# CITY OF BUNKER HILL, ILLINOIS

## REPORT AND FINANCIAL STATEMENTS

## APRIL 30, 2016

CITY OF BUNKER HILL, ILLINOIS
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OTHER SUPPLEMENTARY INFORMATION

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Bunker Hill, Illinois

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 Bunker Hill, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Bunker Hill, Illinois, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

Management has omitted the management discussion and analysis and budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bunker Hill, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016 on our consideration of the City of Bunker Hill, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bunker Hill, Illinois' internal control over financial reporting and compliance.

Franklin & Vaughn, LLC

Franklin & Vaughn, LLC
Edwardsville, IL 62025
September 14, 2016

Nathan D. Franklin, Principal
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FRANKLIN & VAUGHN LLC
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Mayor and City Council
City of Bunker Hill, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bunker Hill, Illinois as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise The City of Bunker Hill, Illinois' basic financial statements, and have issued our report thereon dated September 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bunker Hill, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs, Finding 2016-001.



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**The City of Bunker Hill, Illinois' Response to Findings**

The City of Bunker Hill, Illinois' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Bunker Hill, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Franklin & Vaughn, LLC

Franklin & Vaughn, LLC
Edwardsville, IL 62025
September 14, 2016

EXHIBIT "A"

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2016

| | PRIMARY GOVERNMENT | | |
|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS: | | | |
| CURRENT ASSETS: | | | |
| Cash | $ 120,585 | $ 627,396 | $ 747,981 |
| Cash Investments | 97,790 | 69,460 | 167,250 |
| Restricted Cash | | 171,639 | 171,639 |
| Receivables (net of allowance where applicable) | | | - |
| Property Taxes Receivable | 152,664 | | 152,664 |
| Intergovernmental Taxes Receivable | 67,847 | | 67,847 |
| Other Receivables | 22,609 | 158,908 | 181,517 |
| Inventory | | 12,000 | 12,000 |
| Total Current Assets | $ 461,495 | $ 1,039,403 | $ 1,500,898 |
| CAPITAL ASSETS: | | | |
| Utility Systems | | $ 9,852,792 | $ 9,852,792 |
| Streets | $ 711,791 | | 711,791 |
| Buildings and Improvements | 2,261,340 | | 2,261,340 |
| Equipment | 368,549 | | 368,549 |
| Vehicles | 244,298 | | 244,298 |
| Total Cost of Capital Assets | $ 3,585,978 | $ 9,852,792 | $ 13,438,770 |
| Less: Accumulated Depreciation | (1,497,336) | (3,905,903) | (5,403,239) |
| Net Capital Assets | $ 2,088,642 | $ 5,946,889 | $ 8,035,531 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow related to pension liability | $ 340,691 | $ 141,604 | $ 482,295 |
| TOTAL ASSETS | $ 2,890,828 | $ 7,127,896 | $ 10,018,724 |
| LIABILITIES AND NET ASSETS: | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable | $ 67,575 | $ 159,699 | $ 227,274 |
| Accrued Payroll and Payroll Costs | 3,882 | 1,758 | 5,640 |
| Customer Deposits | | 57,916 | 57,916 |
| Accrued Interest | | 3,961 | 3,961 |
| Current Portion - Long-term Debt | 13,889 | 20,000 | 33,889 |
| Total Current Liabilities | $ 85,346 | $ 243,334 | $ 328,680 |
| NONCURRENT LIABILITIES: | | | |
| Pension Liability | $ 580,408 | $ 241,238 | $ 821,646 |
| Bonds and Notes Payable - Net of Current Portion | 185,618 | 2,805,000 | 2,990,618 |
| Total Long-Term Debt | $ 766,026 | $ 3,046,238 | $ 3,812,264 |
| TOTAL LIABILITIES | $ 851,372 | $ 3,289,572 | $ 4,140,944 |
| NET POSITION: | | | |
| Investment in Capital Assets, Net of Related Debt | $ 1,889,135 | $ 3,121,889 | $ 5,011,024 |
| Restricted (Note 1) | 41,442 | 284,520 | 325,962 |
| Unassigned | 108,879 | 431,915 | 540,794 |
| TOTAL NET POSITION | $ 2,039,456 | $ 3,838,324 | $ 5,877,780 |

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

EXHIBIT "B"

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | NET (EXPENSES) REVENUE |
|---|---|---|---|---|---|
| PRIMARY GOVERNMENT: | | | | | |
| Governmental Activities: | | | | | |
| General Government | $ 201,639 | $ 8,760 | | | $ (192,879) |
| Public Safety | 351,681 | 30,834 | | | (320,847) |
| Transportation and Public Works | 271,032 | 3,927 | | | (267,105) |
| Culture and Recreation | 36,906 | 3,425 | | | (33,481) |
| Total Governmental Activities | $ 861,258 | $ 46,946 | $ - | $ - | $ (814,312) |
| Business-Type Activities: | | | | | |
| Water | $ 688,823 | $ 536,380 | | $ 57,139 | $ (95,304) |
| Sewer | 477,587 | 428,695 | | 68,771 | 19,879 |
| Total Business-Type Activities | $1,166,410 | $ 965,075 | $ - | $ 125,910 | $ (75,425) |
| Total Primary Government | $2,027,668 | $1,012,021 | $ - | $ 125,910 | $ (889,737) |

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|---|---|---|
| NET (EXPENSE) REVENUE | $ (814,312) | $ (75,425) | $ (889,737) |
| GENERAL REVENUES: | | | |
| Local Taxes | $ 173,233 | $ 37,427 | $ 210,660 |
| Intergovernmental Taxes | 484,519 | | 484,519 |
| Licenses and Permits | 4,281 | | 4,281 |
| Interest Income | 145 | 617 | 762 |
| Other Income | 16,305 | | 16,305 |
| Total General Revenue | $ 678,483 | $ 38,044 | $ 716,527 |
| Change in Net Position | $ (135,829) | $ (37,381) | $ (173,210) |
| NET POSITION, MAY 1 | 2,378,060 | 3,959,985 | 6,338,045 |
| Prior Period Adjustment | (202,775) | (84,280) | (287,055) |
| NET POSITION, APRIL 30 | $2,039,456 | $3,838,324 | $5,877,780 |

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

# CITY OF BUNKER HILL, ILLINOIS
## BALANCE SHEET - GOVERNMENTAL FUNDS
### APRIL 30, 2016

| | GENERAL CORPORATE FUND | STREET FUND | MOTOR FUEL TAX FUND | ROAD AND BRIDGES FUND | PARKS AND RECREATION FUND | POLICE PROTECTION FUND | TORT | RETIREMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | | | |
| Current Assets: | | | | | | | | | | |
| Cash | $ 41,823 | $ (3,792) | $ 27,975 | $ 11,172 | $ 3,931 | $ (10,873) | $ 2,351 | $ 44,564 | $ 3,434 | $ 120,585 |
| Cash Investments | 77,234 | | 5,419 | 15,137 | | | | | | 97,790 |
| Accounts Receivable | | | 8,047 | | 14,562 | | | | | 22,609 |
| Property Taxes Receivable | 37,147 | 27,779 | | | | 33,574 | 22,805 | 31,359 | | 152,664 |
| State Income Tax Receivable | 35,391 | | | | | | | | | 35,391 |
| Sales and Telecom Tax Receivable | 32,456 | | | | | | | | | 32,456 |
| Total Assets | $ 224,051 | $ 23,987 | $ 41,441 | $ 26,309 | $ 18,493 | $ 22,701 | $ 25,156 | $ 75,923 | $ 3,434 | $ 461,495 |
| LIABILITIES AND FUND BALANCES: | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Accounts Payable | $ 23,577 | $ 10,833 | | $ 10,900 | $ 1,058 | $ 21,049 | | | | $ 67,417 |
| Accrued Expenses | 158 | | | | | | | | | 158 |
| Accrued Payroll | 536 | 705 | | | | 1,945 | | | | 3,186 |
| Accrued Payroll Taxes and Retirement | 117 | 154 | | | | 425 | | | | 696 |
| Deferred Tax Revenue | 37,147 | 27,779 | | | | 33,574 | $ 22,805 | $ 31,359 | | 152,664 |
| Total Current Liabilities | $ 61,535 | $ 39,471 | $ - | $ 10,900 | $ 1,058 | $ 56,993 | $ 22,805 | $ 31,359 | $ - | $ 224,121 |
| FUND BALANCES: | | | | | | | | | | |
| Restricted | | | $ 41,441 | | | | | | | $ 41,441 |
| Assigned | | $ (15,484) | | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | 33,417 |
| Unassigned | $ 162,516 | | | | | | | | | 162,516 |
| Total Fund Balances | $ 162,516 | $ (15,484) | $ 41,441 | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | $ 237,374 |
| Total Liabilities and Fund Balances | $ 224,051 | $ 23,987 | $ 41,441 | $ 26,309 | $ 18,493 | $ 22,701 | $ 25,156 | $ 75,923 | $ 3,434 | $ 461,495 |

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

# CITY OF BUNKER HILL, ILLINOIS
## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS
## APRIL 30, 2016

| | | |
|---|---|---|
| Total Fund Balances - Total Governmental Funds | $ | 237,374 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because: | | |
| Certain taxes applicable to the City's governmental activities are not earned until available for fund financial reporting and accordingly are not reported as revenues on the fund statements | | 152,664 |
| Net Deferred Outflows ($340,691) and the related net pension obligation ($580,408) are not reflected in the governmental fund statements | | (239,717) |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Position. | | (199,507) |
| Capital assets of $3,585,978 net of accumulated depreciation of $1,497,336 are not financial resources and, therefore, are not reported in the funds. | | 2,088,642 |
| Net Position of Governmental Activities | $ | 2,039,456 |

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

EXHIBIT "E"

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

| | GENERAL CORPORATE FUND | STREET FUND | MOTOR FUEL TAX FUND | ROAD AND BRIDGES FUND | PARKS AND RECREATION FUND | POLICE PROTECTION FUND | TORT | RETIREMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | | | | |
| Local Taxes | $ 36,938 | $ 26,677 | | $ 11,170 | | $ 33,385 | $ 22,677 | $ 31,183 | $ 4,345 | $ 166,375 |
| Intergovernmental Taxes | 439,006 | | $ 45,513 | | | | | | | 484,519 |
| Interest | | | 40 | 96 | $ 9 | | | | | 145 |
| Fines and Penalties | | | | | | 14,923 | | | | 14,923 |
| Licenses and Permits | 4,281 | | | | | | | | | 4,281 |
| Rental Income | 16,305 | | | | | | | | | 16,305 |
| Service, Reimbursements and Other Income | 8,760 | 3,927 | | | 3,425 | 15,911 | | | | 32,023 |
| Total Revenues | $ 505,290 | $ 30,604 | $ 45,553 | $ 11,266 | $ 3,434 | $ 64,219 | $ 22,677 | $ 31,183 | $ 4,345 | $ 718,571 |
| EXPENDITURES: | | | | | | | | | | |
| General Government | $ 123,765 | | | | | | | | | $ 123,765 |
| Public Safety | | | | | | $ 313,126 | $ 35,778 | $ - | | 348,904 |
| Transportation and Public Works | | $ 141,334 | | $ 66,116 | | | | | | 207,450 |
| Culture and Recreation | | | | | $ 19,383 | | | | | 19,383 |
| Debt Service | | | | | | 8,713 | - | - | | 8,713 |
| Capital Outlay | | | $ 20,781 | | | 685 | - | - | $ 911 | 22,377 |
| Total Expenditures | $ 123,765 | $ 141,334 | $ 20,781 | $ 66,116 | $ 19,383 | $ 322,524 | $ 35,778 | $ - | $ 911 | $ 730,592 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | $ 381,525 | $ (110,730) | $ 24,772 | $ (54,850) | $ (15,949) | $ (258,305) | $ (13,101) | $ 31,183 | $ 3,434 | $ (12,021) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | |
| Operating Transfers In / (Out) | $ (374,053) | $ 97,526 | $ 3,016 | | $ 17,216 | $ 227,155 | $ 15,250 | $ - | $ - | $ (13,890) |
| Total Other Financing Sources (Uses) | $ (374,053) | $ 97,526 | $ 3,016 | $ - | $ 17,216 | $ 227,155 | $ 15,250 | $ - | $ - | $ (13,890) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | $ 7,472 | $ (13,204) | $ 27,788 | $ (54,850) | $ 1,267 | $ (31,150) | $ 2,149 | $ 31,183 | $ 3,434 | $ (25,911) |
| FUND BALANCE - MAY 1 | 155,044 | (2,280) | 13,653 | 70,259 | 16,168 | (3,142) | 202 | 13,381 | - | 263,285 |
| FUND BALANCE - APRIL 30 | $ 162,516 | $ (15,484) | $ 41,441 | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | $ 237,374 |

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

# CITY OF BUNKER HILL, ILLINOIS
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED APRIL 30, 2016

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ (25,911) |
| Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because: | |
| Governmental funds report payments on debt principal as an expense. However, in the Statement of Activities, the payment of debt principal is not recorded. This payment is reflected on the Statement of Net Assets as a reduction in the loan principal. | 13,713 |
| Changes in net pension obligations are reported only in the Statement of Activities | (36,942) |
| Certain taxes applicable to the City's governmental activities are not earned until available for fund financial reporting and accordingly are not reported as revenues in the fund statements. | 6,858 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount shown is the amount by which depreciation of $93,547 exceeded capital outlay of $0 in the current period. | (93,547) |
| Change in Net Position of Governmental Activities | $ (135,829) |

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

# CITY OF BUNKER HILL, ILLINOIS
## STATEMENT OF NET POSITION
## ENTERPRISE FUNDS
## APRIL 30, 2016

| | WATER | SEWER | OTHER PROPRIETARY FUNDS | TOTAL PROPRIETARY FUNDS |
|---|---|---|---|---|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash | $ 112,134 | $ 389,864 | $ 125,398 | $ 627,396 |
| Cash Investments | 48,669 | 791 | 20,000 | 69,460 |
| Restricted Cash | | 171,639 | | 171,639 |
| Accounts Receivable (Net of Allowance) | 60,545 | 60,728 | 37,635 | 158,908 |
| Inventory | 6,000 | 6,000 | | 12,000 |
| Total Current Assets | $ 227,348 | $ 629,022 | $ 183,033 | $ 1,039,403 |
| Capital Assets: | | | | |
| Property, Plant, and Equipment | $ 3,837,619 | $ 6,015,173 | | $ 9,852,792 |
| Less Accumulated Depreciation | (2,137,816) | (1,768,087) | | (3,905,903) |
| Net Capital Assets | $ 1,699,803 | $ 4,247,086 | $ - | $ 5,946,889 |
| Deferred Outflow of Resources | | | | |
| Deferred Outflow Related to Pension Liability | $ 70,802 | $ 70,802 | | $ 141,604 |
| Total Assets | $ 1,997,953 | $ 4,946,910 | $ 183,033 | $ 7,127,896 |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 129,162 | $ 30,537 | | $ 159,699 |
| Customer Deposits | 57,916 | | | 57,916 |
| Accrued Payroll | 721 | 721 | | 1,442 |
| Accrued Payroll Taxes and Retirement | 158 | 158 | | 316 |
| Bonds Payable - In One Year | 20,000 | | | 20,000 |
| Interest Payable - Current | 3,961 | | | 3,961 |
| Total Current Liabilities | $ 211,918 | $ 31,416 | $ - | $ 243,334 |
| Long-Term Liabilities: | | | | |
| Pension Liability | $ 120,619 | $ 120,619 | | $ 241,238 |
| Bonds and Notes Payable Beyond One Year | 305,000 | 2,500,000 | | 2,805,000 |
| Total Long-Term Liabilities | 425,619 | 2,620,619 | | 3,046,238 |
| Total Liabilities | $ 637,537 | $ 2,652,035 | $ - | $ 3,289,572 |
| NET POSITION: | | | | |
| Investment in Capital Assets | $ 1,374,803 | $ 1,747,086 | | $ 3,121,889 |
| Restricted for: | | | | |
| Current Bond Maturities | | | $ 92,158 | 92,158 |
| Future Bond Maturities | | 101,487 | 67,075 | 168,562 |
| Sewer Reserves, Replacement, and Maintenance | | | 23,800 | 23,800 |
| Unrestricted | (14,387) | 446,302 | | 431,915 |
| Total Net Position | $ 1,360,416 | $ 2,294,875 | $ 183,033 | $ 3,838,324 |
| Total Liabilities and Net Position | $ 1,997,953 | $ 4,946,910 | $ 183,033 | $ 7,127,896 |

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

# CITY OF BUNKER HILL, ILLINOIS
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
## ENTERPRISE FUNDS
## FOR THE FISCAL YEAR ENDED APRIL 30, 2016

| | WATER | SEWER | OTHER PROPRIETARY FUNDS | TOTAL PROPRIETARY FUNDS |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Water and Sewer Collections | $ 512,878 | $ 396,405 | | $ 909,283 |
| Connection Fees | 11,566 | 800 | | 12,366 |
| Penalties | 8,337 | 8,481 | | 16,818 |
| Refunds and Reimbursements | 3,599 | 23,009 | | 26,608 |
| Total Revenues | $ 536,380 | $ 428,695 | $ - | $ 965,075 |
| OPERATING EXPENSES: | | | | |
| Cost of Water | $ 273,372 | | | $ 273,372 |
| Salaries and Wages | 54,136 | $ 54,136 | | 108,272 |
| Payroll Taxes and Fringe Benefits | 42,248 | 42,264 | | 84,512 |
| Repairs and Maintenance | 73,996 | 25,969 | | 99,965 |
| Professional Fees | 2,717 | 51,688 | | 54,405 |
| Equipment Rental | 15,565 | 35,860 | | 51,425 |
| Supplies | 14,638 | 9,013 | | 23,651 |
| Telephone and Utilities | 20,294 | 21,967 | | 42,261 |
| Insurance | 18,008 | 18,008 | | 36,016 |
| Travel and Auto | | 1,869 | | 1,869 |
| Depreciation | 149,782 | 161,200 | | 310,982 |
| Other Expenses | 7,603 | 2,488 | | 10,091 |
| Total Expenses | $ 672,359 | $ 424,462 | $ - | $1,096,821 |
| NET INCOME (LOSS) FROM OPERATIONS | $ (135,979) | $ 4,233 | $ - | $ (131,746) |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest Income | $ 262 | $ 355 | | $ 617 |
| Property Taxes | | | $ 37,427 | 37,427 |
| Grant Revenue | 57,139 | 68,771 | | 125,910 |
| Interest Expense | | (53,125) | (16,464) | (69,589) |
| Total Non-Operating Revenues (Expenses) | $ 57,401 | $ 16,001 | $ 20,963 | $ 94,365 |
| NET INCOME (LOSS) BEFORE OPERATING TRANSFERS | $ (78,578) | $ 20,234 | $ 20,963 | $ (37,381) |
| TOTAL OPERATING TRANSFERS (TO) FROM OTHER FUNDS | $ (8,128) | | $ 8,128 | $ - |
| INCREASE (DECREASE) IN NET POSITION | $ (86,706) | $ 20,234 | $ 29,091 | $ (37,381) |
| NET POSITION - MAY 1 | 1,489,262 | 2,316,781 | 153,942 | 3,959,985 |
| Prior Period Adjustment | (42,140) | (42,140) | | (84,280) |
| NET POSITION - APRIL 30 | $1,360,416 | $2,294,875 | $ 183,033 | $3,838,324 |

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

# CITY OF BUNKER HILL, ILLINOIS
## STATEMENT OF CASH FLOWS
## ENTERPRISE FUNDS
## FOR THE FISCAL YEAR ENDED APRIL 30, 2016

| | WATER | SEWER | OTHER PROPRIETARY FUNDS | TOTAL PROPRIETARY FUNDS |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Collections From Customers | $ 523,157 | $ 406,777 | | $ 929,934 |
| Other Income | 3,599 | 23,009 | | 26,608 |
| Payroll Expenditures | (96,229) | (96,245) | | (192,474) |
| Payments for Goods and Services | (418,322) | (139,294) | | (557,616) |
| Net Cash Provided (Used) by Operating Activities | $ 12,205 | $ 194,247 | $ - | $ 206,452 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Purchase of Fixed Assets (Net) | $ (72,765) | | | $ (72,765) |
| Borrowings on Long-Term Debt | 7,677 | $ 7,677 | | 15,354 |
| Principal Payments | (20,000) | | | (20,000) |
| Interest Paid | (207) | (53,125) | $ (16,464) | (69,796) |
| Taxes Collected for Water Bonds Payable | | | 37,426 | 37,426 |
| Grant Received for Capital Additions | 57,139 | 68,771 | | 125,910 |
| Transfers (to) from other Funds | (8,128) | | 8,128 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | $ (36,284) | $ 23,323 | $ 29,090 | $ 16,129 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest Income Received | $ 262 | $ 355 | | $ 617 |
| Net Cash Provided (Used) by Investing Activities | $ 262 | $ 355 | $ - | $ 617 |
| NET INCREASE (DECREASE) IN CASH | $ (23,817) | $ 217,925 | $ 29,090 | $ 223,198 |
| CASH AND CASH EQUIVALENTS - MAY 1 | 184,620 | 344,369 | 116,308 | 645,297 |
| CASH AND CASH EQUIVALENTS - APRIL 30 | $ 160,803 | $ 562,294 | $ 145,398 | $ 868,495 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | $ (135,979) | $ 4,233 | | $ (131,746) |
| Add Back Depreciation | 149,782 | 161,200 | | 310,982 |
| Decrease (Increase) in Current Assets | (9,433) | 1,092 | | (8,341) |
| (Decrease) Increase in Current Liabilities | 7,835 | 27,722 | | 35,557 |
| Net Cash Provided (Used) by Operating Activities | $ 12,205 | $ 194,247 | $ - | $ 206,452 |

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bunker Hill, Illinois (the City), operates under a board form of government and provides the following services as authorized by state statute: public safety, streets, public improvements, planning and zoning, and general administrative services.

### Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operation of the City of Bunker Hill. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Bunker Hill.

The financial statements include all organizations, activities, and functions that comprise the City. Component units are legally separate entities for which the City is financially accountable. Financial accountability is defined as the ability to appoint a majority of the organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City. Using these criteria, the City has no component units.

### Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. 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 modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Grants, entitlements, interest and all other revenue items are considered measurable and available only when the City receives cash.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements for its proprietary activities. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has not chosen to do so.

Fund Accounting

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

The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

Government Fund Types

General Corporate Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Funds included in this type are Streets, Motor Fuel Tax, Road and Bridges, Parks and Recreation, Police Protection, Tort and Retirement.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Proprietary Fund Types

#### Enterprise Funds

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

### Revenues – Exchange and Non-Exchange Transactions

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

### Interfund Transactions

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

### Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of $2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not. The infrastructure for streets is capitalized for expenditures beginning in fiscal year 2004. Capital assets are depreciated on a straight line basis over a period of five (5) to forty (40) years based on asset class.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City does not record in the financial statements compensatory time for sick and vacation time.

Intergovernmental Revenues

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

Restricted Fund Balances

The City records restrictions for portions of fund equity which are legally segregated for specific future use and are not available for appropriations or expenditures in the governmental fund balance sheet. Restricted fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets. The special revenue funds have $41,441 in restricted fund balances.

Assigned Fund Balances

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council to assign amounts to be used for a specific purpose. The City had $33,417 of assigned fund balances at April 30, 2016.

Restricted Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by creditors, grantors, laws, or regulations of other governments. The Governmental Activities Funds have $41,442 in restricted net assets related to the Motor Fuel Tax Fund used to account for motor fuel taxes remitted to the City for use on certain street improvement projects.

Estimates

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

NOTE 2. DEFINED BENEFIT PENSION PLAN

**IMRF Plan Description**

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

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

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

NOTE 2. DEFINED BENEFIT PENSION PLAN (Continued)

**Employees Covered by Benefit Terms**

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

| | IMRF |
|---|---|
| Retirees and Beneficiaries currently receiving benefits | 20 |
| Inactive Plan Members entitled to but not yet receiving benefits | 9 |
| Active Plan Members | 11 |
| **Total** | 40 |

**Contributions**

As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2014 was 14.08%. For the fiscal year ended April 30, 2016, the CITY contributed $40,778 to the plan. The CITY also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

NOTE 2. DEFINED BENEFIT PENSION PLAN (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 | 38% | 7.60% |
| International Equity | 17% | 7.80% |
| Fixed Income | 27% | 3.00% |
| Real Estate | 8% | 6.15% |
| Alternative Investments | 9% | 5.25-8.50% |
| Cash Equivalents | 1% | 2.25% |
| Total | 100% | |

**Single Discount Rate**

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

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.47%.

NOTE 2. DEFINED BENEFIT PENSION PLAN (Continued)

**Changes in the Net Pension Liability**

| | Total Pension Liability (A) | Plan Net Position (B) | Net Pension Liability (A) - (B) |
|---|---|---|---|
| **Balances at December 31, 2014** | $2,439,851 | $2,111,937 | $327,914 |
| **Changes for the year:** | | | |
| Service Cost | 40,883 | - | 40,883 |
| Interest on the Total Pension Liability | 176,920 | - | 176,920 |
| Changes of Benefit Terms | - | - | - |
| Differences Between Expected and Actual Experience of the Total Pension Liability | 483,460 | - | 483,460 |
| Changes of Assumptions | 7,381 | - | 7,381 |
| Contributions – City | - | 40,858 | (40,858) |
| Contributions – Employees | - | 62,351 | (62,351) |
| Net Investment Income | - | 10,327 | (10,327) |
| Benefit Payments, including Refunds of Employee Contributions | (196,432) | (196,432) | - |
| Other (Net Transfer) | - | 101,376 | (101,376) |
| Net Changes | 512,212 | 18,480 | - |
| **Balances at December 31, 2015** | $2,952,063 | $2,130,417 | $821,646 |

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.47%, 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 (6.47%) | Current (7.47%) | 1% Higher (8.47%) |
|---|---|---|---|
| **Net Pension Liability** | $1,225,598 | $ 821,646 | $ 495,648 |

NOTE 2. DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended April 30, 2016, the CITY recognized pension expense of $40,778. At April 30, 2016, the CITY reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Amounts Related to Pensions | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| *Deferred Amounts to be Recognized in Pension Expense in Future Periods* | | |
| Differences between expected and actual experience | $358,127 | $ - |
| Changes of assumptions | 5,468 | - |
| Net difference between projected and actual earnings on pension plan investments | 118,699 | - |
| Total Deferred Amounts to be recognized in pension expense in future periods | 482,294 | - |
| *Pension Contributions made subsequent to the Measurement Date* | - | - |
| **Total Deferred Amounts Related to Pensions** | $482,294 | $ - |

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:

| Year Ending December 31 | Net Deferred Outflows of Resources | Net Deferred Inflows of Resources |
|---|---|---|
| 2016 | $ 156,921 | $ - |
| 2017 | 156,921 | - |
| 2018 | 138,778 | - |
| 2019 | 29,674 | - |
| 2020 | - | - |
| Thereafter | - | - |
| Total | $ 482,294 | $ - |

## NOTE 3. CASH AND CASH EQUIVALENTS

Separate bank accounts are maintained for City funds. At year end, the bank balance amount of the City's cash balances were $1,079,947. Of this amount, $694,643 exceeded FDIC limits. That excess deposit was collateralized by securities held by the bank's trust department, but not in the City's name. Interest rates on investment accounts range from .15% to .3%.

Statutes allow the City to invest in obligations of the U.S. Treasury or any U.S. Agency whose obligations are guaranteed by the full faith and credit of the United States of America as to principal and interest; interest bearing accounts of banks insured by the Bank Insurance Fund; commercial paper of U.S. Corporations with assets exceeding $500,000,000 provided the obligations are rated in the 3 highest classifications by at least 2 rating services and mature no later than 180 days from purchase; money mutual funds registered under the Investment Company Act of 1940; repurchase agreements, interest bearing accounts of savings and loan associations insured by the Savings Association Insurance Fund; dividend bearing accounts of Illinois or Federally chartered credit unions provided such accounts are insured; and the Public Treasurers Investment Pool.

## NOTE 4. PROPERTY TAXES – REVENUE RECOGNITION

The City's property tax is levied each year on all real property located in the City on or before the last Tuesday in December. The 2015 levy was passed by the board in 2015 and property taxes attached as an enforceable lien on property as of January 1st. Taxes are payable in two installments, usually in July and September. The City receives its first distributions of tax receipts approximately one month after the collection dates. Taxes recorded on these financial statements are from the 2014 and prior tax levies.

Property tax revenues are recognized as they are received since the City's General (municipal) Fund operates on the modified accrual basis of accounting. A schedule of assessed valuation, rates and extension is presented in the NOTE 17.

## NOTE 5. BUDGET AND BUDGETARY ACCOUNTING

The City prepares its budget in accordance with the account basis of accounting as utilized by the City Funds. All annual appropriations lapse at the end of each fiscal year. The budget was not amended during the fiscal year. The budget lapses at the end of the fiscal year.

## NOTE 6. TRANSFERS

The City will occasionally transfer funds from one fund to another in order to provide sufficient resources to meet the needs of that fund. These transfers usually come from the sales and income taxes collected within the City's General Fund, but intended to be used by any fund. Funds being transferred into debt service or reserve funds are mandated by debt covenants for future funding of debt payments or asset replacement.

| Fund | Transfer In | Transfer Out |
|---|---|---|
| General Fund | $1,280 | $375,333 |
| Motor Fuel Tax Fund | 4,296 | 1,280 |
| Street Fund | 111,416 | 13,890 |
| 2009 Alternate Bond Fund | 13,890 | |
| Parks & Recreation Fund | 17,216 | |
| Police Protection | 227,155 | |
| Tort Fund | 15,250 | |
| Reserve Fund | 8,129 | |
| Water Funds | | 8,129 |
| | $398,632 | $398,632 |

## NOTE 7. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expenses in regard to the accounting and financial reporting by local governments for pensions, including the Illinois Municipal Retirement Fund (IMRF). For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note discloser and required supplementary information requirements about pension are also required. For the year ended April 30, 2016, net pension liability, net deferred outflow from pension contribution, and pension expense are recognized. A prior period adjustment of $287,056 has been made to report the effect of the adoption of the Statement on prior periods.

## NOTE 8. CAPITAL ASSETS

A summary of capital assets at April 30, 2016 follows:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Balance May 1, 2014 | $3,585,978 | $9,660,540 |
| Additions | 0 | 192,255 |
| Balance April 30, 2015 | $3,585,978 | $9,852,792 |
| Less Accumulated Depreciation | (1,497,336) | (3,905,903) |
| | $2,088,642 | $5,946,889 |

Depreciation expense for the current year was $93,547 for Governmental Activities and $310,982 for Business-Type Activities.

## NOTE 9. LONG TERM DEBT

Bonds payable for Water Debt Service are dated July 22, 2008. Bonds totaling $450,000 with interest beginning at 4.125% were issued. A special tax levy was approved to repay the bonds. The amortization for the next five years is as follows:

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| 08/01/2016 | | | 7,923 | 7,923 | |
| 02/01/2017 | 20,000 | 4.250% | 7,923 | 27,923 | |
| 08/01/2017 | | | 7,498 | 7,498 | 35,421 |
| 02/01/2018 | 20,000 | 4.350% | 7,498 | 27,498 | |
| 08/01/2018 | | | 7,063 | 7,063 | 34,561 |
| 02/01/2019 | 25,000 | 4.500% | 7,063 | 32,063 | |
| 08/01/2019 | | | 6,500 | 6,500 | 38,563 |
| 02/01/2020 | 25,000 | 4.625% | 6,500 | 31,500 | |
| 08/01/2020 | | | 5,922 | 5,922 | 37,422 |
| 02/01/2021 | 25,000 | 4.75% | 5,922 | 30,922 | |
| Thereafter | 210,000 | | 45,519 | 255,519 | |

NOTE 9. LONG TERM DEBT (Continued)

On December 4, 2009, the City issued General Obligation Bonds to finance the purchase of certain property to be used by the Street Department for a storage facility. The total issue was $200,000 at interest with varying rates from 1.90% to 5.375%. The amortization schedule for the bonds is as follows. These bonds are to be repaid from the tax levy approved by the City.

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| 08/01/2016 | | | 4,353 | 4,353 | |
| 02/01/2017 | 5,000 | 3.90% | 4,353 | 9,353 | |
| 08/01/2017 | | | 4,255 | 4,255 | 13,608 |
| 02/01/2018 | 5,000 | 4.10% | 4,255 | 9,255 | |
| 08/01/2018 | | | 4,153 | 4,153 | 13,408 |
| 02/01/2019 | 5,000 | 4.25% | 4,153 | 9,153 | |
| 08/01/2019 | | | 4,046 | 4,046 | 13,199 |
| 02/01/2020 | 5,000 | 4.40% | 4,046 | 9,046 | |
| 08/01/2020 | | | 3,936 | 3,936 | 12,982 |
| 02/01/2021 | 5,000 | 4.50% | 3,936 | 8,936 | |
| Thereafter | 145,000 | | 86,558 | 231,558 | |

Total interest paid by the City was $8,557 for Governmental Fund Types and $69,795 for Proprietary Fund Types.

On August 20, 2013 the City approved the issuance of $2,500,000 of Sewerage Revenue Bonds Series 2013 with interest at 2.125%. These Bonds were to be used to pay for the cost of acquiring and constructing improvements to the existing sewer system of the City. The Bonds were issued through the United States of America Department of Agriculture, Rural Development. The Bonds were issued in two series, Series A ($2,180,000) and Series B ($320,000). The City will pay interest only during the construction period, and the initial principal payments will begin in 2016 and continuing until fully paid in 2053.

The Bond agreement required the establishment of a Bond and Interest Account. Payments are to be made into this account that equal one-sixth of the next semi-annual interest payment until May 1, 2016. Beginning May 1, 2016, an amount equal to one-sixth of the next semi-annual interest and one-twelfth of the next annual principal payments are to be made on the first day of each month.

Under the provisions of the Bond agreement, the City is required to establish two reserve accounts. The Debt Service Reserve Account is to be funded with $805 the first of each month until the account balance reaches $96,600. This fund is to be used only in the event that there are insufficient funds in the Bond and Interest Account to pay such principal or interest on the Outstanding Bonds as they become due. The City is also required to establish and maintain a Short-Lived Asset Reserve Account in the amount of $2,574. Payments into these two reserve accounts were not required to begin until May 1, 2015.

NOTE 9. LONG TERM DEBT (Continued)

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| **Series A** | | | | | |
| 05/01/2016 | $40,000 | 2.125% | 23,163 | 63,163 | |
| 11/01/2016 | | | 22,738 | 22,738 | 85,901 |
| 05/01/2017 | 40,000 | 2.125% | 22,738 | 62,738 | |
| 11/01/2017 | | | 22,313 | 22,313 | 85,051 |
| 05/01/2018 | 40,000 | 2.125% | 22,313 | 62,313 | |
| 11/01/2018 | | | 21,888 | 21,888 | 84,201 |
| 05/01/2019 | 40,000 | 2.125% | 21,888 | 61,888 | |
| 11/01/2019 | | | 21,463 | 21,463 | 83,351 |
| 05/01/2020 | 40,000 | 2.125% | 21,463 | 61,463 | |
| 11/01/2020 | | | 21,038 | 21,038 | 82,501 |
| Thereafter | $1,980,000 | | 786,033 | 2,766,033 | |
| **Series B** | | | | | |
| 05/01/2016 | $4,000 | 2.125% | 3,400 | 7,400 | |
| 11/01/2016 | | | 3,358 | 3,358 | 10,758 |
| 05/01/2017 | 4,000 | 2.125% | 3,358 | 7,358 | |
| 11/01/2017 | | | 3,315 | 3,315 | 10,673 |
| 05/01/2018 | 6,000 | 2.125% | 3,315 | 9,315 | |
| 11/01/2018 | | | 3,251 | 3,251 | 12,566 |
| 05/01/2019 | 6,000 | 2.125% | 3,251 | 9,251 | |
| 11/01/2019 | | | 3,188 | 3,188 | 12,439 |
| 05/01/2020 | 6,000 | 2.125% | 3,187 | 9,187 | |
| 11/01/2020 | | | 3,124 | 3,124 | 12,311 |
| Thereafter | $294,000 | | 115,706 | 409,706 | |

In July 2014, the City purchased two new police cruisers. They were purchased through a downpayment of $10,000 and a loan from United Community Bank in the amount of $44,648. The loan is repayable over a five year period with interest at 2.0%. Following is a schedule of the remaining principal and interest payments.

| | Principal | Interest | Total |
|---|---|---|---|
| 04/30/2017 | 8,889 | 509 | 9,398 |
| 04/30/2018 | 9,068 | 330 | 9,398 |
| 04/30/2019 | 9,251 | 147 | 9,398 |
| 04/30/2020 | 2,300 | 8 | 2,308 |

NOTE 9. LONG TERM DEBT (Continued)

Following are the changes in long-term debt:

| | Balance May 1, 2014 | Increase | Decrease | Balance April 30, 2015 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| 2009 General Obligation Bonds | $175,000 | | $5,000 | $170,000 |
| United Community Bank Loan | 38,220 | | 8,713 | 29,507 |
| Business-type Activities | | | | |
| 2008 Water Bonds | 345,000 | | 20,000 | 325,000 |
| 2013 Sewerage Revenue Bonds | 2,500,000 | | | 2,500,000 |

NOTE 10. OTHER DISCLOSURES

The City has no material contingent liabilities.
No related party transactions occurred during the fiscal year.
All operations of the City are included in the City's financial statements.

NOTE 11. ASSET VALUATIONS

Investments are valued at "market" and are all either cash or cash equivalents.

Capital assets for proprietary and governmental funds are valued at cost less depreciation. Depreciation is calculated on straight-line basis over a period of ten to forty years.

NOTE 12. SCHEDULE OF LEGAL DEBT MARGIN

| | |
|---|---|
| Assessed Valuation | $17,087,356 |
| Legal Debt Margin: | |
| 8.625% of $17,087,356 | $1,473,784 |
| General obligation debt outstanding | (199,507) |
| Total Debt Margin | $1,274,277 |

NOTE 13. DEFICIT FUND BALANCES

The following funds had a deficit fund balance at April 30, 2016:

| | |
|---|---|
| Special Revenue: | |
| Street Fund | $ (15,484) |
| Police Protection Fund | (34,292) |

NOTE 14. SUBSEQUENT EVENTS

The effects of subsequent events on the financial statements have been evaluated through the date of this report, which is the date the financial statements were available to be issued. Management does not feel any events or transactions occurred that would require disclosure.

## NOTE 15. SCHEDULE OF EQUALIZED VALUATIONS, TAX RATE EXTENSIONS AND COLLECTIONS

| | 2015 Taxes To Be Collected In 2016 | 2014 Taxes Collected In 2015 | 2013 Taxes Collected In 2014 |
|---|---|---|---|
| Equalized Valuations | $17,087,356 | $16,774,554 | $16,959,966 |
| Tax Rates: | | | |
| General Corporate | .17829 | .17622 | .15915 |
| Police Protection | .17795 | .16857 | .15424 |
| Streets | .05701 | .05655 | .05813 |
| Tort | .13346 | .13485 | .13710 |
| IMRF | .18352 | .16857 | .17138 |
| Audit | .02057 | .01966 | .02000 |
| Social Security | .05005 | .05057 | .05142 |
| Unemployment Taxes | .00556 | .00562 | .00572 |
| ESDA | .00556 | .00562 | .00572 |
| Bond & Interest | .30171 | .30733 | .30970 |
| | 1.11368 | 1.09356 | 1.07256 |
| Tax Extensions: | | | |
| General Corporate | $30,465 | $29,560 | $26,992 |
| Police Protection | 30,407 | 28,277 | 26,159 |
| Streets | 9,742 | 9,486 | 9,859 |
| Tort | 22,805 | 22,620 | 23,252 |
| IMRF | 31,359 | 28,277 | 29,066 |
| Audit | 3,515 | 3,298 | 3,392 |
| Social Security | 8,552 | 8,483 | 8,721 |
| Unemployment Taxes | 950 | 943 | 970 |
| ESDA | 950 | 943 | 970 |
| Bond & Interest | 51,554 | 51,553 | 52,525 |
| | $190,299 | $183,440 | $181,906 |

| | |
|---|---|
| Levy Date | September 1 |
| Assessment Date | December 31 |
| Due Dates | Usually July and September |
| Lien Date | January 1 |
| Collection Dates | September, October, November, and December |

## NOTE 16. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts to be immaterial.

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF BUNKER HILL, ILLINOIS
## MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
## ILLINOIS MUNICIPAL RETIREMENT FUND
## APRIL 30, 2016

| Calendar Year Ended December 31, | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | $ 40,883 | | | | | | | | | |
| Interest o the Total Pension Liability | 176,920 | | | | | | | | | |
| Benefit Changes | | | | | | | | | | |
| Difference between Expected and Actual Experience | 483,460 | | | | | | | | | |
| Assumption Changes | 7,381 | | | | | | | | | |
| Benefit Payments and Refunds | (196,432) | | | | | | | | | |
| Net Change in Total Pension Liability | $ 512,212 | | | | | | | | | |
| Total Pension Liability - Beginning | 2,439,851 | | | | | | | | | |
| Total Pension Liability - Ending (A) | $ 2,952,063 | | | | | | | | | |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Employer Contributions | $ 40,858 | | | | | | | | | |
| Employee Contributions | 62,351 | | | | | | | | | |
| Pension Plan Net Investment Income | 10,327 | | | | | | | | | |
| Benefit Payments and Refunds | (196,432) | | | | | | | | | |
| Other | 101,376 | | | | | | | | | |
| Net Change in Plan Fiduciary Net Position | $ 18,480 | | | | | | | | | |
| Plan Fiduciary Net Position - Beginning | 2,111,937 | | | | | | | | | |
| Plan Fiduciary Net Position - Ending | $ 2,130,417 | | | | | | | | | |
| Net Pension Liability/(Asset) - Ending (A) - (B) | $ 821,646 | | | | | | | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 72.17% | | | | | | | | | |
| Covered Valuation Payroll | $ 331,903 | | | | | | | | | |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 247.56% | | | | | | | | | |

SCHEDULE "2"

# CITY OF BUNKER HILL, ILLINOIS
## MULTIYEAR SCHEDULE OF CONTRIBUTIONS
## ILLINOIS MUNICIPAL RETIREMENT FUND
## APRIL 30, 2016

| CALENDAR YEAR ENDING DECEMBER 31, | ACTUARIALLY DETERMINED CONTRIBUTION | ACTUAL CONTRIBUTION | CONTRIBUTION DEFICIENCY (EXCESS) | COVERED PAYROLL | ACUTAL CONTRIBUTION AS A % OF COVERED PAYROLL |
|---|---|---|---|---|---|
| 2015 | $ 46,732 | $ 40,858 | $ 5,874 | $ 331,903 | 12.31% |

Notes to Schedule:
Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate*

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

Methods and Assumptions Used to Determine 2015 Contribution Rates:

| | |
|---|---|
| Actuarial Cost Method | Aggregate Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | Non-Taxing bodies: 10-year rolling period<br>Taxing bodies (Regular, SLEP, and ECO groups): 28-year closed period until remaining period reached 15 years (then 15-year rolling period).<br>Early Retirement Incentive Plan Liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.<br>SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years). |
| Asset Valuation Method | 5-Year smoothed market; 20% corridor |
| Wage Growth | 4.00% |
| Price Inflation | 3.00% - approximate; No explicit price inflation assumption is used in this valuation. |
| Salary Increases | 4.40% - 16.00% including inflation |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010. |
| Mortality | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years. |

Other Information:

| | |
|---|---|
| Notes | There were no benefit changes during the year. |

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

# OTHER SUPPLEMENTARY INFORMATION

# CITY OF BUNKER HILL, ILLINOIS
## BALANCE SHEET
## GENERAL CORPORATE FUND
## APRIL 30, 2016
## (COMPARED TO APRIL 30, 2015)

| | GENERAL CORPORATE FUND 2016 | 2015 |
|---|---|---|
| ASSETS: | | |
| Cash | $ 41,823 | $ 17,834 |
| Cash Investments | 77,234 | 83,167 |
| Property Tax Receivable | 37,147 | 36,000 |
| State Income Tax Receivable | 35,391 | 36,324 |
| Sales and Telecom Tax Receivable | 32,456 | 34,250 |
| Total Assets | $ 224,051 | $ 207,575 |
| LIABILITES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | $ 23,577 | $ 15,637 |
| Accrued Expenses | 158 | 380 |
| Accrued Payroll | 536 | 422 |
| Accrued Payroll Taxes and Retirement | 117 | 92 |
| Deferred Tax Revenue | 37,147 | 36,000 |
| Total Liabilities | $ 61,535 | $ 52,531 |
| FUND BALANCE: | | |
| Unassigned | $ 162,516 | $ 155,044 |
| Total Liabilities and Fund Balance | $ 224,051 | $ 207,575 |

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL CORPORATE FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2016
(COMPARED TO THE FISCAL YEAR ENDED APRIL 30, 2015)

| | GENERAL CORPORATE FUND 2016 | 2015 |
|---|---|---|
| REVENUES: | | |
| Property Taxes | $ 36,938 | $ 35,882 |
| State Income Taxes | 230,011 | 209,066 |
| Sales and Use Tax | 158,627 | 180,445 |
| Replacement Taxes | 2,454 | 4,298 |
| Telecommunication Taxes | 37,843 | 20,483 |
| Video Gaming Taxes | 10,071 | 4,109 |
| Licenses and Permits | 4,281 | 17,826 |
| Rental Income | 16,305 | 17,378 |
| Service, Reimbursements and Other Income | 8,760 | 11,346 |
| Total Revenues | $ 505,290 | $ 500,833 |
| EXPENDITURES: | | |
| Salaries and Wages | $ 44,542 | $ 42,823 |
| Payroll Taxes and Fringe Benefits | 19,119 | 20,353 |
| Insurance | 1,100 | 3,356 |
| Repairs and Maintenance | | 34,079 |
| Professional Fees | 18,484 | 40,333 |
| Supplies | 14,658 | 6,673 |
| Telephone and Utilities | 18,195 | 9,732 |
| Library Portion of PPRT | 985 | 959 |
| Other Expenditures | 6,682 | 16,679 |
| Total Expenditures | $ 123,765 | $ 174,987 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | $ 381,525 | $ 325,846 |
| OTHER FINANCING SOURCES (USES): | | |
| Operating Transfers In / (Out) | (374,053) | (359,920) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | $ 7,472 | $ (34,074) |
| FUND BALANCE - MAY 1 | 155,044 | 189,118 |
| FUND BALANCE - APRIL 30 | $ 162,516 | $ 155,044 |

CITY OF BUNKER HILL, ILLINOIS
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
APRIL 30, 2016
(COMPARED TO APRIL 30, 2015)

| | STREET FUND | MOTOR FUEL TAX FUND | ROAD AND BRIDGES FUND | PARKS AND RECREATION FUND | POLICE PROTECTION FUND | TORT | RETIREMENT | TAX INCREMENT FINANCING FUND | 2009 ALTERNATE BOND FUND | TOTALS 2016 | TOTALS 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | | | | | |
| Current Assets: | | | | | | | | | | | |
| Cash | $ (3,792) | $ 27,975 | $ 11,172 | $ 3,931 | $ (10,873) | $ 2,351 | $ 44,564 | $ 3,434 | | $ 78,762 | $ 45,636 |
| Cash Investments | | 5,419 | 15,137 | | | | | | | 20,556 | 47,242 |
| Property Taxes Receivable | 27,779 | | | | 33,574 | 22,805 | 31,359 | | | 115,517 | 109,806 |
| State Income Tax Receivable | | | | | | | | | | | |
| Sales and Telecom Tax Receivable | | | | | | | | | | | |
| Accounts Receivable | | 8,047 | | 14,562 | | | | | | 22,609 | 22,562 |
| Total Assets | $ 23,987 | $ 41,441 | $ 26,309 | $ 18,493 | $ 22,701 | $ 25,156 | $ 75,923 | $ 3,434 | $ - | $ 237,444 | $ 225,246 |
| LIABILITIES AND FUND BALANCES: | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | |
| Accounts Payable | $ 10,833 | | $ 10,900 | $ 1,058 | $ 21,049 | | | | | $ 43,840 | $ 4,875 |
| Accrued Payroll | 705 | | | | 1,945 | | | | | 2,650 | 1,907 |
| Accrued Payroll Taxes and Retirement | 154 | | | | 425 | | | | | 579 | 417 |
| Deferred Tax Revenue | 27,779 | | | | 33,574 | $ 22,805 | $ 31,359 | | | 115,517 | 109,806 |
| Total Current Liabilities | $ 39,471 | $ - | $ 10,900 | $ 1,058 | $ 56,993 | $ 22,805 | $ 31,359 | $ - | $ - | $ 162,586 | $ 117,005 |
| FUND BALANCES: | | | | | | | | | | | |
| Restricted | | $ 41,441 | | | | | | | | $ 41,441 | $ 13,653 |
| Assigned | $ (15,484) | | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | | 33,417 | 94,588 |
| Total Fund Balances | $ (15,484) | $ 41,441 | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | $ - | $ 74,858 | $ 108,241 |
| Total Liabilities and Fund Balances | $ 23,987 | $ 41,441 | $ 26,309 | $ 18,493 | $ 22,701 | $ 25,156 | $ 75,923 | $ 3,434 | $ - | $ 237,444 | $ 225,246 |

SCHEDULE "6"

CITY OF BUNKER HILL, ILLINOIS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016
(COMPARED TO THE FISCAL YEAR ENDED APRIL 30, 2015)

| | STREET FUND | MOTOR FUEL TAX FUND | ROAD AND BRIDGES FUND | PARKS AND RECREATION FUND | POLICE PROTECTION FUND | TORT | RETIREMENT FUND | TAX INCREMENT FINANCING FUND | 2009 ALTERNATE BOND FUND | TOTAL 2016 | TOTAL 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| REVENUES: | | | | | | | | | | | |
| Property Taxes | $ 26,677 | | $ 11,170 | | $ 33,385 | $ 22,677 | $ 31,183 | $ 4,345 | | $ 129,437 | $ 119,269 |
| Motor Fuel Taxes | | $ 45,513 | | | | | | | | 45,513 | 40,741 |
| Rental Income | | | | | | | | | | - | 8,000 |
| Grant Income | | | | | | | | | | | |
| Interest Income | | 40 | 96 | $ 9 | | | | | | 145 | 121 |
| Fines and Fees | | | | | 14,923 | | | | | 14,923 | 15,492 |
| Service, Reimbursements and Other Income | 3,927 | | | 3,425 | 15,911 | | | | | 23,263 | 100,808 |
| Total Revenues | $ 30,604 | $ 45,553 | $ 11,266 | $ 3,434 | $ 64,219 | $ 22,677 | $ 31,183 | $ 4,345 | $ - | $ 213,281 | $ 284,431 |
| EXPENDITURES: | | | | | | | | | | | |
| Salaries and Wages | $ 47,112 | | | $ 4,164 | $ 184,700 | | | | | $ 235,976 | $ 253,691 |
| Payroll Taxes and Fringe Benefits | 27,092 | | | 643 | 48,250 | | | | | 75,985 | 96,540 |
| Insurance | | | | | 18,245 | $ 35,778 | | | | 54,023 | 25,616 |
| Professional Fees | 5,334 | | | | 17,652 | | | | | 22,986 | 22,212 |
| Repairs and Maintenance | 3,017 | | $ 66,116 | 998 | | | | | | 70,131 | 18,638 |
| Supplies | 9,748 | | | 703 | 9,603 | | | | | 20,054 | 18,790 |
| Telephone and Utilities | 6,849 | | | 4,085 | 6,515 | | | | | 17,449 | 14,372 |
| Training and Conferences | | | | | | | | | | - | 809 |
| Street Lighting | 14,255 | | | | | | | | | 14,255 | 14,516 |
| Travel and Auto | 2,420 | | | | 12,887 | | | | | 15,307 | 27,888 |
| Capital Outlay | 24,581 | $ 20,781 | | | 685 | | | $ 911 | | 46,958 | 117,299 |
| Debt Payment | | | | | 8,713 | | | | $ 13,890 | 22,603 | 9,825 |
| Other Expenditures | 926 | | | 8,790 | 15,274 | | | | | 24,990 | 28,285 |
| Total Expenditures | $ 141,334 | $ 20,781 | $ 66,116 | $ 19,383 | $ 322,524 | $ 35,778 | $ - | $ 911 | $ 13,890 | $ 620,717 | $ 648,481 |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | $ (110,730) | $ 24,772 | $ (54,850) | $ (15,949) | $ (258,305) | $ (13,101) | $ 31,183 | $ 3,434 | $ (13,890) | $ (407,436) | $ (364,050) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | |
| Operating Transfers In | $ 111,416 | $ 4,296 | | $ 17,216 | $ 227,155 | $ 15,250 | | | $ 13,890 | $ 389,223 | $ 388,929 |
| Operating Transfers Out | (13,890) | (1,280) | | | | | | | | (15,170) | (29,009) |
| Long-Term Borrowings | | | | | | | | | | - | 44,648 |
| Total Other Financing Sources (Uses) | $ 97,526 | $ 3,016 | $ - | $ 17,216 | $ 227,155 | $ 15,250 | $ - | $ - | $ 13,890 | $ 374,053 | $ 404,568 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | $ (13,204) | $ 27,788 | $ (54,850) | $ 1,267 | $ (31,150) | $ 2,149 | $ 31,183 | $ 3,434 | $ - | $ (33,383) | $ 40,518 |
| FUND BALANCE - MAY 1 | (2,280) | 13,653 | 70,259 | 16,168 | (3,142) | 202 | 13,381 | | | 108,241 | 79,151 |
| FUND BALANCE - APRIL 30 | $ (15,484) | $ 41,441 | $ 15,409 | $ 17,435 | $ (34,292) | $ 2,351 | $ 44,564 | $ 3,434 | $ - | $ 74,858 | $ 119,669 |

SCHEDULE "7"

CITY OF BUNKER HILL, ILLINOIS
COMBINING BALANCE SHEETS
ENTERPRISE FUNDS
APRIL 30, 2016
(COMPARED TO APRIL 30, 2015)

| | WATER FUND | SEWER FUND | BOND AND INTEREST FUND | SEWER DEPRECIATION FUND | SEWER BOND RESERVE FUND | TOTALS 2016 | TOTALS 2015 |
|---|---|---|---|---|---|---|---|
| ASSETS: | | | | | | | |
| Current Assets: | | | | | | | |
| Cash | $ 112,134 | $ 389,864 | $ 39,523 | $ 18,800 | $ 67,075 | $ 627,396 | $ 459,146 |
| Cash Investments | 48,669 | 791 | 15,000 | 5,000 | | 69,460 | 186,151 |
| Restricted Cash | | 171,639 | | | | 171,639 | |
| Accounts Receivable (net of allowance) | 60,545 | 60,728 | 37,635 | | | 158,908 | 150,566 |
| Inventory | 6,000 | 6,000 | | | | 12,000 | 12,000 |
| Total Current Assets | $ 227,348 | $ 629,022 | $ 92,158 | $ 23,800 | $ 67,075 | $ 1,039,403 | $ 807,863 |
| Capital Assets: | | | | | | | |
| Property, Plant, and Equipment | $ 3,837,619 | $ 6,015,173 | | | | $ 9,852,792 | $ 9,660,540 |
| Less: Accumulated Depreciation | (2,137,816) | (1,768,087) | | | | (3,905,903) | (3,594,921) |
| Net Capital Assets | $ 1,699,803 | $ 4,247,086 | | | | $ 5,946,889 | $ 6,065,619 |
| Deferred Outflows of Resources | | | | | | | |
| Deferred Outflow Related to Pension Liability | $ 70,802 | $ 70,802 | | | | $ 141,604 | |
| Total Assets | $ 1,997,953 | $ 4,946,910 | $ 92,158 | $ 23,800 | $ 67,075 | $ 7,127,896 | $ 6,873,482 |
| LIABILITIES AND FUND NET ASSETS: | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | $ 129,162 | $ 30,537 | | | | $ 159,699 | $ 4,775 |
| Customer Deposits | 57,916 | | | | | 57,916 | 58,108 |
| Accrued Payroll | 721 | 721 | | | | 1,442 | 1,188 |
| Accrued Payroll Taxes and Retirement | 158 | 158 | | | | 316 | 260 |
| Interest Payable | 3,961 | | | | | 3,961 | 4,168 |
| Bonds Payable - Current Portion | 20,000 | | | | | 20,000 | 20,000 |
| Total Current Liabilities | $ 211,918 | $ 31,416 | $ - | $ - | $ - | $ 243,334 | $ 88,499 |
| Long-Term Liabilities | | | | | | | |
| Pension Liability | $ 120,619 | $ 120,619 | | | | $ 241,238 | |
| Bonds and Notes Payable - Net of Current Portion | 305,000 | 2,500,000 | | | | 2,805,000 | $ 2,825,000 |
| Total Long Term Liabilities | 425,619 | 2,620,619 | | | | 3,046,238 | |
| Total Liabilities | $ 637,537 | $ 2,652,035 | $ - | $ - | $ - | $ 3,289,572 | $ 2,913,499 |
| FUND NET ASSETS: | | | | | | | |
| Investment in Capital Assets, Net of Related Debt | $ 1,374,803 | $ 1,747,086 | | | | $ 3,121,889 | $ 3,220,619 |
| Restricted for: | | | | | | | |
| Current Bond Maturities | | | $ 92,158 | | | 92,158 | 63,067 |
| Future Bond Maturities | | 101,487 | | | $ 67,075 | 168,562 | 95,209 |
| Sewer Reserves, Replacement, and Maintenance | | 70,152 | | $ 23,800 | | 93,952 | 23,800 |
| Unrestricted | (14,387) | 376,150 | | | | 361,763 | 557,288 |
| Total Fund Net Assets | $ 1,360,416 | $ 2,294,875 | $ 92,158 | $ 23,800 | $ 67,075 | $ 3,838,324 | $ 3,959,983 |
| Total Liabilities and Fund Net Assets | $ 1,997,953 | $ 4,946,910 | $ 92,158 | $ 23,800 | $ 67,075 | $ 7,127,896 | $ 6,873,482 |

SCHEDULE "8"

CITY OF BUNKER HILL, ILLINOIS
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016
(COMPARED TO FISCAL YEAR ENDED APRIL 30, 2015)

| | WATER FUND | SEWER FUND | BOND AND INTEREST FUND | SEWER DEPRECIATION FUND | SEWER BOND RESERVE | TOTAL 2016 | TOTAL 2015 |
|---|---|---|---|---|---|---|---|
| OPERATING REVENUES: | | | | | | | |
| Water and Sewer Collections | $ 512,878 | $ 396,405 | | | | $ 909,283 | $ 912,359 |
| Connection Fees | 11,566 | 800 | | | | 12,366 | 5,720 |
| Penalties | 8,337 | 8,481 | | | | 16,818 | 17,473 |
| Refunds and Reimbursements | 3,599 | 23,009 | | | | 26,608 | 12,590 |
| Total Operating Revenues | $ 536,380 | $ 428,695 | $ - | $ - | $ - | $ 965,075 | $ 948,142 |
| OPERATING EXPENSES: | | | | | | | |
| Cost of Water | $ 273,372 | | | | | $ 273,372 | $ 270,005 |
| Salaries and Wages | 54,136 | $ 54,136 | | | | 108,272 | 167,525 |
| Payroll Taxes and Fringe Benefits | 42,248 | 42,264 | | | | 84,512 | 93,049 |
| Repairs and Maintenance | 73,996 | 25,969 | | | | 99,965 | 89,238 |
| Professional Fees | 2,717 | 51,688 | | | | 54,405 | 9,982 |
| Equipment Rental | 15,565 | 35,860 | | | | 51,425 | 16,920 |
| Supplies | 14,638 | 9,013 | | | | 23,651 | 19,479 |
| Telephone and Utilities | 20,294 | 21,967 | | | | 42,261 | 28,865 |
| Insurance | 18,008 | 18,008 | | | | 36,016 | 14,239 |
| Travel and Auto | | 1,869 | | | | 1,869 | 5,689 |
| Depreciation | 149,782 | 161,200 | | | | 310,982 | 270,657 |
| Other Expenses | 7,603 | 2,488 | | | | 10,091 | 11,995 |
| Total Operating Expenses | $ 672,359 | $ 424,462 | $ - | $ - | $ - | $ 1,096,821 | $ 997,643 |
| NET INCOME (LOSS) FROM OPERATIONS | $ (135,979) | $ 4,233 | $ - | $ - | $ - | $ (131,746) | $ (49,501) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | | | |
| Interest Income | $ 262 | $ 355 | | | | $ 617 | $ 1,592 |
| Property Taxes | | | $ 37,427 | | | 37,427 | 37,649 |
| Grant Revenue | 57,139 | 68,771 | | | | 125,910 | 630,526 |
| Interest Expense | | (53,125) | (16,464) | | | (69,589) | (19,495) |
| Total Non-Operating Revenues (Expenses) | $ 57,401 | $ 16,001 | $ 20,963 | $ - | $ - | $ 94,365 | $ 650,272 |
| NET INCOME (LOSS) BEFORE OPERATING TRANSFERS | $ (78,578) | $ 20,234 | $ 20,963 | $ - | $ - | $ (37,381) | $ 600,771 |
| TOTAL OPERATING TRANSFERS (TO) FROM OTHER FUNDS | $ (8,128) | | $ 8,128 | | | $ - | $ - |
| INCREASE (DECREASE) IN FUND NET ASSETS | $ (86,706) | $ 20,234 | $ 29,091 | | | $ (37,381) | $ 600,771 |
| FUND NET ASSETS - MAY 1 | 1,489,262 | 2,316,781 | 63,067 | $ 23,800 | $ 67,075 | 3,959,985 | 3,359,212 |
| Prior Period Adjustment | (42,140) | (42,140) | | | | (84,280) | |
| FUND NET ASSETS - APRIL 30 | $ 1,360,416 | $ 2,294,875 | $ 92,158 | $ 23,800 | $ 67,075 | $ 3,838,324 | $ 3,959,983 |

FEDERAL FINANCIAL COMPLIANCE SECTION

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FRANKLIN & VAUGHN LLC
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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## Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Mayor and City Council
City of Bunker Hill, Illinois

### Report on Compliance for Each Major Federal Program

We have audited The City of Bunker Hill, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The City of Bunker Hill, Illinois' major federal programs for the year ended April 30, 2016. The City of Bunker Hill, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of The City of Bunker Hill, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of Bunker Hill, Illinois compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The City of Bunker Hill, Illinois' compliance.



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### *Opinion on Each Major Federal Program*

In our opinion, the City of Bunker Hill, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2016.

### *Other Matters*

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The City of Bunker Hill's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bunker Hill's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the City of Bunker Hill, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bunker Hill, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bunker Hill, Illinois' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, Finding 2016-001, as items that we consider to be significant deficiencies.

The City of Bunker Hill, Illinois' response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Bunker Hill, Illinois response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Franklin & Vaughn, LLC

Franklin & Vaughn, LLC
Edwardsville, IL 62025
September 14, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant and loan activity of Bunker Hill, Illinois under programs of the federal government for the year ended April 30, 2016. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Bunker Hill, Illinois, it is not intended to and does not present the financial position or changes in assets of the City of Bunker Hill, Illinois.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. Subrecipients

The City of Bunker Hill did not provide any of the federal expenditures presented in the Schedule of Expenditures of Federal Awards to subrecipients.

4. Loan Assistance

The City of Bunker Hill has received federal assistance through the form of a loan. This loan was used to provide the funding for the program expenditures. The loan is to be repaid over a 40 year period, and is further outlined in Note 8 to the Financial Statements.

# CITY OF BUNKER HILL, ILLINOIS
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED APRIL 30, 2015

| Federal Grantor/Pass-Through Grantor<br><br>Program Title | CFDA Number | Pass-through Entity Identifying Number | Prior Year Expenditures | Expenditures May 1, 2015 - April 30, 2016 | Final Status |
|---|---|---|---|---|---|
| United States Department of Agriculture | | | | | |
| Sewerage Revenue Bonds, Series 2013 | 10.76 | | $ 2,500,000 | $ - | $ 2,500,000 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|---|---|
| • Material Weakness(es) identified? | ______Yes | __X__No |
| • Significant Deficiencies identified that are not considered to be material weakness(es) | __X__Yes | ______No |
| • Noncompliance material to financial statements noted | ______Yes | __X__No |

**Federal Awards**

Internal Control over major programs:

| | | |
|---|---|---|
| • Material Weakness(es) identified | ______Yes | __X__No |
| • Significant Deficiencies identified that are not considered to be material weakness(es) reported | ______Yes | __X__No |

Type of auditor's report issued on non-compliance for major programs: Unmodified

| | | |
|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | ______Yes | __X__No |

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| 10.76 | Water and Waste Loan and Grant Program |

Dollar Threshold used to distinguish between Type A and Type B programs: $750,000

| | | |
|---|---|---|
| Auditee qualified as a low risk auditee | ______Yes | __X__No |

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2016
SECTION 2

## FINDINGS

Finding 2016-001
SIGNIFICANT DEFICIENCY

Condition:

As part of the audit, management has requested us to prepare a draft of the City's financial statements, including related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements and related notes.

Criteria:

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position and results of operations, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

Effect:

The deficiency in design of internal control over financial reporting is considered a significant deficiency in internal control because it adversely affects the entity's ability to report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Cause of Condition:

There are no procedures in place for management to perform a detailed review of the financial statements prior to their issuance.

Recommendation:

In order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, management might establish review policies and procedures including the performance of some or all of the following functions:

Reconcile general ledger amounts to the draft financial statements
Review the adequacy of financial statement disclosures, possibly including reviewing and approving a completed disclosure checklist we would provide to you or by completing the disclosure checklist.
Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
Apply analytical procedures to the draft financial statements
Perform other procedures as considered necessary by management.

Managements Response to the Recommendation and Corrective Action Plan:

We agree with the recommendation and will work to implement it in the subsequent year audit period. However, the City's resources are limited, and the office staff is small.

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SCHEDULE OF FEDERAL AWARDS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2016
SECTION 3

FINDINGS

None Identified