fund balances, end of year	<u>\$ 245,485</u>	<u>\$ 47,283</u>	<u>\$ 511,202</u>	<u>\$ 803,970</u>

ACCOMPANYING INFORMATION SECTION

CITY OF SULLIVAN, ILLINOIS
LEGAL DEBT MARGIN (UNAUDITED)
April 30, 2016

ASSESSED VALUATION, 2015 LEVY	<u>\$34,232,983</u>
STATUTORY DEBT LIMITATION, 8.625% OF ASSESSED VALUATION	<u>\$ 2,952,595</u>
TOTAL DEBT:	
TIF 1 General Obligation (Alternative Revenue) Bonds	5,610,000
Tax Anticipation Bonds	<u>50,000</u>
	5,660,000
DEDUCT BONDS EXEMPT FROM DEBT LIMITATION COMPUTATION:	
Alternative Revenue Source Bonds	<u>5,610,000</u>
APPLICABLE DEBT	<u>50,000</u>
LEGAL DEBT MARGIN	<u>\$ 2,902,595</u>