

REPORT COVER SHEET

CLIENT NAME: City of Sullivan CLIENT # 043200
 OFFICE LETTERHEAD: Sullivan PERIOD END: 4/30/2020
 PARTNER IN CHARGE: Alex Hagen MANAGER: James L. Russell
 STAFF Sidney Stuart SENIOR: Logan Carlson
 AUDIT X REVIEW _____ COMPILATION _____ OTHER: _____

	<u>Initials</u>	<u>Date</u>		<u>Initials</u>	<u>Date</u>
Preparer:	<u>LMC</u>	<u>10/20/2020</u>	Keyed/Typed:	_____	_____
Senior review:	_____	_____	Footed:	<u>JLR</u>	<u>10/22/2020</u>
Manager review:	<u>JLR</u>	<u>10/22/2020</u>	Spell checked:	<u>JLR</u>	<u>10/22/2020</u>
Partner review:	_____	_____	Proofread:	<u>JLR</u>	<u>10/22/2020</u>
Independent review: *	_____	_____	Assembled:	_____	_____
Approved for release:	_____	_____	Assembly checked:	_____	_____

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Client	_____	<u>10</u>	_____	_____	Date of report:	_____	_____
Office	_____	<u>1</u>	_____	_____	Date of request for attorney's letter	_____	<u>09/22/2020</u>
Total	<u>=====</u>	<u>11</u>	<u>=====</u>	<u>=====</u>	Date of management representation letter	_____	_____
					Date of engagement letter	_____	<u>01/13/2020</u>

Deliver X Mail _____ Call for pick up _____ Telephone _____
 Released to: _____ Date: _____

SPECIAL INSTRUCTIONS: _____

 COMPILATION: I HAVE READ THE ACCOMPANYING FINANCIAL STATEMENTS.
 SUCH FINANCIAL STATEMENTS APPEAR TO BE APPROPRIATE
 IN FORM AND FREE FROM OBVIOUS MATERIAL ERRORS.

Partner: _____ Date _____

* If not considered necessary for a compilation, indicate "waived".

CITY OF SULLIVAN, ILLINOIS
FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION
For the year ended April 30, 2020

CITY OF SULLIVAN, ILLINOIS

TABLE OF CONTENTS

	<u>Page(s)</u>
FINANCIAL SECTION:	
Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	16 – 17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	19 – 20
Reconciliation of total Government Fund Balances to Net Position of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	22 – 23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Net Position – Proprietary Funds.....	25 – 26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28 – 29
Notes to Financial Statements.....	30 – 66
REQUIRED SUPPLEMENTARY INFORMATION:	
Illinois Municipal Retirement Fund – Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited).....	67
Illinois Municipal Retirement Fund – Schedule of Employer Contributions (Unaudited).....	68 - 69

CITY OF SULLIVAN, ILLINOIS

TABLE OF CONTENTS (Continued)

	<u>Page(s)</u>
Schedule of Changes in Net OPEB Liability and Related Ratios.....	70-71
Other Post-Employment Benefits Schedule of Employer Contributions.....	72
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual – General Fund.....	73
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual – TIF 1 Fund.....	74
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Retirement Fund.....	75
Notes to Required Supplementary Information.....	76
COMBINING FUND STATEMENTS:	
Combining Balance Sheet – Non-major Governmental Funds.....	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds.....	78
ACCOMPANYING INFORMATION SECTION:	
Legal Debt Margin (Unaudited).....	79

INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Sullivan
Sullivan, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sullivan, Illinois, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sullivan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sullivan, Illinois, as of April 30, 2020, 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 Changes in Net OPEB Liability and Related Ratios, Other Post-Employment Benefits Schedule of Employer Contributions and budgetary comparison information on pages 4 through 15 and 67 through 76 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining non-major fund financial statements on pages 77 through 78 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The legal debt margin on page 79 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.

Sullivan, Illinois
October 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sullivan, we offer readers of the City of Sullivan's financial statements this narrative overview and analysis of the financial activities of the City of Sullivan for the fiscal year ended April 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements which begin on page 16.

Financial Highlights

- The assets and deferred outflows of resources of the City of Sullivan exceeded its liabilities and deferred inflows of resources at the close of April 30, 2020 by \$38,125,501 (*net position*). Of this amount, \$12,601,186 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$271,567. The City experienced an increase in net position in Governmental Activities of \$3,750,102 and a decrease of \$3,478,535 in the Business-type Activities. The increase in Government Activities was primarily due to inter-fund payables being reclassified as permanent transfers-in. The increase in Business-type Activities was primarily due inter-fund receivables being reclassified as permanent transfers-out.
- At the close of the current fiscal year, the City of Sullivan's governmental funds reported combined ending fund balances of \$3,796,819, an increase of \$3,610,833 in comparison with the prior year. This increase was due to the reclassification of inter-fund payables in the TIF 1 fund to permanent transfers-in.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,688,287, or 43% of total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-66 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Sullivan's progress in funding its obligation to provide pension benefits and other post-employee benefits (OPEB) to its employees. Required supplementary information can be found on pages 67-76 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 77-78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sullivan, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,125,501 at the close of the most recent fiscal year.

By far the largest portion of the City of Sullivan's net position (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Sullivan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sullivan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sullivan's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 6,582,008	\$ 3,025,125	\$ 15,928,704	\$ 19,586,987	\$ 22,510,712	\$ 22,612,112
Capital assets (net)	<u>6,708,671</u>	<u>6,500,913</u>	<u>19,920,588</u>	<u>19,952,681</u>	<u>26,629,259</u>	<u>26,453,594</u>
Total assets	<u>\$ 13,290,679</u>	<u>\$ 9,526,038</u>	<u>\$ 35,849,292</u>	<u>\$ 39,539,668</u>	<u>\$ 49,139,971</u>	<u>\$ 49,065,706</u>
Deferred outflows of resources	<u>\$ 2,269,221</u>	<u>\$ 2,755,623</u>	<u>\$ 401,040</u>	<u>\$ 48,469</u>	<u>\$ 2,670,261</u>	<u>\$ 2,804,092</u>
Current liabilities	\$ 268,298	\$ 170,104	\$ 1,008,416	\$ 1,083,884	\$ 1,276,714	\$ 1,253,988
Non-current liabilities	<u>2,669,172</u>	<u>4,329,576</u>	<u>4,882,992</u>	<u>4,666,792</u>	<u>7,552,164</u>	<u>8,996,368</u>
Total liabilities	<u>\$ 2,937,470</u>	<u>\$ 4,499,680</u>	<u>\$ 5,891,408</u>	<u>\$ 5,750,676</u>	<u>\$ 8,828,878</u>	<u>\$ 10,250,356</u>
Deferred inflows of resources	<u>\$ 4,855,855</u>	<u>\$ 3,771,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,855,855</u>	<u>\$ 3,771,212</u>
Net position:						
Net investment in capital assets	\$ 6,708,671	\$ 6,500,913	\$ 18,309,742	\$ 18,250,550	\$ 25,018,413	\$ 24,751,463
Restricted	505,902	384,665	-	-	505,902	384,665
Unrestricted	<u>552,002</u>	<u>(2,874,809)</u>	<u>12,049,184</u>	<u>15,586,911</u>	<u>12,601,186</u>	<u>12,712,102</u>
Total net position	<u>\$ 7,766,575</u>	<u>\$ 4,010,769</u>	<u>\$ 30,358,926</u>	<u>\$ 33,837,461</u>	<u>\$ 38,125,501</u>	<u>\$ 37,848,230</u>

An additional portion of the City of Sullivan's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$12,601,186 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities

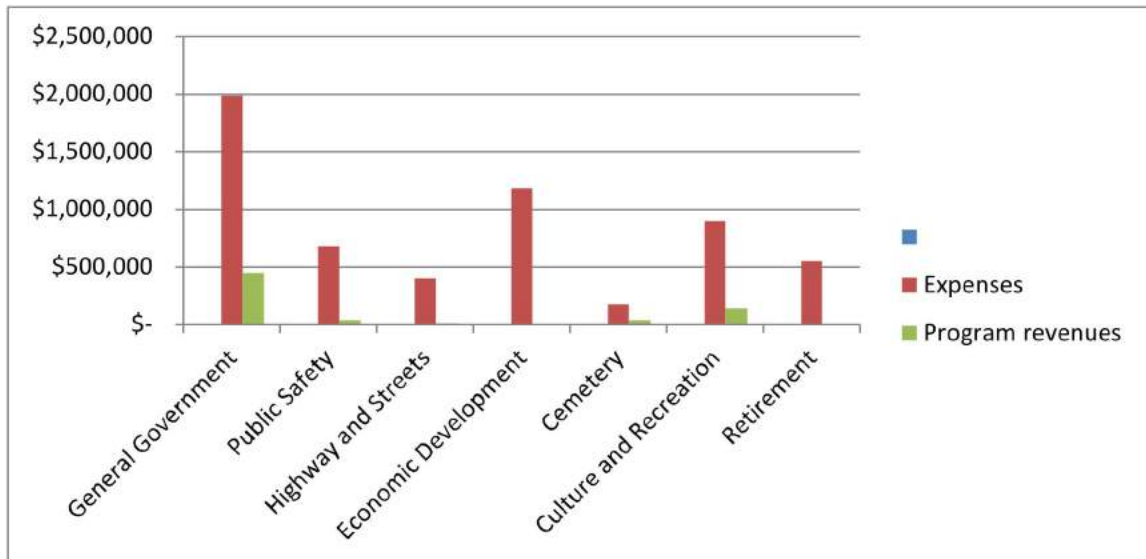
Governmental activities increased the City of Sullivan's net position by \$3,750,102. Key elements of this increase are as follows:

City of Sullivan's Changes in Net Position

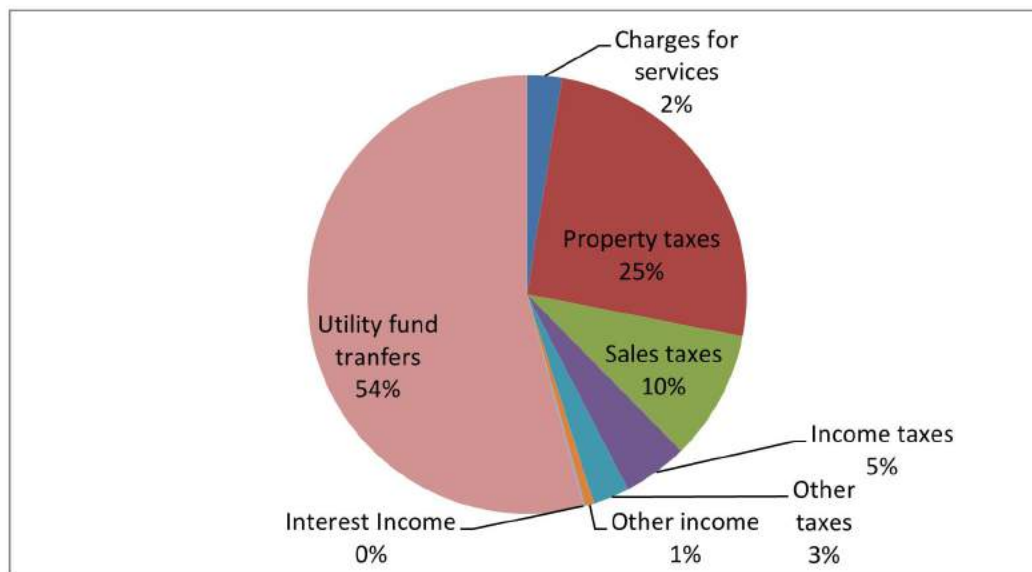
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 235,438	\$ 268,023	\$ 13,457,167	\$ 14,057,658	\$ 13,692,605	\$ 14,325,681
Operating grants and contributions	434,001	54,577	-	-	434,001	54,577
Capital grants and contributions	-	-	196,284	436,233	196,284	436,233
General revenues:						
Property tax	2,337,450	2,509,312	-	-	2,337,450	2,509,312
Sales tax	880,023	867,991	-	-	880,023	867,991
Income tax	436,829	459,341	-	-	436,829	459,341
Motor fuel tax	163,843	112,708	-	-	163,843	112,708
Other taxes	82,245	79,672	-	-	82,245	79,672
Interest income	14,527	88,934	30,960	18,112	45,487	107,046
Gain on sale of assets	9,877	6,129	45,345	9,000	55,222	15,129
Miscellaneous income	59,049	79,179	86,064	146,938	145,113	226,117
Total revenue	<u>4,653,282</u>	<u>4,525,866</u>	<u>13,815,820</u>	<u>14,667,941</u>	<u>18,469,102</u>	<u>19,193,807</u>
Expenses:						
General government	1,988,168	1,339,801	-	-	1,988,168	1,339,801
Public safety	678,074	631,074	-	-	678,074	631,074
Highway and streets	401,116	414,823	-	-	401,116	414,823
Economic development	1,180,048	1,353,203	-	-	1,180,048	1,353,203
Cemetery	174,755	170,935	-	-	174,755	170,935
Retirement	546,845	727,782	-	-	546,845	727,782
Culture and recreation	898,224	1,014,267	-	-	898,224	1,014,267
Interest	-	228,713	-	-	-	228,713
Electric	-	-	8,341,418	7,878,226	8,341,418	7,878,226
Gas	-	-	1,591,093	1,708,339	1,591,093	1,708,339
Water and Sewer	-	-	2,397,794	2,197,056	2,397,794	2,197,056
Total expenses	<u>5,867,230</u>	<u>5,880,598</u>	<u>12,330,305</u>	<u>11,783,621</u>	<u>18,197,535</u>	<u>17,664,219</u>
Change in net position before transfers	(1,213,948)	(1,354,732)	1,485,515	2,884,320	271,567	1,529,588
Transfers	<u>4,964,050</u>	<u>1,502,100</u>	<u>(4,964,050)</u>	<u>(1,502,100)</u>	-	-
Change in net position	3,750,102	147,368	(3,478,535)	1,382,220	271,567	1,529,588
Net position, beginning of year	<u>4,016,473</u>	<u>3,863,401</u>	<u>33,837,461</u>	<u>32,455,241</u>	<u>37,853,934</u>	<u>36,318,642</u>
Net position, end of year	<u>\$ 7,766,575</u>	<u>\$ 4,010,769</u>	<u>\$ 30,358,926</u>	<u>\$ 33,837,461</u>	<u>\$ 38,125,501</u>	<u>\$ 37,848,230</u>

- Total Governmental Activities expenditures decreased by \$13,368 due primarily to ordinary fluctuations in costs incurred daily.
- Total Governmental Activities general revenues and transfers (e.g. local and state tax revenues, interest income etc...) increased by 3,242,527 with the largest increases occurring in inter-fund transfers due to the permanent reclassification of inter-fund payables to transfers-in.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

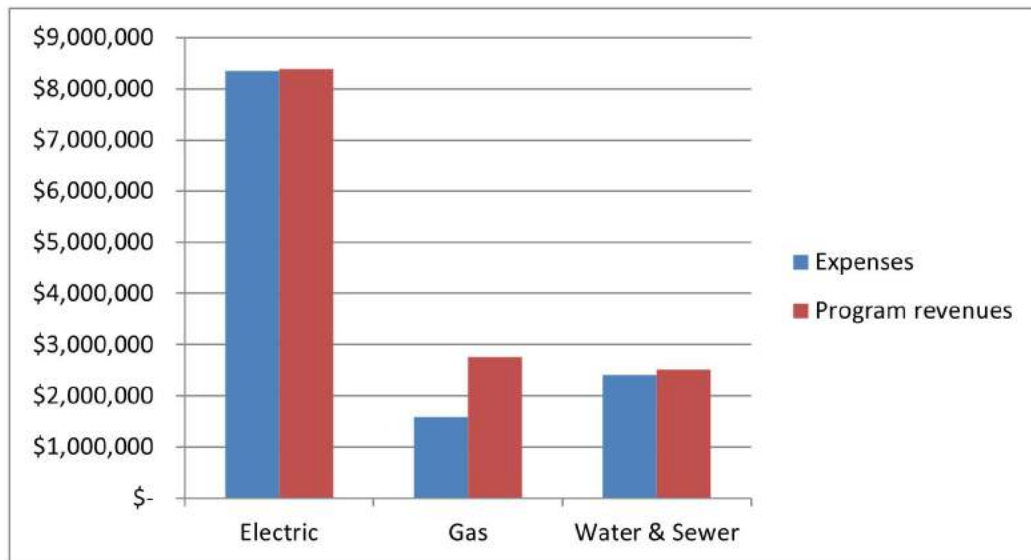


Business-type activities

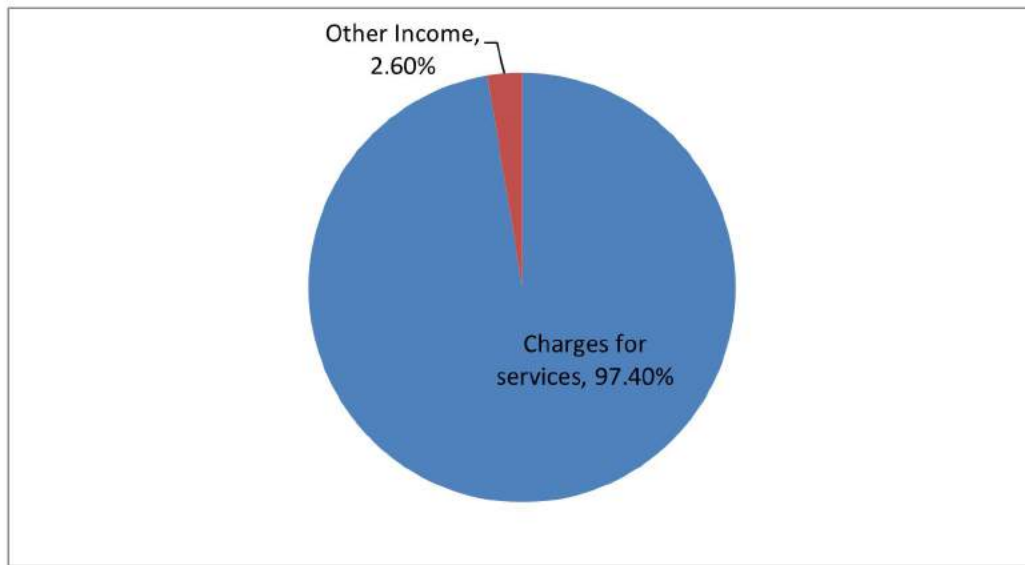
Business-type activities decreased the City of Sullivan's net position by \$3,478,535.

- During the fiscal year ended April 30, 2020, inter-fund receivables from the TIF 1 in the amount of \$3,500,000 were permanently reclassified as inter-fund transfers out to the TIF fund.

Expenses and Program Revenues – Business Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Sullivan's governmental funds reported combined ending fund balances of \$3,796,819, an increase of \$3,610,833 in comparison with prior year. The increase was due to the permanent reclassification of inter-fund payables to inter-fund transfers of \$3,500,000 that occurred in the TIF 1 fund. The remainder of fund balance is assigned, restricted and non-spendable to indicate that it is not available for new spending because it has already been assigned 1) for financing other city funds \$289,297 2) non-spendable for prepaid expenditures \$67,506, or 3) restricted for a variety of other purposes \$1,751,729.

The general fund is the chief operating fund of the City of Sullivan. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,688,287, while total fund balance reached \$1,876,726. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 43 percent of total general fund expenditures, while total fund balance represents 48 percent of total general fund expenditures.

The fund balance of the City of Sullivan's general fund decreased by \$1,981 during the current fiscal year. Key factors in this decline are as follows:

- Operating transfers in from the utility funds increased by \$70,000.
- Total expenditures increased by \$497,860 primarily the result of a decrease in daily operating costs.
- Total revenues increased by \$287,507 primarily the result of increases in property taxes, licenses, fines and permits, and charges for services.

Proprietary Funds

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

Unrestricted net position of the electrical operation at the end of the fiscal year amounted to \$5,400,422, the gas operations net position amounted to \$5,259,115, and those for the water and sewer operation amounted to a balance of \$1,389,647. The decrease in net position for the electric operations was \$2,277,821, the decrease for the gas operations was \$1,165,795, and the decrease for the water and sewer operations was \$34,919. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Sullivan's business-type activities.

Capital Assets and Debt Administration

Capital assets

The City of Sullivan's investment in capital assets for its governmental and business-type activities as of April 30, 2020, amounts to \$26,629,259 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads and utility infrastructure. The total net decrease in the City of Sullivan's capital assets for the current fiscal year was \$175,665 or 1 percent.

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

- Six major construction projects were in progress at the end of the fiscal year. Construction in progress at the end of last fiscal year amounted to \$1,456,209 whereas construction in progress as of the close this fiscal year amounted to \$2,076,839.
- Various pieces of equipment and a building were purchased in the various city departments at a cost of \$1,081,388.

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

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 344,371	\$ 344,371	\$ 189,092	\$ 189,092	\$ 533,463	\$ 533,463
Buildings and improvements	1,316,543	1,171,805	-	-	1,316,543	1,171,805
Equipment	4,902,394	4,972,387	-	-	4,902,394	4,972,387
Production plant	-	-	5,875,050	6,089,538	5,875,050	6,089,538
Distribution plant	-	-	7,601,569	7,749,150	7,601,569	7,749,150
General plant	-	-	75,900	86,684	75,900	86,684
Broadband	-	-	1,774	8,623	1,774	8,623
Sewer improvements	-	-	4,202,696	4,354,717	4,202,696	4,354,717
GIS equipment	-	-	43,031	31,018	43,031	31,018
Construction in progress	145,363	12,350	1,931,476	1,443,859	2,076,839	1,456,209
Total	<u>\$ 6,708,671</u>	<u>\$ 6,500,913</u>	<u>\$ 19,920,588</u>	<u>\$ 19,952,681</u>	<u>\$ 26,629,259</u>	<u>\$ 26,453,594</u>

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

Long-term debt

At the end of the current fiscal year, the City of Sullivan had total outstanding debt of \$1,702,131. The debt is backed by the full faith and credit of the government. The City of Sullivan's debt is secured solely by specified revenue sources (i.e. utility revenues).

City of Sullivan's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Notes Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,846</u>	<u>\$ 1,702,131</u>	<u>\$ 1,610,846</u>	<u>\$ 1,702,131</u>

The City's total debt decreased by \$91,285 (5 percent) during the fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8.625% of its total assessed valuation. The current debt limitation for the City of Sullivan is \$3,002,414.

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

Economic Factors

- The unemployment rate for the City of Sullivan is currently 3.60% which is the same rate as a year ago. This compares favorably to the state's average unemployment rate of 11.00% and the national average rate of 7.90%.
- The occupancy rate of the government's central business district has remained strong and steady over the past three years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Sullivan's budget for the 2020 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund decreased to \$1,688,287. The City of Sullivan has appropriated this amount for spending in the 2021 fiscal year budget. It is intended that this use of available fund balance will help minimize the need to raise taxes or charges during the 2021 fiscal year. It is also intended to reduce the need for the transfer of additional resources to the general fund from the electric, gas, and water & sewer funds, as occurred during the 2020 fiscal year.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 3,770,971	\$ 13,447,994	\$ 17,218,965
Receivables	2,599,755	2,009,526	4,609,281
Prepaid items	67,506	74,796	142,302
Inventories	-	396,388	396,388
Notes receivables	37,336	-	37,336
Restricted assets:			
Investments	106,440	-	106,440
Capital assets (net of accumulated depreciation):			
Land	344,371	189,092	533,463
Buildings and improvements	1,316,543	-	1,316,543
Equipment	4,902,394	-	4,902,394
Production plant	-	5,875,050	5,875,050
Distribution Plant	-	7,601,569	7,601,569
General Plant	-	75,900	75,900
Broadband	-	1,774	1,774
Sewer improvements	-	4,202,696	4,202,696
Equipment GIS	-	43,031	43,031
Construction in progress	145,363	1,931,476	2,076,839
Total assets	<u>\$ 13,290,679</u>	<u>\$ 35,849,292</u>	<u>\$ 49,139,971</u>
Deferred Outflows of Resources:			
Deferred pension	\$ 2,023,422	\$ -	\$ 2,023,422
Deferred postemployment healthcare	245,799	401,040	646,839
Total deferred outflows of resources	<u>\$ 2,269,221</u>	<u>\$ 401,040</u>	<u>\$ 2,670,261</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
(Continued)
April 30, 2020

	Governmental Activities	Business-type Activities	Total
Liabilities:			
Accounts payable	\$ 144,232	\$ 545,982	\$ 690,214
Accrued payroll	124,066	79,074	203,140
Customer deposits	-	383,360	383,360
Noncurrent liabilities:			
Due within one year	65,778	152,420	218,198
Due in more than one year	<u>2,603,394</u>	<u>4,730,572</u>	<u>7,333,966</u>
Total liabilities	<u>2,937,470</u>	<u>5,891,408</u>	<u>8,828,878</u>
Deferred Inflows of Resources:			
Deferred property taxes	2,334,500	-	2,334,500
Deferred pension	<u>2,521,355</u>	<u>-</u>	<u>2,521,355</u>
Total deferred inflows of resources	<u>4,855,855</u>	<u>-</u>	<u>4,855,855</u>
Net Position:			
Net investment in capital assets	6,708,671	18,309,742	25,018,413
Restricted for:			
Highway and streets	399,462	-	399,462
Culture and recreation	50,000	-	50,000
Perpetual cemetery care	56,440	-	56,440
Unrestricted	<u>552,002</u>	<u>12,049,184</u>	<u>12,601,186</u>
Net position	<u>\$ 7,766,575</u>	<u>\$ 30,358,926</u>	<u>\$ 38,125,501</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS

**STATEMENT OF ACTIVITIES
For the year ended April 30, 2020**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines and Permits	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,988,168	\$ 22,633	\$ 423,081	\$ -	\$ (1,542,454)	\$ -	\$ (1,542,454)
Public safety	678,074	32,798	4,943	-	(640,333)	-	(640,333)
Highway and streets	401,116	10,512	427	-	(390,177)	-	(390,177)
Economic development	1,180,048	-	-	-	(1,180,048)	-	(1,180,048)
Cemetery	174,755	37,890	-	-	(136,865)	-	(136,865)
Retirement	546,845	-	-	-	(546,845)	-	(546,845)
Culture and recreation	898,224	131,605	5,550	-	(761,069)	-	(761,069)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	5,867,230	235,438	434,001	-	(5,197,791)	-	(5,197,791)
Business-type activities:							
Electric	8,341,418	8,370,794	-	8,724	-	38,100	38,100
Gas	1,591,093	2,706,948	-	50,220	-	1,166,075	1,166,075
Water and Sewer	2,397,794	2,379,425	-	137,340	-	118,971	118,971
Total business-type activities	12,330,305	13,457,167	-	196,284	-	1,323,146	1,323,146
Total primary government	\$ 18,197,535	\$ 13,692,605	\$ 434,001	\$ 196,284	(5,197,791)	1,323,146	(3,874,645)
General revenues:							
Property taxes					2,337,450	-	2,337,450
Sales taxes					880,023	-	880,023
Income taxes					436,829	-	436,829
Motor fuel taxes					163,843	-	163,843
Other taxes					82,245	-	82,245
Interest income					14,527	30,960	45,487
Gain (loss) on sale of assets					9,877	45,345	55,222
Miscellaneous revenue					59,049	86,064	145,113
Transfers					4,964,050	(4,964,050)	-
Total general revenue and transfers					8,947,893	(4,801,681)	4,146,212
Change in net position					3,750,102	(3,478,535)	271,567
Net position, beginning of year					4,016,473	33,837,461	37,853,934
Net position, end of year					\$ 7,766,575	\$ 30,358,926	\$ 38,125,501

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2020

	General Fund	Tax Increment Financing Fund (TIF 1)	Retirement Fund
Assets:			
Cash	\$ 1,759,717	\$ 668,109	\$ 116,255
Receivables	724,291	1,217,500	284,196
Prepaid items	67,506	-	-
Notes receivable	-	37,336	-
Restricted cash and investments:			
Investments	<u>106,440</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,657,954</u>	<u>\$ 1,922,945</u>	<u>\$ 400,451</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 43,809	\$ 100,390	\$ -
Accrued payroll	124,066	-	-
Compensated absences	<u>65,778</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>233,653</u>	<u>100,390</u>	<u>-</u>
Deferred Inflow of Resources:			
Deferred property taxes	476,300	1,217,500	280,100
Deferred sales taxes	<u>71,275</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>547,575</u>	<u>1,217,500</u>	<u>280,100</u>
Fund balances:			
Nonspendable - prepaid expenditures	67,506	-	-
Restricted for:			
Economic development	-	605,055	-
Highway and streets	-	-	-
Culture and recreation	50,000	-	-
Perpetual cemetery care	56,440	-	-
Assigned to:			
Culture and recreation	14,493	-	-
Highway and streets	-	-	-
Retirement	-	-	120,351
Unassigned	<u>1,688,287</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,876,726</u>	<u>605,055</u>	<u>120,351</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,657,954</u>	<u>\$ 1,922,945</u>	<u>\$ 400,451</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
(CONTINUED)
April 30, 2020

	Other Nonmajor Funds	Total Governmental Funds
Assets:		
Cash	\$ 1,181,552	\$ 3,725,633
Receivables	373,768	2,599,755
Prepaid items	-	67,506
Notes receivable	-	37,336
Restricted cash and investments:		
Investments	-	106,440
Total assets	<u>\$ 1,555,320</u>	<u>\$ 6,536,670</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 33	\$ 144,232
Accrued payroll	-	124,066
Compensated absences	-	65,778
Total liabilities	<u>33</u>	<u>334,076</u>
Deferred Inflow of Resources:		
Deferred property taxes	360,600	2,334,500
Deferred sales taxes	-	71,275
Total deferred inflow of resources	<u>360,600</u>	<u>2,405,775</u>
Fund balances:		
Nonspendable - prepaid expenditures	-	67,506
Restricted for:		
Economic development	640,772	1,245,827
Highway and streets	399,462	399,462
Culture and recreation	-	50,000
Perpetual cemetery care	-	56,440
Assigned to:		
Culture and recreation	52,613	67,106
Highway and streets	101,840	101,840
Retirement	-	120,351
Unassigned	-	1,688,287
Total fund balances	<u>1,194,687</u>	<u>3,796,819</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,555,320</u>	<u>\$ 6,536,670</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
POSITION OF GOVERNMENTAL ACTIVITIES
April 30, 2020

Total fund balances, governmental funds \$ 3,796,819

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

Pension and OPEB-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	2,269,221	
Deferred inflows of resources	<u>(2,521,355)</u>	(252,134)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		71,275
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Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,708,671
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Some liabilities reported in the Statement of Net Position do not require the use of current resources and, therefore, not reported as liabilities in the government funds as follows:

Net pension liability	(633,174)	
OPEB liability	<u>(1,970,220)</u>	(2,603,394)

Internal service funds are used by management to charge the costs of broadband services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>45,338</u>
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Net position of governmental activities		<u>\$ 7,766,575</u>
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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, 2020

	General Fund	Tax Increment Financing Fund (TIF 1)	Retirement Fund
Revenues:			
Property taxes	\$ 485,651	\$ 1,261,209	\$ 271,123
Intergovernmental revenues	1,803,721	-	26,201
Interest income	6,895	4,745	-
Licenses, fines and permits	34,135	-	-
Charges for services	198,122	-	-
Miscellaneous revenues	49,349	-	-
Total revenues	<u>2,577,873</u>	<u>1,265,954</u>	<u>297,324</u>
Expenditures:			
Current:			
General government	1,680,976	-	-
Public safety	649,685	-	-
Highway and streets	255,940	-	-
Economic development	-	557,663	-
Cemetery	166,469	-	-
Retirement	-	-	521,428
Culture and recreation:			
Civic Center	367,631	-	-
Park and recreation	209,480	-	-
Library	245,267	-	-
Capital outlay	<u>334,283</u>	<u>380,350</u>	<u>-</u>
Total expenditures	<u>3,909,731</u>	<u>938,013</u>	<u>521,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,331,858)</u>	<u>327,941</u>	<u>(224,104)</u>
Other financing sources (uses):			
Proceeds from sale of assets	9,877	-	-
Operating transfers in	1,320,000	3,500,000	144,050
Contribution of capital	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,329,877</u>	<u>3,250,000</u>	<u>144,050</u>
Net change in fund balances	(1,981)	3,577,941	(80,054)
Fund balances (deficits), beginning of year	<u>1,878,707</u>	<u>(2,972,886)</u>	<u>200,405</u>
Fund balances, end of year	<u>\$ 1,876,726</u>	<u>\$ 605,055</u>	<u>\$ 120,351</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, 2020

	Other Nonmajor Funds	Total Governmental Funds
Revenues:		
Property taxes	\$ 319,467	\$ 2,337,450
Intergovernmental revenues	163,843	1,993,765
Interest income	2,832	14,472
Licenses, fines and permits	-	34,135
Charges for services	-	198,122
Miscellaneous revenues	9,700	59,049
Total revenues	<u>495,842</u>	<u>4,636,993</u>
Expenditures:		
Current:		
General government	-	1,680,976
Public safety	-	649,685
Highway and streets	51,598	307,538
Economic development	162,231	719,894
Cemetery	-	166,469
Retirement	-	521,428
Culture and recreation:		
Civic Center	-	367,631
Park and recreation	10,638	220,118
Library	-	245,267
Capital outlay	<u>406,448</u>	<u>1,121,081</u>
Total expenditures	<u>630,915</u>	<u>6,000,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(135,073)</u>	<u>(1,363,094)</u>
Other financing sources (uses):		
Proceeds from sale of assets	-	9,877
Operating transfers in	-	4,964,050
Contribution of capital	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>4,973,927</u>
Net change in fund balances	114,927	3,610,833
Fund balances (deficits), beginning of year	<u>1,079,760</u>	<u>185,986</u>
Fund balances, end of year	<u>\$ 1,194,687</u>	<u>\$ 3,796,819</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, 2020

Net changes in fund balances - total governmental funds		\$ 3,610,833
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions are reported as pension expense.		
Pension contributions	318,743	
Cost of benefits earned, net of employee contributions	<u>(344,160)</u>	(25,417)
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.		3,175
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.		429,206
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds:		
Increase in post-employment healthcare benefits obligation		(264,708)
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>(2,987)</u>
Change in net position of governmental activities		<u>\$ 3,750,102</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2020

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Assets:					
Current assets:					
Cash	\$ 5,922,076	\$ 5,191,708	\$ 2,334,210	\$ 13,447,994	\$ 45,338
Receivables	1,031,285	572,986	405,255	2,009,526	-
Inventories	286,367	57,725	52,296	396,388	-
Prepaid items	32,483	15,141	27,172	74,796	-
Due from other funds	-	-	-	-	-
Total current assets	<u>7,272,211</u>	<u>5,837,560</u>	<u>2,818,933</u>	<u>15,928,704</u>	<u>45,338</u>
Noncurrent assets:					
Capital assets:					
Land	102,733	4,185	82,174	189,092	-
Production plant, net	5,303,009	-	572,041	5,875,050	-
Distribution plant, net	1,979,398	306,367	5,315,804	7,601,569	-
General plant, net	75,900	-	-	75,900	-
Broadband, net	1,774	-	-	1,774	26,190
Sewer improvements, net	-	-	4,202,696	4,202,696	-
GIS, net	6,844	27,060	9,127	43,031	-
Construction in progress	<u>637,437</u>	<u>186,972</u>	<u>1,107,067</u>	<u>1,931,476</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>8,107,095</u>	<u>524,584</u>	<u>11,288,909</u>	<u>19,920,588</u>	<u>26,190</u>
Total assets	<u>\$ 15,379,306</u>	<u>\$ 6,362,144</u>	<u>\$ 14,107,842</u>	<u>\$ 35,849,292</u>	<u>\$ 71,528</u>
Deferred Outflows of Resources:					
Deferred postemployment healthcare	<u>\$ 174,646</u>	<u>\$ 51,747</u>	<u>\$ 174,647</u>	<u>\$ 401,040</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(CONTINUED)
April 30, 2020

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Liabilities:					
Current liabilities:					
Accounts payable	\$ 445,825	\$ 64,851	\$ 35,306	\$ 545,982	\$ -
Accrued payroll	30,985	15,037	33,052	79,074	-
Compensated absences payable	21,338	11,277	24,962	57,577	-
Customer deposits	148,395	124,245	110,720	383,360	-
Notes payable - current	-	-	94,843	94,843	-
Total current liabilities	<u>646,543</u>	<u>215,410</u>	<u>298,883</u>	<u>1,160,836</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable	-	-	1,516,003	1,516,003	-
Post-employment healthcare benefits obligation	<u>1,399,893</u>	<u>414,783</u>	<u>1,399,893</u>	<u>3,214,569</u>	<u>-</u>
Total noncurrent liabilities	<u>1,399,893</u>	<u>414,783</u>	<u>2,915,896</u>	<u>4,730,572</u>	<u>-</u>
Total liabilities	<u>2,046,436</u>	<u>630,193</u>	<u>3,214,779</u>	<u>5,891,408</u>	<u>-</u>
Net position:					
Net investment in capital assets	8,107,095	524,584	9,678,063	18,309,742	26,190
Unrestricted	<u>5,400,422</u>	<u>5,259,115</u>	<u>1,389,647</u>	<u>12,049,184</u>	<u>45,338</u>
Total net position	<u>\$ 13,507,517</u>	<u>\$ 5,783,699</u>	<u>\$ 11,067,710</u>	<u>\$ 30,358,926</u>	<u>\$ 71,528</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, 2020

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Operating revenues:					
Charges for services	\$ 8,370,794	\$ 2,706,948	\$ 2,379,425	\$ 13,457,167	\$ 6,779
Other services	57,904	13,119	15,041	86,064	-
Total operating revenue	8,428,698	2,720,067	2,394,466	13,543,231	6,779
Operating expenses:					
Salaries	648,374	289,886	622,377	1,560,637	-
Materials, supplies, and chemicals	410,681	35,800	269,922	716,403	-
Fuel	36,841	5,277	22,374	64,492	-
Purchase of electric and gas	5,524,098	892,408	-	6,416,506	-
Repairs	202,338	8,649	217,398	428,385	-
Other distribution expenses	468,171	-	63,244	531,415	-
Training and seminars	9,455	7,651	1,685	18,791	-
Professional fees	26,726	-	57,806	84,532	-
Health insurance	(13,650)	115,997	227,956	330,303	-
Insurance	137,280	44,247	106,727	288,254	-
Public utility taxes	207,103	65,892	-	272,995	-
Bad debts	8,393	3,181	4,117	15,691	-
Utilities	3,866	3,482	105,534	112,882	-
Other general expenses	230,710	87,871	54,503	373,084	-
Depreciation	441,032	30,752	610,647	1,082,431	9,821
Total operating expenses	8,341,418	1,591,093	2,364,290	12,296,801	9,821
Operating income (loss)	87,280	1,128,974	30,176	1,246,430	(3,042)
Non-operating revenue (expenses):					
Interest income	11,645	10,131	9,184	30,960	55
Gain on sale of assets	25	-	45,320	45,345	-
Interest expense	-	-	(33,504)	(33,504)	-
Total non-operating revenues (expenses)	11,670	10,131	21,000	42,801	55
Income (loss) before contributions and transfers	98,950	1,139,105	51,176	1,289,231	(2,987)
Capital contributions	8,724	50,220	137,340	196,284	-
Transfers in (out)	(2,385,495)	(2,355,120)	(223,435)	(4,964,050)	-
Change in net position	(2,277,821)	(1,165,795)	(34,919)	(3,478,535)	(2,987)
Net position, beginning of year	15,785,338	6,949,494	11,102,629	33,837,461	74,515
Net position, end of year	\$ 13,507,517	\$ 5,783,699	\$ 11,067,710	\$ 30,358,926	\$ 71,528

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2020

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,402,239	\$ 2,680,981	\$ 2,375,721	\$ 13,458,941	\$ 6,779
Payments to employees	(640,141)	(289,812)	(617,844)	(1,547,797)	-
Payments to suppliers	(7,142,396)	(1,168,262)	(982,160)	(9,292,818)	-
Net cash provided (used) by operating activities	619,702	1,222,907	775,717	2,618,326	6,779
Cash flows from noncapital financing activities:					
Advances to other funds	-	-	-	-	-
Transfers (to) from other funds	(635,495)	(605,120)	(223,435)	(1,464,050)	-
Net cash (used) by noncapital financing activities	(635,495)	(605,120)	(223,435)	(1,464,050)	-
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	25	-	53,500	53,525	-
Principal paid on capital debt	-	-	(91,284)	(91,284)	-
Interest paid on capital debt	-	-	(33,504)	(33,504)	-
Purchase of capital assets	(573,218)	(95,095)	(546,495)	(1,214,808)	-
Net cash used by capital and related financing activities	(573,193)	(95,095)	(617,783)	(1,286,071)	-
Cash flows from investing activities:					
Investment income received	11,645	10,131	9,184	30,960	55
Net cash provided by investing activities	11,645	10,131	9,184	30,960	55
Net increase (decrease) in cash	(577,341)	532,823	(56,317)	(100,835)	6,834
Cash, beginning of year	6,499,417	4,658,885	2,390,527	13,548,829	38,504
Cash, end of year	\$ 5,922,076	\$ 5,191,708	\$ 2,334,210	\$ 13,447,994	\$ 45,338

Noncash investing, capital and related financing activities:

During the current fiscal year, the City's Tax Increment Financing (TIF) funds contributed \$157,057 in capital assets to the City's proprietary funds for construction of and repairs to the infrastructure of the utilities.

See notes to financial statements.

CITY OF SULLIVAN, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)
For the year ended April 30, 2020

	Electric Fund	Gas Fund	Water and Sewer Fund	Total	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 87,280	\$ 1,128,974	\$ 30,176	\$ 1,246,430	\$ (3,042)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	441,032	30,752	610,647	1,082,431	9,821
Non-cash other distribution expense	-	-	-	-	-
(Increase) decrease in accounts receivable	(19,944)	(33,426)	(13,460)	(66,830)	-
(Increase) decrease in inventories	110,925	8,104	4,535	123,564	-
(Increase) decrease in prepaid expenses	989	2,048	(2,323)	714	-
Increase (decrease) in accounts payable	(19,345)	(78)	(54,532)	(73,955)	-
Increase (decrease) in accrued payroll	7,845	2,727	5,375	15,947	-
Increase (decrease) in customer deposits	(6,515)	(5,660)	(5,285)	(17,460)	-
Increase (decrease) in post-employment healthcare benefits obligation	17,047	92,119	201,426	310,592	-
Increase (decrease) in compensated absences	388	(2,653)	(842)	(3,107)	-
Net cash provided by operating activities	<u>\$ 619,702</u>	<u>\$ 1,222,907</u>	<u>\$ 775,717</u>	<u>\$ 2,618,326</u>	<u>\$ 6,779</u>

See notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Fund Accounting

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

Major Governmental Funds

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

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

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

Major Proprietary Funds

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Major Enterprise Funds (Continued)

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

Non-major Governmental Funds

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

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

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

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

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

Other Fund Types

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

Property taxes are levied no later than the last Tuesday of December. These taxes attach as an enforceable lien on property as of January 1 of the calendar year that the levy ordinance was enacted. The taxes are payable by property owners in two equal installments around July and September subsequent to the year of the levy. The Moultrie County Treasurer distributed 2018 tax extension to the City on July 31, 2019, August 16, 2019, September 16, 2019, and November 14, 2019. The City Council adopted the 2019 tax levy (receivable in calendar year 2020) on December 9, 2019. For government-wide financial statements, the 2019 property tax levy is deferred. Taxes recorded in these financial statements are from the 2018 and prior tax levies.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Deposit and Investments

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

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

Receivables and Payables

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, comp-time, and sick pay benefits up to specified maximums. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and comp-time pay is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds, the amount of compensated absences payable from available resources is recorded only when due for payment, such as when an employee retires or resigns.

Long-Term Obligations

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

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

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

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

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

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

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

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

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Unassigned Fund Balance – available expendable financial resources in a government fund that are not designated for a specific purpose. The city presents unassigned fund balances in the General Fund and TIF 1 Fund.

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

Use of Estimates

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

Risk Management

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

General sales tax receivable	\$ 71,275
Net adjustment to fund balance - total governmental funds to arrive at net position - governmental activities	\$ 71,275

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	\$ 924,797
Depreciation expense	(495,591)
Net adjustment to "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$ 429,206

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	\$ 3,175
Net adjustment to "net changes in fund balances - total governmental funds" to arrive at "changes in net position of governmental activities"	\$ 3,175

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

Deposits

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

As of April 30, 2020, the carrying balance of the City's cash deposits was \$17,325,405 which includes \$4,883 of cash on hand, and the bank balances totaled \$17,469,467, all of which was secured by federal depository insurance or collateralized with securities held by the pledging financial institution.

Investments

The City's investments at April 30, 2020 consisted of certificates of deposit with an original maturity date of more than three months from the date of purchase. These investments are included in the above deposit section of the notes to financial statements.

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

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. At April 30, 2020, the Illinois Funds Money Market Fund had a Standard and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. These accounts are subject to immediate withdrawal and are reflected as cash in the financial statements. All investments are fully collateralized.

Interest Rate Risk

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

4. RECEIVABLES

Receivables as of April 30, 2020 for the City's governmental activities and business-type activities including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Property taxes	\$ 2,334,500	\$ -	\$ 2,334,500
Sales and use taxes	193,600	-	193,600
Income taxes	44,764	-	44,764
Replacement taxes	4,096	-	4,096
Motor fuel taxes	13,168	-	13,168
Telecommunication taxes	4,234	-	4,234
Video gaming taxes	5,391	-	5,391
Employee benefit receivable	2	-	2
Customer receivables	-	2,009,526	2,009,526
Totals	<u>\$ 2,599,755</u>	<u>\$ 2,009,526</u>	<u>\$ 4,609,281</u>

5. NOTES RECEIVABLE

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

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. NOTES RECEIVABLE (Continued)

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

Notes receivable at April 30, 2020 consisted of the following:

Economic Development Loans – Low interest loans to qualifying businesses who meet certain economic development criteria. The notes bear interest ranging from four percent (4%) to five percent (5%) per year and mature at various dates through August 1, 2020. Net notes receivable balance at April 30, 2020 was \$0, which is comprised of two notes totaling \$106,421 with a related allowance for uncollectible loss of \$106,421.

Tax Increment Financing District (TIF1) Loans – Low interest loans to qualifying business within the TIF 1 district for purposes of improving their business property and at the same time improving the blighted area within the district. The notes bear interest at one percent (1%) per year and mature at various dates through July 10, 2032. Notes receivable balance at April 30, 2020 was \$37,336 which is comprised of two loans. At April 30, 2020, management has not identified any uncollectible losses.

6. RESTRICTED CASH AND INVESTMENTS

General Fund restricted cash and investments consist of \$56,440 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.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2020 was as follows:

	Balance April 30, 2019	Additions	Deletions	Balance April 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 344,371	\$ -	\$ -	\$ 344,371
Construction in progress	12,350	145,363	12,350	145,363
Total capital assets, not being depreciated	356,721	145,363	12,350	489,734
Capital assets being depreciated:				
Buildings and improvements	3,494,847	210,712	-	3,705,559
Equipment	9,320,458	359,625	119,327	9,560,756
Total capital assets, being depreciated	12,815,305	570,337	119,327	13,266,315
Less accumulated depreciation for:				
Buildings and improvements	2,323,042	65,974	-	2,389,016
Equipment	4,348,071	429,618	119,327	4,658,362
Total accumulated depreciation	6,671,113	495,592	119,327	7,047,378
Total capital assets, being depreciated, net	6,144,192	74,745	-	6,218,937
Governmental activities capital assets, net	\$ 6,500,913	\$ 220,108	\$ 12,350	\$ 6,708,671

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended April 30, 2020 (continued):

	Balance April 30, 2019	Additions	Deletions	Balance April 30, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 189,092	\$ -	\$ -	\$ 189,092
Construction in progress	1,443,859	535,118	47,500	1,931,477
Total capital assets, not being depreciated	1,632,951	535,118	47,500	2,120,569
Capital assets being depreciated:				
Production plant	13,600,926	100,000	-	13,700,926
Distribution plant	23,566,872	440,557	61,549	23,945,880
General plant	291,044	-	-	291,044
Broadband equipment	244,269	-	-	244,269
GIS	58,773	22,000	-	80,773
Sewer improvements	5,679,954	8,344	-	5,688,298
Total capital assets, being depreciated	43,441,838	570,901	61,549	43,951,190
Less accumulated depreciation for:				
Production plant	7,511,388	314,487	-	7,825,875
Distribution plant	15,817,722	579,958	53,369	16,344,311
General plant	204,360	10,784	-	215,144
Broadband equipment	235,646	6,849	-	242,495
GIS	27,756	9,987	-	37,743
Sewer improvements	1,325,237	160,366	-	1,485,603
Total accumulated depreciation	25,122,109	1,082,431	53,369	26,151,171
Total capital assets, being depreciated, net	18,319,729	(511,530)	8,180	17,800,019
Business-type activities capital assets, net	\$ 19,952,680	\$ 23,588	\$ 55,680	\$ 19,920,588

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	\$ 33,488
Public safety	28,749
Highway and streets	93,938
Cemetery	8,646
Economic development	263,870
Culture and recreation:	
Civic Center	54,377
Park and recreation	11,923
Library	600
Total depreciation expense - governmental activities	<u>\$ 495,591</u>
Business-type activities:	
Electric	\$ 441,032
Gas	30,752
Water and Sewer	610,647
Total depreciation expense - business-type activities	<u>\$ 1,082,431</u>

8. CONSTRUCTION IN PROGRESS

At April 30, 2020 the City's construction in progress was as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities:		
ITEP Streetscape project	\$ 27,718	1,716,775
Jefferson Street Project	112,522	35,518
Harrison Street project	5,123	144,327
Business-type activities:		
Corey Avenue Storm Drainage Project	38,817	10,000
Burdick Estates Water and Sewer Extension	455,934	-
Electric generator replacement project	32,500	20,000
SCADA replacement project	116,504	33,496
AMI metering project	1,287,721	167,000
	<u>\$ 2,076,839</u>	<u>\$ 2,127,116</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. LONG-TERM DEBT

Notes Payable

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

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

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%	\$ 1,154,088
Illinois Environmental Protection Agency (Water treatment plant)	1.995%	<u>456,759</u>
Total business-type activities		<u>\$ 1,610,846</u>

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

<u>Year Ending April 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 94,843	\$ 31,355
2022	96,744	29,453
2023	98,684	27,514
2024	100,663	25,535
2025	102,681	23,517
2026-2030	545,123	85,866
2031-2035	<u>572,108</u>	<u>28,809</u>
Total business-type activities	<u>\$ 1,610,846</u>	<u>\$ 252,049</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

10. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the City for the year ended April 30, 2020 was as follows:

	Balance April 30, 2019	Additions	Reductions	Balance April 30, 2020	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	63,831	65,778	63,831	65,778	65,778
Net post-employment healthcare benefits	1,705,510	264,710		1,970,220	-
Net pension liability	<u>2,560,235</u>	<u>-</u>	<u>1,927,061</u>	<u>633,174</u>	<u>-</u>
Governmental activities, long- term liabilities	<u>\$ 4,329,576</u>	<u>\$ 330,488</u>	<u>\$ 1,990,892</u>	<u>\$ 2,669,172</u>	<u>\$ 65,778</u>
Business-type activities:					
Compensated absences	\$ 60,684	\$ 57,577	\$ 60,684	\$ 57,577	\$ 57,577
Notes payable	1,702,131	-	91,284	1,610,846	94,843
Net post-employment healthcare benefits	<u>2,903,977</u>	<u>310,592</u>	<u>-</u>	<u>3,214,569</u>	<u>-</u>
Business-type activities, long- term liabilities	<u>\$ 4,666,792</u>	<u>\$ 368,169</u>	<u>\$ 151,968</u>	<u>\$ 4,882,992</u>	<u>\$ 152,420</u>

11. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues of the governmental fund financial statements during the year ended April 30, 2020, were as follows:

	General Fund	Other Governmental Funds	Total
Sales tax	\$ 876,847	\$ -	\$ 876,847
Income tax	436,829	-	436,829
Telecommunication tax	16,198	-	16,198
Franchise tax	36,042	-	36,042
Motor fuel tax	-	163,843	163,843
Personal property replacement tax	3,804	26,201	30,005
Federal and state operating and capital grants	<u>434,001</u>	<u>-</u>	<u>434,001</u>
Total governmental activities	<u>\$1,803,721</u>	<u>\$ 190,044</u>	<u>\$1,993,765</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assessed valuation	\$ 34,810,598	\$ 34,843,853	\$ 35,029,628
Rate per \$100, excluding road and bridge, TIF 1, TIF 2, TIF 3, and TIF 4 rates	<u>2.12167</u>	<u>2.10728</u>	<u>2.16337</u>
Taxes extended, excluding road and bridge, TIF 1, TIF 2, TIF 3, and TIF 4 taxes	738,566	734,258	757,820
Add: City's share of road and bridge, TIF 1, TIF 2, TIF 3, and TIF taxes extended	<u>1,595,934</u>	<u>1,764,342</u>	<u>1,749,280</u>
Total taxes extended	<u>\$ 2,334,500</u>	<u>\$ 2,498,600</u>	<u>\$ 2,507,100</u>
Taxes available to City after abatement and losses in collection (2018 Estimated)	<u>\$ 2,334,500</u>	<u>\$ 2,337,450</u>	<u>\$ 2,509,312</u>
Percentage of extension available to City (2018 estimated)	<u>100%</u>	<u>93.55%</u>	<u>100.09%</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Distribution of taxes available (2019 estimated)			
General fund:			
General government	\$ 97,200	\$ 97,617	\$ 97,695
Audit	28,000	28,116	28,065
Tort insurance	155,000	155,645	161,358
Unemployment	7,500	7,533	11,027
Workers' compensation	55,000	62,258	67,651
Retirement fund:			
Social security	105,000	100,416	98,218
Illinois municipal retirement	175,100	170,707	180,400
* Street and Alley fund	28,900	29,517	25,824
* Police fund	26,200	26,241	26,264
* Library fund	52,300	52,482	52,527
* Park fund	26,200	26,241	26,264
Recreation fund	11,500	10,042	10,023
TIF 1 fund	1,217,500	1,261,209	1,426,208
TIF 2 fund	160,800	187,474	188,346
TIF 3 fund	93,400	84,150	84,186
TIF 4 fund	<u>94,900</u>	<u>37,802</u>	<u>25,256</u>
Total reporting entity	<u>\$ 2,334,500</u>	<u>\$ 2,337,450</u>	<u>\$ 2,509,312</u>

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. INTERFUND TRANSFERS

Operating transfers between funds during the year ended April 30, 2020 are as follows:

	Transfers in			Total
	General Fund	Retirement Fund	TIF 1 Fund	
<u>Transfers out:</u>				
Major enterprise funds:				
Electric fund	\$ 576,670	\$ 58,825	\$ 1,750,000	\$ 2,385,495
Gas fund	576,670	28,450	1,750,000	2,355,120
Water and Sewer fund	<u>166,660</u>	<u>56,775</u>	<u>-</u>	<u>223,435</u>
Total	<u>\$ 1,320,000</u>	<u>\$ 144,050</u>	<u>\$ 3,500,000</u>	<u>\$ 4,964,050</u>

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM

IMRF Plan Description

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

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

14. 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, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	74
Inactive plan members entitled to but not yet receiving benefits	34
Active plan members	<u>69</u>
	<u>177</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 2019 was 8.67%. For the calendar year ended 2019 the City of Sullivan contributed \$260,593 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

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Net Pension Liability

The City of Sullivan's net pension liability was measured as of December 31, 2019. 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, 2019:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Value of Assets.
- The Inflation Rate was assumed to be 2.50%.
- Salary increases were expected to be 3.35% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.25%.
- Projected Retirement Age was from the Experienced-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP 2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	37%	7.15%
International equity	18%	7.25%
Fixed income	28%	3.75%
Real estate	9%	6.25%
Alternative investments	7%	3.20%-8.50%
Cash equivalents	1%	2.50%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.25% 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 7.25%, the municipal bond rate is 2.75%, and the resulting single discount rate is 7.25%.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
Balances at December 31, 2018	<u>\$ 19,940,859</u>	<u>\$ 17,380,624</u>	<u>\$ 2,560,235</u>
Changes for the year:			
Service cost	284,242	-	284,242
Interest on total pension liability	1,422,080	-	1,422,080
Changes of benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	274,133	-	274,133
Changes of assumptions	-	-	-
Contribution - employer	-	290,602	(290,602)
Contribution - employees	-	168,877	(168,877)
Net investment income	-	3,465,626	(3,465,626)
Benefit payments, including refunds of employee contributions	(1,064,806)	(1,064,806)	-
Other (Net transfer)	<u>-</u>	<u>(17,588)</u>	<u>17,588</u>
Net changes	<u>915,649</u>	<u>2,842,711</u>	<u>(1,927,062)</u>
Balances at December 31, 2019	<u>\$ 20,856,508</u>	<u>\$ 20,223,335</u>	<u>\$ 633,173</u>

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, 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 6.25%	Current Discount 7.25%	1% Higher 8.25%
Net pension liability (asset)	<u>\$ 3,258,519</u>	<u>\$ 633,173</u>	<u>\$ (1,420,190)</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended April 30, 2020, the City of Sullivan recognized pension expense of \$344,160. At April 30, 2020, the City of Sullivan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods		
Differences between expected and actual experience	\$ 271,928	\$ 95,719
Changes of assumptions	278,011	170,531
Net difference between projected and actual earnings on pension plan investments	<u>1,369,180</u>	<u>2,255,105</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>1,919,119</u>	<u>2,521,355</u>
Pension contributions made subsequent to the measurement date	<u>104,303</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 2,023,422</u>	<u>\$ 2,521,355</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT SYSTEM (Continued)

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

\$104,303 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, 2020.

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

<u>Year ending December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ (166,967)
2021	(58,720)
2022	63,232
2023	<u>(439,781)</u>
Total	<u>\$ (602,236)</u>

15. POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare insurance benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, retiree contributions, and City Contributions are governed by the City. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

Benefits Provided

The City provides post-employment healthcare insurance benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the City's IMRF retirement plan. All healthcare benefits are provided through the City's insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include: general inpatient and outpatient medical services; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, retiree must elect Medicare Supplemental coverage.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Membership

At April 30, 2020, membership data consisted of:

Active employees	56
Inactive employees currently receiving benefit payments	29
Inactive employees entitled to but not yet receiving benefit payments	<u>-</u>
Total	<u>85</u>

Funding Policy

There is no formal funding policy that exists for the postretirement plan at this time, as the total OPEB liability is currently an unfunded obligation.

There is no informal funding policy determined for GASB reporting purposes, as the total OPEB liability is currently an unfunded obligation.

For the fiscal year 2020, the City contributed \$287,422 for retiree healthcare benefits. Of the benefit payments from other city resources, \$181,850 are explicit benefit payments due to the grandfathered members and \$105,572 are implicit benefit payments due to the presence of retirees in the determination of the blended retiree/active premiums. Presently, the City requires a 100% retiree blended premium for continuation of the health plan. The City does not have a trust dedicated exclusively to the payment of OPEB benefits, the OPEB plan is funded on a "pay as you go" basis.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Assumptions

The following are the methods and assumptions used to determine total OPEB liability at April 30, 2020:

Actuarial Cost Method:	Entry Age Normal
Salary Increases:	2.50%
Municipal Bond Rate:	3.79% beginning of year 2.56% end of year
Healthcare Cost Trend Rates:	3.20% for FY18 to FY19 8.00% for FY 19 to FY21 5.00% - 7.50% for FY 21 to FY31 5.00% for FY 31 to Ultimate
Retirement Rates:	IMRF 2017 for IMRF Employees
Termination Rates:	IMRF 2017 for IMRF Employees
Disability Rates:	IMRF 2017 for IMRF Employees
Mortality Rates:	Active IMRF Mortality follows the sex distinct raw rates as developed in the RP-2014 study with Blue Collar Adjustments. These rates are improved generationally using MP-2016 improvement rates. Retiree and spousal IMRF mortality follows the sex distinct raw rates as developed in the RP-2014 study, with blue collar adjustment. These rates are improved generationally using MP-2016 improvement rates.

Discount Rate

The discount rate used in the determination of the total OPEB liability is based on a combination of the expected long-term rate of return on plan assets and the municipal bond rate. If the employer does not have a trust dedicated exclusively to the payment of OPEB benefits, as is the case with the City, then only the municipal bond rate is used in determining the total OPEB liability. The discount rate used at April 30, 2020 was 2.56%. The discount rate was 3.79% for the April 30, 2019 measurement date.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Changes in OPEB Liability

	Total OPEB Liability (A)	OPEB Plan Net Position (B)	Net OPEB Liability (A)-(B)
Balance at April 30, 2018	\$ 4,609,487	-	4,609,487
Changes for the year:			
Service cost	33,011	-	33,011
Interest	169,253	-	169,253
Actual experience	-	-	-
Assumption changes	660,460	-	660,460
Plan changes	-	-	-
Contributions - employer	-	287,422	(287,422)
Contributions - employees	-	-	-
Net investment income	-	-	-
Benefit payments	(287,422)	(287,422)	-
Administrative expenses	-	-	-
Net changes	575,302	-	575,302
Balances at April 30, 2019	\$ 5,184,789	\$ -	\$ 5,184,789

Sensitivity of the Discount Rate

The following presents the plan's net OPEB liability, calculated using a single discount rate of 3.79%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	1% Decrease 2.79%	Current 3.79%	1% Increase 4.79%
Net OPEB Liability (Asset)	\$ 5,852,007	\$ 5,184,789	\$ 4,636,403

CITY OF SULLIVAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Sensitivity of the Healthcare Cost Trend Rates

The following presents the plan's net OPEB liability, calculated using the current healthcare cost trend rate according to the actuarial assumptions above as well as what the plan's net OPEB liability would be if it were calculated using a rate that is 1% lower or 1% higher:

	1% Decrease Varies	Healthcare Cost Trend Rates Varies	1% Increase Varies
Net OPEB Liability (Asset)	\$ 5,852,007	\$ 5,184,789	\$ 4,636,403

Deferred Outflows and Inflows of Resources

For the year ended April 30, 2020, the City recognized OPEB expense of \$292,821. At April 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	646,840	-
Net difference between projected and actual earnings on postretirement plan investments	-	-
Total deferred to be recognized in future expense	646,840	-
Contributions subsequent to the measurement date	-	-
Total	\$ 646,840	\$ -

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

<u>Year ending April 30</u>	<u>Net Deferred Outflows/Inflows of Resources</u>
2021	\$ 90,557
2022	90,557
2023	90,557
2024	90,557
2025	90,557
Thereafter	<u>194,055</u>
Total	<u>\$ 646,840</u>

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. DEFERRED COMPENSATION PLAN

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

17. TORT IMMUNITY

The City issues a tort immunity tax levy to provide protection for injuries to others. During the year ended April 30, 2020, the City expended \$360,635 for liability insurance.

18. FEDERAL AND STATE GRANTS

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

19. LITIGATION

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

20. CONCENTRATION OF CREDIT RISK

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

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. COMMITMENTS

The City had no committed funds to various area governmental and non-governmental entities as of April 30, 2020.

22. TAX ABATEMENT

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

Projects range from new construction to redevelopment and expansion initiatives throughout the City. The maximum reimbursable amount is set forth in each agreement. If the total project cost is lower than the project budget established in the agreement, the reimbursable amount will be prorated. For the year ended April 30, 2020, the amount of property tax revenue forgone by the City due to the agreements under the Tax Increment Allocation Redevelopment Act amounts to \$257,859.

23. RISK MANAGEMENT AND UNCERTAINTIES

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, it is likely that the City’s financial position and results of future operations will be adversely affected; however the extent of that impact will depend on future developments.

CITY OF SULLIVAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

24. SUBSEQUENT EVENTS

Winifred Titus Sintel Trust

The City is scheduled to receive approximately \$11,000,000 as a cash distribution for the Winifred Titus Sintel Trust no later than October 9, 2020. In accordance with the provisions of the Last Will & Testament of Ms. Titus-Sintel, the trust was created in 1960 to first support the operation of a facility for the care of elderly women which came to be known as the Titus Home. The will further directed that in the event that the said facility ever ceased operations, then the trust corpus was to be liquidated and distributed in full to the City of Sullivan, Illinois for “civic improvements.”

The trust assets consisted of cash, 923 acres of farmland in Moultrie County, Illinois, unsold farm crops, and the Titus Home property located within Sullivan’s city limits. The facility ceased operations and the assets have now been liquidated by public auction. In anticipation of the distribution the City Treasurer has arranged for division and deposit of the funds in roughly equal amounts between three financial institutions having physical banking facilities within City limits.

On January 13, 2020, the City Council adopted a resolution which imposed a moratorium upon any expenditure of the anticipated funds for a period of one year, with said term to commence on the date of initial receipt of the monies. To date, none of the funds have been specifically earmarked for expenditure although the City Council has held discussions on potential projects which might be considered future “civic improvements.” It is anticipated that the funds will remain on deposit with the three local financial institutions mentioned above throughout the one year moratorium period with investment in secured accounts and/or secured financial instruments required for such government held funds. In light of the spending moratorium and short term investment period created thereby, there is no present intent to engage the services of a professional money management firm.

Water Plant Project

The City Council had previously approved engineering on a project for the construction of a new Water Treatment Facility to be erected at the site of the current facility 3 miles south of City limits. This project is necessitated by the condition and antiquated design of the current facility with sections aged in excess of 100 years. Estimated costs of project are in excess of \$7,000,000. All design work, bid specifications, and permitting are scheduled for completion by October 31, 2020 with a bid award date in December of 2020. All of the project funding has been approved by the USDA Rural Development Agency although consideration has been given of the application of a significant portion the Titus Trust proceeds mentioned above. This project completion date of construction is expected to be in February of 2022.

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, 2020

(Amounts presented are for the calendar years ended December 31, 2019, 2018, 2017, 2016 and 2015)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 284,242	\$ 262,381	\$ 265,225	\$ 291,117	\$ 280,695
Interest on the total pension liability	1,422,080	1,375,708	1,381,004	1,379,714	1,319,982
Difference between expected and actual experience	274,133	127,258	(97,143)	(632,878)	116,706
Changes of assumptions	-	546,959	(565,850)	(22,485)	22,622
Benefit payments, including refunds of employee contributions	(1,064,806)	(1,042,626)	(1,090,991)	(975,348)	(907,780)
Net change in total pension liability	915,649	1,269,680	(107,755)	40,120	832,225
Total pension liability - beginning	19,940,859	18,671,179	18,778,934	18,738,814	17,906,589
Total pension liability - ending (A)	20,856,508	19,940,859	18,671,179	18,778,934	18,738,814
Plan Fiduciary Net Position					
Contributions - employer	290,601	328,519	320,392	303,869	329,332
Contributions - employees	168,877	144,243	144,344	139,510	147,299
Net investment income	3,465,626	(770,397)	2,392,646	840,507	(7,778)
Benefit payments, including refunds of employee contributions	(1,064,806)	(1,042,626)	(1,090,991)	(975,348)	(907,780)
Other (net transfer)	(17,588)	(14,465)	(12,916)	(11,870)	1,095
Net change in plan fiduciary net position	2,842,710	(1,354,726)	1,753,475	296,668	(437,832)
Plan fiduciary net position - beginning	17,380,624	18,735,350	16,982,408	16,685,740	17,123,572
Plan fiduciary net position - ending (B)	20,223,334	17,380,624	18,735,883	16,982,408	16,685,740
Net pension liability (asset) - ending (A) - (B)	\$ 633,174	\$ 2,560,235	\$ (64,704)	\$ 1,796,526	\$ 2,053,074
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Covered Valuation Payroll	96.96%	87.16%	100.00%	90.43%	89.04%
Net Pension Liability (Asset) as a Percentage of Covered Valuation Payroll	\$ 3,005,681	\$ 2,788,449	\$ 2,713,481	\$ 2,559,977	\$ 2,712,793
	21.07%	91.82%	(2.39%)	70.18%	75.68%

Note: 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

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

For the year ended April 30, 2020

(Amounts presented are for the year ended December 31, 2019)

<u>Calendar Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a Percentage of Covered Valuation Payroll</u>
2019	\$ 260,593	\$ 290,601	\$ (30,008)	\$ 3,005,681	9.67%
2018	314,537	328,518	(13,981)	2,788,449	11.78%
2017	313,136	320,392	(7,256)	2,713,481	11.81%
2016	303,869	303,869	-	2,559,977	11.87%
2015	329,333	329,332	1	2,712,793	12.14%

Notes to Schedule:

Summary of Actuarial Methods and Assumptions Used in the Calculations of the 2019 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 2019 Contribution Rates:

Actuarial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	Non-Taxing bodies: 10 – year closed period. Taxing bodies (Regular, SLEP and ECO groups): 24 – year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94 – 712 were financed over 19 years for most employers (three employers were financed over 28 years and four were financed over 29 years).
Asset Valuation Method:	5 – year smoothed market; 20% corridor
Wage Growth:	3.25%
Price Inflation:	2.50%,
Salary Increases:	3.35% to 14.25%, 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 2017 valuation pursuant to an experience study of the period 2014 - 2016.

CITY OF SULLIVAN, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
UNAUDITED
For the year ended April 30, 2020
(Amounts presented are for the year ended December 31, 2019)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine 2019 Contribution Rates (continued):

Mortality:

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, and IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP – 2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

There were no benefit changes during the year.

Based on Valuation Assumptions used in the December 31, 2017, 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

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
UNAUDITED
For the years ended**

	<u>2020</u>	<u>2,019</u>
Total OPEB Liability:		
Service costs	\$ 33,011	\$ 30,351
Interest	169,253	176,803
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	660,460	87,535
Benefit payments	<u>(287,422)</u>	<u>(277,364)</u>
Net change in total OPEB Liability	575,302	17,325
Total OPEB liability - beginning of year	<u>4,609,487</u>	<u>4,592,162</u>
Total OPEB liability - end of year	<u>\$ 5,184,789</u>	<u>\$ 4,609,487</u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 287,422	\$ 277,364
Benefit payments	<u>(287,422)</u>	<u>(277,364)</u>
Net change in fiduciary net position	-	-
Plan net position - beginning of year	<u>-</u>	<u>-</u>
Plan net position - end of year	<u>\$ -</u>	<u>\$ -</u>
Employer's Net OPEB Liability	<u>\$ 5,184,789</u>	<u>\$ 4,609,487</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability	-	-
Covered employee payroll	\$ 3,191,095	\$ 2,924,894
Employer's net OPEB liability as a percentage of covered employee payroll	162.48%	157.59%

Note

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)

For the year ended April 30, 2020

Notes to Schedule:

The total OPEB liability amount presented for each fiscal year was determined as of the fiscal year-end. No assets have been accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

Actual Methods and Assumptions Used:

The total OPEB liability was determined by an actuarial valuation as of April 30, 2019 rolled forward to April 30, 2020, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Salary Increases:	2.50%
Municipal Bond Rate:	3.79% beginning of year 2.56% end of year
Healthcare Cost Trend Rates:	3.20% for FY18 to FY19 8.00% for FY19 to FY21 5.50% - 7.50% For FY21 to FY31 5.00% for FY31 to Ultimate
Retirement Rates:	IMRF 2017 for IMRF Employees
Termination Rates:	IMRF 2017 for IMRF Employees
Disability Rates:	IMRF 2017 for IMRF Employees
Mortality Rates:	Active, retiree, and spousal IMRF mortality follows the sex distinct raw rates as developed in the RP-2014 study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 improvement rates.

Other information:

The assumed rate of High Quality 20-year Tax-Exempt G.O. Bonds was changed from 3.79% to 2.56% for the current year. The underlying index used is the Bond Buyer 20-Bond GO Index as discussed in more detail later in this section. The choice of index is unchanged from the prior year. The rate has been updated to the current Fiscal Year end based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 74 and Statement 75.

Since the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, the discount rate used in the determination of the Total OPEB Liability was also changed from 3.79% to 2.56%.

There were no benefit changes during the year.

CITY OF SULLIVAN, ILLINOIS

**OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)
For the years ended**

	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	N/A	N/A
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>N/A</u>	<u>N/A</u>
Employer covered payroll	<u>\$ 3,191,095</u>	<u>\$ 2,924,894</u>
Contributions as a percentage of covered payroll	0.00%	0.00%

Notes to Schedule

There is no ADC or Employer Contribution in relation to the ADC, as there is no Trust that exists for funding the OPEB Liability. However, the City did make contributions from other City resources in the current year in the amount of \$287,422.

This schedule is to illustrate the requirements 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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	<u>\$ 18,216,900</u>	<u>\$ 18,216,900</u>	<u>\$ 2,577,873</u>	<u>\$ (15,639,027)</u>
Expenditures:				
Current:				
General government	3,071,000	3,076,000	1,680,976	1,395,024
Public safety	786,400	783,900	649,685	134,215
Highway and streets	324,400	324,400	255,940	68,460
Economic development	570,000	570,000	-	570,000
Cemetery	213,650	217,150	166,469	50,681
Cultural and recreation:				
Civic Center	465,400	465,400	367,631	97,769
Park and recreation	303,650	305,650	209,480	96,170
Library	317,400	317,400	245,267	72,133
Capital outlay	<u>14,420,000</u>	<u>14,412,000</u>	<u>334,283</u>	<u>14,077,717</u>
Total expenditures	<u>20,471,900</u>	<u>20,471,900</u>	<u>3,909,731</u>	<u>16,562,169</u>
Revenues under expenditures	<u>(2,255,000)</u>	<u>(2,255,000)</u>	<u>(1,331,858)</u>	<u>923,142</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	-	9,877	9,877
Transfers in	<u>2,255,000</u>	<u>2,255,000</u>	<u>1,320,000</u>	<u>(935,000)</u>
Total other financing sources (uses)	<u>2,255,000</u>	<u>2,255,000</u>	<u>1,329,877</u>	<u>(925,123)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,981)</u>	<u>\$ (1,981)</u>
Fund balance, beginning of year			<u>1,878,707</u>	
Fund balance, end of year			<u>\$ 1,876,726</u>	

See accompanying note to required supplementary information.

CITY OF SULLIVAN, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND (TIF 1)
For the year ended April 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property tax	\$ -	\$ -	\$ 1,261,209	\$ -
Interest	-	-	4,745	-
Total revenues	<u>2,562,500</u>	<u>2,562,500</u>	<u>1,265,954</u>	<u>(1,296,546)</u>
Expenditures:				
Current:				
Consulting fees	42,500	42,500	16,317	26,183
Sullivan Chamber & Economic Development	70,000	70,000	70,000	-
Sullivan School District	190,000	190,000	95,481	94,519
Sullivan Fire Protection District	35,000	240,000	236,198	3,802
Façade improvement program	50,000	50,000	-	50,000
Reimbursements to contract holders	300,000	300,000	139,667	160,333
Capital outlay:				
Gas improvements	50,000	50,000	50,220	(220)
Water & Sewer system improvements	-	-	8,757	(8,757)
Public Safety improvements	-	-	6,501	(6,501)
Street & Alley improvements	575,000	575,000	301,003	273,997
Library improvements	-	-	13,869	(13,869)
Total expenditures	<u>1,312,500</u>	<u>1,517,500</u>	<u>938,013</u>	<u>579,487</u>
Other financing uses:				
Operating transfers in	1,250,000	1,045,000	3,500,000	(2,455,000)
Contribution of capital	-	-	(250,000)	250,000
Total other financing sources (uses)	<u>1,250,000</u>	<u>1,045,000</u>	<u>3,250,000</u>	<u>(2,205,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,577,941	<u>\$ 3,577,941</u>
Fund balance (deficit), beginning of year			<u>(2,972,886)</u>	
Fund balance (deficit), end of year			<u>\$ 605,055</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, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 297,324</u>	<u>\$ (402,676)</u>
Expenditures:				
Current:				
Retirement	<u>700,000</u>	<u>700,000</u>	<u>521,428</u>	<u>178,572</u>
Total expenditures	<u>700,000</u>	<u>700,000</u>	<u>521,428</u>	<u>178,572</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>(224,104)</u>	<u>(224,104)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>144,050</u>	<u>144,050</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>144,050</u>	<u>144,050</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(80,054)</u>	<u>\$ (80,054)</u>
Fund balance, beginning of year			<u>200,405</u>	
Fund balance, end of year			<u>\$ 120,351</u>	

See accompanying 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 22, 2020 transferring various amounts from line item to line item.

CITY OF SULLIVAN, ILLINOIS

COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2020

	Tax Incremental Financing Fund (TIF 2)	Tax Incremental Financing Fund (TIF 3)	Tax Incremental Financing Fund (TIF 4)	Motor Fuel Tax Fund	Recreation Fund	Street Improvement Fund	Total
Assets:							
Cash	\$ 312,824	\$ 134,464	\$ 193,484	\$ 386,327	\$ 52,613	\$ 101,840	\$ 1,181,552
Receivables	160,800	93,400	94,900	13,168	11,500	-	373,768
Total assets	\$ 473,624	\$ 227,864	\$ 288,384	\$ 399,495	\$ 64,113	\$ 101,840	\$ 1,555,320
Liabilities, deferred inflows of resources and fund balances:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 33
Total liabilities	-	-	-	33	-	-	33
Deferred inflows of resources:							
Property taxes	160,800	93,400	94,900	-	11,500	-	360,600
Total deferred inflows of resources	160,800	93,400	94,900	-	11,500	-	360,600
Fund balances:							
Restricted for:							
Economic development	312,824	134,464	193,484	-	-	-	640,772
Highway and streets	-	-	-	399,462	-	-	399,462
Assigned to:							
Culture and recreation	-	-	-	-	52,613	-	52,613
Highway and streets	-	-	-	-	-	101,840	101,840
Total fund balances	312,824	134,464	193,484	399,462	52,613	101,840	1,194,687
Total liabilities, deferred inflows of resources and fund balances	\$ 473,624	\$ 227,864	\$ 288,384	\$ 399,495	\$ 64,113	\$ 101,840	\$ 1,555,320

CITY OF SULLIVAN, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2020**

	Tax Incremental Financing Fund (TIF 2)	Tax Incremental Financing Fund (TIF 3)	Tax Incremental Financing Fund (TIF 4)	Motor Fuel Tax Fund	Recreation Fund	Street Improvement Fund	Total
Revenues:							
Property taxes	\$ 187,474	\$ 84,150	\$ 37,802	\$ -	\$ 10,041	\$ -	\$ 319,467
Intergovernmental revenues	-	-	-	163,843	-	-	163,843
Interest	1,685	718	215	214	-	-	2,832
Miscellaneous	-	-	7,500	-	2,200	-	9,700
Total revenues	189,159	84,868	45,517	164,057	12,241	-	495,842
Expenditures:							
Highway and streets	-	-	-	43,805	-	7,793	51,598
Economic development	98,484	53,561	10,186	-	-	-	162,231
Culture and recreation	-	-	-	-	10,638	-	10,638
Capital outlay	12,082	47,173	347,193	-	-	-	406,448
Total expenditures	110,566	100,734	357,379	43,805	10,638	7,793	630,915
Excess (deficiency) of revenues over (under) expenditures	78,593	(15,866)	(311,862)	120,252	1,603	(7,793)	(135,073)
Other financing sources (uses):							
Contribution of capital	(200,000)	-	450,000	-	-	-	250,000
Total other financing sources (uses)	(200,000)	-	450,000	-	-	-	250,000
Net change in fund balances	(121,407)	(15,866)	138,138	120,252	1,603	(7,793)	114,927
Fund balances, beginning of year	434,231	150,330	55,346	279,210	51,010	109,633	1,079,760
Fund balances, end of year	\$ 312,824	\$ 134,464	\$ 193,484	\$ 399,462	\$ 52,613	\$ 101,840	\$ 1,194,687

ACCOMPANYING INFORMATION SECTION

CITY OF SULLIVAN
COMPUTATION OF LEGAL DEBT MARGIN
UNAUDITED
April 30, 2020

Assessed valuation, 2019 levy	<u>\$ 34,810,598</u>
Statutory debt limitation, 8.625% of assessed valuation	\$ 3,002,414
Total debt: Water and Sewer Notes Payable	(1,610,846)
Less debt exempt from statutory debt limitation computation	<u>1,610,846</u>
Legal debt margin	<u>\$ 3,002,414</u>