

CITY OF BUNKER HILL, ILLINOIS
REPORT AND FINANCIAL STATEMENTS
APRIL 30, 2017

CITY OF BUNKER HILL, ILLINOIS

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CITY OF BUNKER HILL, ILLINOIS

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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, 2017, and the related notes to the financial statements, which collectively comprise the City of Bunker Hill, Illinois' 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, 2017, 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

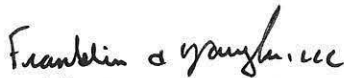
Management has omitted the management discussion and analysis and budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 the 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 the 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 November 7, 2017 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
Edwardsville, IL
November 7, 2017

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, 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, 2017, 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 November 7, 2017.

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. 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 2017-001.

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 as Finding 2017-001.

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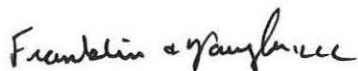
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The City of Bunker Hill, Illinois' Response to Findings

The City of Bunker Hill, Illinois' response to the findings identified in our audit is 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
Edwardsville, IL
November 7, 2017

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2017

	<u>PRIMARY GOVERNMENT</u>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
CURRENT ASSETS:			
Cash	\$ 82,095	\$ 618,655	\$ 700,750
Cash Investments	142,033	18,710	160,743
Restricted Cash		229,422	229,422
Receivables (net of allowance where applicable)			
Property Taxes Receivable	152,664		152,664
Intergovernmental Taxes Receivable	86,423		86,423
Other Receivables	8,047	172,819	180,866
Due From Other Funds		10,900	10,900
Inventory		12,000	12,000
Total Current Assets	<u>\$ 471,262</u>	<u>\$ 1,062,506</u>	<u>\$ 1,533,768</u>
CAPITAL ASSETS:			
Utility Systems		\$ 10,351,510	\$ 10,351,510
Streets	\$ 741,063		741,063
Buildings and Improvements	2,261,340		2,261,340
Equipment	376,966		376,966
Vehicles	244,298		244,298
Total Cost of Capital Assets	<u>\$ 3,623,667</u>	<u>\$ 10,351,510</u>	<u>\$ 13,975,177</u>
Less: Accumulated Depreciation	<u>(1,590,272)</u>	<u>(4,203,629)</u>	<u>(5,793,901)</u>
Net Capital Assets	<u>\$ 2,033,395</u>	<u>\$ 6,147,881</u>	<u>\$ 8,181,276</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Liability	<u>\$ 236,943</u>	<u>\$ 101,654</u>	<u>\$ 338,597</u>
TOTAL ASSETS	<u>\$ 2,741,600</u>	<u>\$ 7,312,041</u>	<u>\$ 10,053,641</u>
LIABILITIES AND NET ASSETS:			
CURRENT LIABILITIES:			
Accounts Payable	\$ 23,543	\$ 13,867	\$ 37,410
Accrued Payroll and Payroll Costs	5,007	1,986	6,993
Due To Other Funds	10,900		10,900
Customer Deposits		56,311	56,311
Accrued Interest		3,749	3,749
Current Portion - Long-term Debt	14,068	64,000	78,068
Total Current Liabilities	<u>\$ 53,518</u>	<u>\$ 139,913</u>	<u>\$ 193,431</u>
NONCURRENT LIABILITIES:			
Pension Liability	\$ 595,368	\$ 246,998	\$ 842,366
Bonds and Notes Payable - Net of Current Portion	171,550	2,697,000	2,868,550
Total Long-Term Debt	<u>\$ 766,918</u>	<u>\$ 2,943,998</u>	<u>\$ 3,710,916</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Liability	<u>\$ 5,910</u>	<u>\$ 2,276</u>	<u>\$ 8,186</u>
TOTAL LIABILITIES	<u>\$ 826,346</u>	<u>\$ 3,086,187</u>	<u>\$ 3,912,533</u>
NET POSITION:			
Investment in Capital Assets, Net of Related Debt	\$ 1,847,777	\$ 3,386,881	\$ 5,234,658
Restricted (Note 1)	56,963	239,366	296,329
Unassigned	10,514	599,607	610,121
TOTAL NET POSITION	<u>\$ 1,915,254</u>	<u>\$ 4,225,854</u>	<u>\$ 6,141,108</u>

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

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED APRIL 30, 2017

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSES) REVENUE</u>
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government	\$ 233,430	\$ 14,026			\$ (219,404)
Public Safety	390,269	37,785			(352,484)
Transportation and Public Works	214,049				(214,049)
Culture and Recreation	47,549				(47,549)
Total Governmental Activities	<u>\$ 885,297</u>	<u>\$ 51,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (833,486)</u>
Business-Type Activities:					
Water	\$ 678,933	\$ 648,655		\$ 276,351	\$ 246,073
Sewer	443,312	446,809		101,000	104,497
Total Business-Type Activities	<u>\$ 1,122,245</u>	<u>\$ 1,095,464</u>	<u>\$ -</u>	<u>\$ 377,351</u>	<u>\$ 350,570</u>
Total Primary Government	<u>\$ 2,007,542</u>	<u>\$ 1,147,275</u>	<u>\$ -</u>	<u>\$ 377,351</u>	<u>\$ (482,916)</u>
			<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
NET (EXPENSE) REVENUE			<u>\$ (833,486)</u>	<u>\$ 350,570</u>	<u>\$ (482,916)</u>
GENERAL REVENUES:					
Local Taxes			\$ 166,937	\$ 35,881	\$ 202,818
Intergovernmental Taxes			478,631		478,631
Interest Income			98	1,079	1,177
Other Income			63,618		63,618
Total General Revenue			<u>\$ 709,284</u>	<u>\$ 36,960</u>	<u>\$ 746,244</u>
Change in Net Position			\$ (124,202)	\$ 387,530	\$ 263,328
NET POSITION, MAY 1			2,039,456	3,838,324	5,877,780
NET POSITION, APRIL 30			<u>\$ 1,915,254</u>	<u>\$ 4,225,854</u>	<u>\$ 6,141,108</u>

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

CITY OF BUNKER HILL, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2017

	<u>GENERAL CORPORATE FUND</u>	<u>STREET FUND</u>	<u>MOTOR FUEL TAX FUND</u>	<u>ROAD AND BRIDGES FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>POLICE PROTECTION FUND</u>	<u>TORT</u>	<u>RETIREMENT</u>	<u>TAX INCREMENT FINANCING</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:										
Current Assets:										
Cash	\$ 81,851	\$ (70,024)	\$ 48,916	\$ 39,900	\$ 754	\$ (104,785)	\$ 2,141	\$ 76,019	\$ 7,322	\$ 82,094
Cash Investments	140,881					1,152				142,033
Accounts Receivable			8,047							8,047
Property Taxes Receivable	37,147	27,779				33,574	22,805	31,359		152,664
Due from Other Funds					14,562					14,562
State Income and Use Tax Receivable	55,178									55,178
Sales and Telecom Tax Receivable	31,245									31,245
Total Assets	<u>\$ 346,302</u>	<u>\$ (42,245)</u>	<u>\$ 56,963</u>	<u>\$ 39,900</u>	<u>\$ 15,316</u>	<u>\$ (70,059)</u>	<u>\$ 24,946</u>	<u>\$ 107,378</u>	<u>\$ 7,322</u>	<u>\$ 485,823</u>
LIABILITIES AND FUND BALANCES:										
Current Liabilities:										
Accounts Payable		\$ 1,379		\$ -	\$ 53	\$ 1,375	\$ 20,736			\$ 23,543
Due To Other Funds	\$ 14,562			10,900						25,462
Accrued Payroll	445	1,081				2,583				4,109
Accrued Payroll Taxes and Retirement	97	236				565				898
Deferred Tax Revenue	37,147	27,779				33,574	22,805	\$ 31,359		152,664
Total Current Liabilities	<u>\$ 52,251</u>	<u>\$ 30,475</u>	<u>\$ -</u>	<u>\$ 10,900</u>	<u>\$ 53</u>	<u>\$ 38,097</u>	<u>\$ 43,541</u>	<u>\$ 31,359</u>	<u>\$ -</u>	<u>\$ 206,676</u>
FUND BALANCES:										
Restricted			\$ 56,963							\$ 56,963
Assigned		\$ (72,720)		\$ 29,000	\$ 15,263	\$ (108,156)	\$ (18,595)	\$ 76,019	\$ 7,322	(71,867)
Unassigned	\$ 294,051									294,051
Total Fund Balances	<u>\$ 294,051</u>	<u>\$ (72,720)</u>	<u>\$ 56,963</u>	<u>\$ 29,000</u>	<u>\$ 15,263</u>	<u>\$ (108,156)</u>	<u>\$ (18,595)</u>	<u>\$ 76,019</u>	<u>\$ 7,322</u>	<u>\$ 279,147</u>
Total Liabilities and Fund Balances	<u>\$ 346,302</u>	<u>\$ (42,245)</u>	<u>\$ 56,963</u>	<u>\$ 39,900</u>	<u>\$ 15,316</u>	<u>\$ (70,059)</u>	<u>\$ 24,946</u>	<u>\$ 107,378</u>	<u>\$ 7,322</u>	<u>\$ 485,823</u>

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, 2017

Total Fund Balances - Total Governmental Funds	\$ 279,147
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	152,665
Net Deferred Outflows (\$236,943) and the related net pension obligation (\$595,368) are not reflected in the governmental fund statements	(358,425)
Net Deferred Inflows are not reflected in the governmental fund statements	(5,910)
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.	(185,618)
Capital assets of \$3,623,667 net of accumulated depreciation of \$1,590,272 are not financial resources and, therefore, are not reported in the funds.	2,033,395
Net Position of Governmental Activities	\$ 1,915,254

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

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	TAX INCREMENT FINANCING	TOTAL GOVERNMENTAL FUNDS
REVENUES:										
Local Taxes	\$ 37,297	\$ 26,065		\$ 11,677		\$ 33,679	\$ 22,876	\$ 31,455	\$ 3,888	\$ 166,937
Intergovernmental Taxes	433,513		\$ 45,118							478,631
Interest			43	45	\$ 10					98
Fines and Penalties						37,785				37,785
Licenses and Permits	14,026									14,026
Rental Income	13,355									13,355
Service, Reimbursements and Other Income	27,627	7,898		1,869	5,974	6,895				50,263
Total Revenues	<u>\$ 525,818</u>	<u>\$ 33,963</u>	<u>\$ 45,161</u>	<u>\$ 13,591</u>	<u>\$ 5,984</u>	<u>\$ 78,359</u>	<u>\$ 22,876</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ 761,095</u>
EXPENDITURES:										
General Government	\$ 139,338									\$ 139,338
Public Safety						\$ 306,645	\$ 41,472			348,117
Transportation and Public Works		\$ 158,919		\$ -						158,919
Culture and Recreation					\$ 29,420					29,420
Debt Service		5,000				8,889				13,889
Capital Outlay			\$ 29,639							29,639
Total Expenditures	<u>\$ 139,338</u>	<u>\$ 163,919</u>	<u>\$ 29,639</u>	<u>\$ -</u>	<u>\$ 29,420</u>	<u>\$ 315,534</u>	<u>\$ 41,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,322</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ 386,480</u>	<u>\$ (129,956)</u>	<u>\$ 15,522</u>	<u>\$ 13,591</u>	<u>\$ (23,436)</u>	<u>\$ (237,175)</u>	<u>\$ (18,596)</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ 41,773</u>
OTHER FINANCING SOURCES (USES):										
Operating Transfers In / (Out)	\$ (254,945)	\$ 72,720			\$ 21,264	\$ 145,066	\$ 15,895			
Total Other Financing Sources (Uses)	<u>\$ (254,945)</u>	<u>\$ 72,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,264</u>	<u>\$ 145,066</u>	<u>\$ 15,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 131,535</u>	<u>\$ (57,236)</u>	<u>\$ 15,522</u>	<u>\$ 13,591</u>	<u>\$ (2,172)</u>	<u>\$ (92,109)</u>	<u>\$ (2,701)</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ 41,773</u>
FUND BALANCE - MAY 1	<u>162,516</u>	<u>(15,484)</u>	<u>41,441</u>	<u>15,409</u>	<u>17,435</u>	<u>(34,292)</u>	<u>2,351</u>	<u>44,564</u>	<u>3,434</u>	<u>237,374</u>
Prior Period Adjustment						<u>18,245</u>	<u>(18,245)</u>			<u>-</u>
FUND BALANCE - APRIL 30	<u>\$ 294,051</u>	<u>\$ (72,720)</u>	<u>\$ 56,963</u>	<u>\$ 29,000</u>	<u>\$ 15,263</u>	<u>\$ (108,156)</u>	<u>\$ (18,595)</u>	<u>\$ 76,019</u>	<u>\$ 7,322</u>	<u>\$ 279,147</u>

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 41,773
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.	13,888
Changes in net pension obligations are reported only in the Statement of Activities	(124,617)
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 \$92,935 exceeded capital outlay of \$37,689 in the current period.	(55,246)
Change in Net Position of Governmental Activities	<u>\$ (124,202)</u>

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

CITY OF BUNKER HILL, ILLINOIS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
APRIL 30, 2017

	<u>WATER</u>	<u>SEWER</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS:				
Current Assets:				
Cash	\$ 103,538	\$ 515,117		\$ 618,655
Cash Investments	18,710			18,710
Restricted Cash	27,691	113,375	\$ 88,356	229,422
Accounts Receivable (Net of Allowance)	87,854	47,330	37,635	172,819
Due From Other Funds		10,900		10,900
Inventory	6,000	6,000		12,000
Total Current Assets	<u>\$ 243,793</u>	<u>\$ 692,722</u>	<u>\$ 125,991</u>	<u>\$ 1,062,506</u>
Capital Assets:				
Property, Plant, and Equipment	\$ 4,171,529	\$ 6,179,981		\$ 10,351,510
Less Accumulated Depreciation	(2,270,220)	(1,933,409)		(4,203,629)
Net Capital Assets	<u>\$ 1,901,309</u>	<u>\$ 4,246,572</u>	<u>\$ -</u>	<u>\$ 6,147,881</u>
Deferred Outflows of Resources				
Deferred Outflow Related to Pension Liability	<u>\$ 51,964</u>	<u>\$ 49,690</u>		<u>\$ 101,654</u>
Total Assets	<u><u>\$ 2,197,066</u></u>	<u><u>\$ 4,988,984</u></u>	<u><u>\$ 125,991</u></u>	<u><u>\$ 7,312,041</u></u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 7,125	\$ 6,742		\$ 13,867
Customer Deposits	56,311			56,311
Accrued Payroll	815	815		1,630
Accrued Payroll Taxes and Retirement	178	178		356
Bonds Payable - In One Year	20,000	44,000		64,000
Interest Payable - Current	3,749			3,749
Total Current Liabilities	<u>\$ 88,178</u>	<u>\$ 51,735</u>	<u>\$ -</u>	<u>\$ 139,913</u>
Long-Term Liabilities:				
Pension Liability	\$ 123,335	\$ 123,663		\$ 246,998
Bonds and Notes Payable Beyond One Year	285,000	2,412,000		2,697,000
Total Long-Term Liabilities	<u>\$ 408,335</u>	<u>\$ 2,535,663</u>	<u>\$ -</u>	<u>\$ 2,943,998</u>
Deferred Inflows of Resources				
Deferred Inflow Related to Pension Liability	<u>\$ 1,073</u>	<u>\$ 1,203</u>	<u>\$ -</u>	<u>\$ 2,276</u>
Total Liabilities	<u>\$ 497,586</u>	<u>\$ 2,588,601</u>	<u>\$ -</u>	<u>\$ 3,086,187</u>
NET POSITION:				
Investment in Capital Assets	\$ 1,596,309	\$ 1,790,572		\$ 3,386,881
Restricted for:				
Current Bond Maturities			\$ 105,116	105,116
Future Bond Maturities		113,375	2,075	115,450
Sewer Reserves, Replacement, and Maintenance			18,800	18,800
Unrestricted	103,171	496,436		599,607
Total Net Position	<u>\$ 1,699,480</u>	<u>\$ 2,400,383</u>	<u>\$ 125,991</u>	<u>\$ 4,225,854</u>
Total Liabilities and Net Position	<u><u>\$ 2,197,066</u></u>	<u><u>\$ 4,988,984</u></u>	<u><u>\$ 125,991</u></u>	<u><u>\$ 7,312,041</u></u>

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, 2017

	<u>WATER</u>	<u>SEWER</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
OPERATING REVENUES:				
Water and Sewer Collections	\$ 601,076	\$ 427,394		\$1,028,470
Connection Fees	6,855			6,855
Penalties	9,283	7,289		16,572
Refunds and Reimbursements	31,441	12,126		43,567
Total Revenues	<u>\$ 648,655</u>	<u>\$ 446,809</u>	<u>\$ -</u>	<u>\$1,095,464</u>
OPERATING EXPENSES:				
Cost of Water	\$ 298,552			\$ 298,552
Salaries and Wages	55,795	\$ 57,261		113,056
Payroll Taxes and Fringe Benefits	67,419	67,599		135,018
Repairs and Maintenance	39,675	56,907		96,582
Professional Fees	13,863	9,892		23,755
Equipment Rental	2,696			2,696
Supplies	15,232	8,564		23,796
Telephone and Utilities	18,517	6,932		25,449
Insurance	10,368	10,368		20,736
Travel and Auto	3,053	2,858		5,911
Depreciation	132,404	165,321		297,725
Other Expenses	5,726	4,951		10,677
Total Expenses	<u>\$ 663,300</u>	<u>\$ 390,653</u>	<u>\$ -</u>	<u>\$1,053,953</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>\$ (14,645)</u>	<u>\$ 56,156</u>	<u>\$ -</u>	<u>\$ 41,511</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	\$ 68	\$ 1,011		\$ 1,079
Property Taxes			\$ 35,881	35,881
Grant Revenue	276,351	101,000		377,351
Interest Expense		(52,659)	(15,633)	(68,292)
Total Non-Operating Revenues (Expenses)	<u>\$ 276,419</u>	<u>\$ 49,352</u>	<u>\$ 20,248</u>	<u>\$ 346,019</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 261,774</u>	<u>\$ 105,508</u>	<u>\$ 20,248</u>	<u>\$ 387,530</u>
TOTAL OPERATING TRANSFERS (TO) FROM OTHER FUNDS	<u>\$ 77,290</u>		<u>\$ (77,290)</u>	<u>\$ -</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 339,064</u>	<u>\$ 105,508</u>	<u>\$ (57,042)</u>	<u>\$ 387,530</u>
NET POSITION - MAY 1	<u>1,360,416</u>	<u>2,294,875</u>	<u>183,033</u>	<u>3,838,324</u>
NET POSITION - APRIL 30	<u>\$1,699,480</u>	<u>\$2,400,383</u>	<u>\$ 125,991</u>	<u>\$4,225,854</u>

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, 2017

	WATER	SEWER	OTHER PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Collections From Customers	\$ 588,300	\$ 448,081		\$ 1,036,381
Other Income	31,441	12,126		43,567
Payroll Expenditures	(123,103)	(124,746)		(247,849)
Payments for Goods and Services	(507,301)	(109,807)		(617,108)
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,663)</u>	<u>\$ 225,654</u>	<u>\$ -</u>	<u>\$ 214,991</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Fixed Assets (Net)	\$ (333,910)	\$ (164,808)		\$ (498,718)
Principal Payments	(20,000)	(44,000)		(64,000)
Interest Paid		(52,659)	\$ (15,633)	(68,292)
Taxes Collected for Water Bonds Payable			35,881	35,881
Grant Received for Capital Additions	276,351	101,000		377,351
Transfers (to) from other Funds	77,290		(77,290)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (269)</u>	<u>\$ (160,467)</u>	<u>\$ (57,042)</u>	<u>\$ (217,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income Received	\$ 68	\$ 1,011		\$ 1,079
Net Cash Provided (Used) by Investing Activities	<u>\$ 68</u>	<u>\$ 1,011</u>	<u>\$ -</u>	<u>\$ 1,079</u>
NET INCREASE (DECREASE) IN CASH	\$ (10,864)	\$ 66,198	\$ (57,042)	\$ (1,708)
CASH AND CASH EQUIVALENTS - MAY 1	<u>160,803</u>	<u>562,294</u>	<u>145,398</u>	<u>868,495</u>
CASH AND CASH EQUIVALENTS - APRIL 30	<u><u>\$ 149,939</u></u>	<u><u>\$ 628,492</u></u>	<u><u>\$ 88,356</u></u>	<u><u>\$ 866,787</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (14,645)	\$ 56,156		\$ 41,511
Add Back Depreciation	132,404	165,321		297,725
Decrease (Increase) in Current Assets	(8,471)	23,610		15,139
(Decrease) Increase in Current Liabilities	(119,951)	(19,433)		(139,384)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (10,663)</u></u>	<u><u>\$ 225,654</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 214,991</u></u>

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

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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 \$56,963 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 (\$72,920) of assigned fund balances at April 30, 2017.

Restricted Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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 \$56,963 in restricted net position 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. The Business-Type Activities have \$239,366 of restricted net position related to the bonds issued as discussed in Note 10 of these financial statements.

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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 2. DEFINED BENEFIT PENSION PLAN (Continued)

Employees Covered by Benefit Terms

As of December 31, 2016, 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	11
Active Plan Members	<u>10</u>
Total	41

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 2016 was 12.29%. The City's annual contribution rate for the calendar year 2017 was 25.82%. For the fiscal year ended April 30, 2017, the City contributed \$45,453 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, 2016. 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, 2016:

- The **Actuarial Cost Method** used was Aggregate 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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	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:

- The long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and
- 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 plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.78%, and the resulting single discount rate is 7.50%.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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, 2015	\$2,952,063	\$2,130,417	\$821,646
Changes for the year:			
Service Cost	31,870	-	31,870
Interest on the Total Pension Liability	214,600	-	214,600
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	8,931	-	8,931
Changes of Assumptions	(11,228)	-	(11,228)
Contributions – City	-	45,453	(45,453)
Contributions – Employees	-	15,567	(15,567)
Net Investment Income	-	147,115	(147,115)
Benefit Payments, including Refunds of Employee Contributions	(190,339)	(190,339)	-
Other (Net Transfer)	-	15,318	(15,318)
Net Changes	53,834	33,114	20,720
Balances at December 31, 2016	<u>\$3,005,897</u>	<u>\$2,163,531</u>	<u>\$842,366</u>

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

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

	1% Lower (6.50%)	Current (7.50%)	1% Higher (8.50%)
Net Pension Liability	\$1,249,412	\$ 842,366	\$ 513,747

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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, 2017, the City recognized pension expense of \$45,453. At April 30, 2017, 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
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$239,305	\$ -
Changes of assumptions	3,555	(8,186)
Net difference between projected and actual earnings on pension plan investments	<u>95,737</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	<u>338,597</u>	<u>(8,186)</u>
<i>Pension Contributions made subsequent to the Measurement Date</i>	<u>-</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u><u>\$ 338,597</u></u>	<u><u>\$ (8,186)</u></u>

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
2017	\$ 157,977
2018	139,834
2019	30,921
2020	1,679
2021	-
Thereafter	<u>-</u>
Total	<u><u>\$ 330,411</u></u>

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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 \$1,122,943. Of this amount, \$872,943 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 2016 levy was passed by the board in 2016 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 2015 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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$254,945
Motor Fuel Tax Fund		
Street Fund	\$72,720	
Parks & Recreation Fund	21,264	
Police Protection	145,066	
Tort Fund	15,895	
Sewer Depreciation Fund		5,000
Sewer Bond Reserve Fund		65,000
Sewer Bond & Interest Fund	7,710	15,000
Water Funds	<u>85,000</u>	<u>7,710</u>
	<u>\$347,655</u>	<u>\$347,655</u>

NOTE 7. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City noted that an accrual was made on the Police Protection Fund for insurance expense. This accrual should have been made on the Tort Fund. Therefore, the Police Protection fund balance is understated by \$18,245, and the Tort fund balance is overstated by the same amount. The correction of this accrual is recorded as a prior period adjustment to properly reflect the expense on the Tort fund.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 8. CAPITAL ASSETS

A summary of capital assets at April 30, 2017 follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Balance May 1, 2016	\$3,585,978	\$9,852,792
Additions	<u>37,689</u>	<u>498,718</u>
Balance April 30, 2017	\$3,623,667	\$10,351,510
Less Accumulated Depreciation	<u>(1,590,272)</u>	<u>(4,203,629)</u>
	<u>\$2,033,395</u>	<u>\$ 6,147,881</u>

Depreciation expense for the current year was \$92,935 for Governmental Activities and \$297,725 for Business-Type Activities.

NOTE 9. 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 10. 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:

<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>	<u>Annual</u> <u>Debt Service</u>
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	4.750%	5,922	30,922	
08/01/2021			5,334	5,334	36,256
02/01/2022	25,000	5.100%	5,334	30,334	
Thereafter	185,000		34,851	219,851	

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 10. 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.

<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>	<u>Annual</u> <u>Debt Service</u>
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	
08/01/2021			3,824	3,824	12,760
02/01/2021	5,000	5.25%	3,824	8,824	
Thereafter	140,000		78,910	218,910	

Total interest paid by the City was \$9,214 for Governmental Fund Types and \$68,292 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 paid interest only during the construction period, and then initial principal payments began in 2016 and continue until fully paid in 2053.

The Bond agreement required the establishment of a Bond and Interest Account. Payments were 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 with monthly payments in the amount of \$2,574. Payments into these two reserve accounts were not required to begin until May 1, 2015.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 10. LONG TERM DEBT (Continued)

	<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>	<u>Annual</u> <u>Debt Service</u>
Series A						
	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
	05/01/2021	40,000	2.125%	21,038	61,038	
	11/01/2021			20,613	20,613	81,651
	Thereafter	\$1,940,000		744,382	2,684,382	
Series B						
	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
	05/01/2021	6,000	2.125%	3,124	9,124	
	11/01/2021			3,060	3,060	12,184
	Thereafter	\$288,000		109,522	397,522	

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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
04/30/2018	\$9,068	\$330	\$9,398
04/30/2019	9,250	147	9,397
04/30/2020	<u>2,300</u>	<u>8</u>	<u>2,308</u>
Total	<u>\$20,618</u>	<u>\$485</u>	<u>\$21,103</u>

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

NOTE 10. LONG TERM DEBT (Continued)

Following are the changes in long-term debt:

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
	<u>May 1, 2016</u>			<u>April 30, 2017</u>
Governmental Activities				
2009 General Obligation Bonds	\$170,000		\$5,000	\$165,000
United Community Bank Loan	29,507		8,889	20,618
Business-type Activities				
2008 Water Bonds	325,000		20,000	305,000
2013 Sewerage Revenue Bonds	2,500,000		44,000	2,456,000

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

<u>Assessed Valuation</u>	<u>\$16,735,378</u>
<u>Legal Debt Margin:</u>	
8.625% of \$16,735,378	\$1,443,426
General obligation debt outstanding	<u>(185,618)</u>
Total Debt Margin	<u>\$1,257,808</u>

NOTE 13. DEFICIT FUND BALANCES

The following funds had a deficit fund balance at April 30, 2017:

Special Revenue:	
Street Fund	\$ (72,790)
Police Protection Fund	(108,156)
Tort	(18,595)

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.

CITY OF BUNKER HILL, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

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

	2016 Taxes To Be Collected <u>In 2017</u>	2015 Taxes Collected In <u>2016</u>	2014 Taxes Collected In <u>2015</u>
Equalized Valuations	<u>\$16,735,378</u>	<u>\$17,087,356</u>	<u>\$16,774,554</u>
<u>Tax Rates:</u>			
General Corporate	.17829	.17829	.17622
Police Protection	.17795	.17795	.16857
Streets	.05701	.05701	.05655
Tort	.13346	.13346	.13485
IMRF	.18352	.18352	.16857
Audit	.02057	.02057	.01966
Social Security	.05005	.05005	.05057
Unemployment Taxes	.00556	.00556	.00562
ESDA	.00556	.00556	.00562
Bond & Interest	<u>.30171</u>	<u>.30171</u>	<u>.30733</u>
	<u>1.11368</u>	<u>1.11368</u>	<u>1.09356</u>
<u>Tax Extensions:</u>			
General Corporate	\$29,838	\$30,465	\$29,560
Police Protection	29,781	30,407	28,277
Streets	9,541	9,742	9,486
Tort	22,335	22,805	22,620
IMRF	30,713	31,359	28,277
Audit	3,442	3,515	3,298
Social Security	8,376	8,552	8,483
Unemployment Taxes	930	950	943
ESDA	930	950	943
Bond & Interest	<u>50,492</u>	<u>51,554</u>	<u>51,553</u>
	<u>\$186,378</u>	<u>\$190,299</u>	<u>\$183,440</u>
<u>Levy Date</u>	September 1		
<u>Assessment Date</u>	December 31		
<u>Due Dates</u>	Usually July and September		
<u>Lien Date</u>	January 1		
<u>Collection Dates</u>	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, 2017

Calendar Year Ended December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Pension Liability										
Service Cost	\$ 31,870	\$ 40,883								
Interest on the Total Pension Liability	214,600	176,920								
Benefit Changes										
Difference between Expected and Actual Experience	8,931	483,460								
Assumption Changes	(11,228)	7,381								
Benefit Payments and Refunds	(190,339)	(196,432)								
Net Change in Total Pension Liability	\$ 53,834	\$ 512,212								
Total Pension Liability - Beginning	2,952,063	2,439,851								
Total Pension Liability - Ending (A)	<u>\$ 3,005,897</u>	<u>\$ 2,952,063</u>								
Plan Fiduciary Net Position										
Employer Contributions	\$ 45,453	\$ 40,858								
Employee Contributions	15,567	62,351								
Pension Plan Net Investment Income	147,115	10,327								
Benefit Payments and Refunds	(190,339)	(196,432)								
Other	15,318	101,376								
Net Change in Plan Fiduciary Net Position	\$ 33,114	\$ 18,480								
Plan Fiduciary Net Position - Beginning	2,130,417	2,111,937								
Plan Fiduciary Net Position - Ending (B)	<u>\$ 2,163,531</u>	<u>\$ 2,130,417</u>								
Net Pension Liability/(Asset) - Ending (A) - (B)	\$ 842,366	\$ 821,646								
Plan Fiduciary Net Position as a Percentage of										
Total Pension Liability	71.98%	72.17%								
Covered Valuation Payroll	\$ 345,916	\$ 331,903								
Net Pension Liability as a Percentage of										
Covered Valuation Payroll	243.52%	247.56%								

CITY OF BUNKER HILL, ILLINOIS
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2017

<u>CALENDAR</u> <u>YEAR ENDING</u> <u>DECEMBER 31,</u>	<u>ACTUARIALLY</u> <u>DETERMINED</u> <u>CONTRIBUTION</u>	<u>ACTUAL</u> <u>CONTRIBUTION</u>	<u>CONTRIBUTION</u> <u>DEFICIENCY</u> <u>(EXCESS)</u>	<u>COVERED</u> <u>PAYROLL</u>	<u>ACTUAL</u> <u>CONTRIBUTION</u> <u>AS A % OF</u> <u>COVERED</u> <u>PAYROLL</u>
2016	\$ 45,453	\$ 45,453	\$ -	\$ 345,916	13.14%
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 2016 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 2016 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period Taxing bodies (Regular, SLEP, and ECO groups): 27-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan Liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% - 14.50% 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 2014 valuation pursuant to an experience study of the period 2011 - 2013.

Mortality

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF Specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BUNKER HILL, ILLINOIS
BALANCE SHEET
GENERAL CORPORATE FUND
APRIL 30, 2017
(COMPARED TO APRIL 30, 2016)

	<u>GENERAL CORPORATE FUND</u>	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash	\$ 81,851	\$ 41,823
Cash Investments	140,881	77,234
Property Tax Receivable	37,147	37,147
State Income and Use Tax Receivable	55,178	35,391
Sales and Telecom Tax Receivable	31,245	32,456
Total Assets	<u>\$ 346,302</u>	<u>\$ 224,051</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable		\$ 23,577
Accrued Expenses		158
Due To Other Funds	\$ 14,562	
Accrued Payroll	445	536
Accrued Payroll Taxes and Retirement	97	117
Deferred Tax Revenue	37,147	37,147
Total Liabilities	<u>\$ 52,251</u>	<u>\$ 61,535</u>
FUND BALANCE:		
Unassigned	\$ 294,051	\$ 162,516
Total Liabilities and Fund Balance	<u>\$ 346,302</u>	<u>\$ 224,051</u>

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL CORPORATE FUND
FOR THE FISCAL YEAR ENDED APRIL 30, 2017
(COMPARED TO THE FISCAL YEAR ENDED APRIL 30, 2015)

	<u>GENERAL CORPORATE FUND</u>	
	<u>2017</u>	<u>2016</u>
REVENUES:		
Property Taxes	\$ 37,297	\$ 36,938
State Income Taxes	231,231	230,011
Sales and Use Tax	148,580	158,627
Replacement Taxes	2,515	2,454
Telecommunication Taxes	37,898	37,843
Video Gaming Taxes	13,289	10,071
Licenses and Permits	14,026	4,281
Rental Income	13,355	16,305
Service, Reimbursements and Other Income	27,627	8,760
Total Revenues	<u>\$ 525,818</u>	<u>\$ 505,290</u>
EXPENDITURES:		
Salaries and Wages	\$ 59,082	\$ 44,542
Payroll Taxes and Fringe Benefits	32,612	19,119
Insurance	750	1,100
Repairs and Maintenance	14,604	
Professional Fees	14,148	18,484
Supplies	3,871	14,658
Telephone and Utilities	9,981	18,195
Library Portion of PPRT		985
Other Expenditures	4,290	6,682
Total Expenditures	<u>\$ 139,338</u>	<u>\$ 123,765</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ 386,480	\$ 381,525
OTHER FINANCING SOURCES (USES):		
Operating Transfers In / (Out)	<u>(254,945)</u>	<u>(374,053)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 131,535	\$ 7,472
FUND BALANCE - MAY 1	<u>162,516</u>	<u>155,044</u>
FUND BALANCE - APRIL 30	<u>\$ 294,051</u>	<u>\$ 162,516</u>

CITY OF BUNKER HILL, ILLINOIS
 COMBINING BALANCE SHEETS
 SPECIAL REVENUE FUNDS
 APRIL 30, 2017
 (COMPARED TO APRIL 30, 2016)

	<u>STREET FUND</u>	<u>MOTOR FUEL TAX FUND</u>	<u>ROAD AND BRIDGES FUND</u>	<u>PARKS AND RECREATION FUND</u>	<u>POLICE PROTECTION FUND</u>	<u>TORT</u>	<u>RETIREMENT</u>	<u>TAX INCREMENT FINANCING FUND</u>	<u>TOTALS</u>	
									<u>2017</u>	<u>2016</u>
ASSETS:										
Current Assets:										
Cash	\$ (70,024)	\$ 48,916	\$ 39,900	\$ 754	\$ (104,785)	\$ 2,141	\$ 76,019	\$ 7,322	\$ 243	\$ 78,762
Cash Investments					1,152				1,152	20,556
Property Taxes Receivable	27,779				33,574	22,805	31,359		115,517	115,517
Due From Other Funds				14,562					14,562	
Accounts Receivable		8,047							8,047	22,609
Total Assets	<u>\$ (42,245)</u>	<u>\$ 56,963</u>	<u>\$ 39,900</u>	<u>\$ 15,316</u>	<u>\$ (70,059)</u>	<u>\$ 24,946</u>	<u>\$ 107,378</u>	<u>\$ 7,322</u>	<u>\$ 139,521</u>	<u>\$ 237,444</u>
LIABILITIES AND FUND BALANCES:										
Liabilities										
Accounts Payable	\$ 1,379			\$ 53	\$ 1,375	\$ 20,736			\$ 23,543	\$ 43,840
Due to Other Funds			\$ 10,900						10,900	
Accrued Payroll	1,081				2,583				3,664	2,650
Accrued Payroll Taxes and Retirement	236				565				801	579
Deferred Tax Revenue	27,779				33,574	22,805	\$ 31,359		115,517	115,517
Total Current Liabilities	<u>\$ 30,475</u>	<u>\$ -</u>	<u>\$ 10,900</u>	<u>\$ 53</u>	<u>\$ 38,097</u>	<u>\$ 43,541</u>	<u>\$ 31,359</u>	<u>\$ -</u>	<u>\$ 154,425</u>	<u>\$ 162,586</u>
FUND BALANCES:										
Restricted		\$ 56,963							\$ 56,963	\$ 41,441
Assigned	<u>\$ (72,720)</u>		<u>\$ 29,000</u>	<u>\$ 15,263</u>	<u>\$ (108,156)</u>	<u>\$ (18,595)</u>	<u>\$ 76,019</u>	<u>\$ 7,322</u>	<u>(71,867)</u>	<u>33,417</u>
Total Fund Balances	<u>\$ (72,720)</u>	<u>\$ 56,963</u>	<u>\$ 29,000</u>	<u>\$ 15,263</u>	<u>\$ (108,156)</u>	<u>\$ (18,595)</u>	<u>\$ 76,019</u>	<u>\$ 7,322</u>	<u>\$ (14,904)</u>	<u>\$ 74,858</u>
Total Liabilities and Fund Balances	<u>\$ (42,245)</u>	<u>\$ 56,963</u>	<u>\$ 39,900</u>	<u>\$ 15,316</u>	<u>\$ (70,059)</u>	<u>\$ 24,946</u>	<u>\$ 107,378</u>	<u>\$ 7,322</u>	<u>\$ 139,521</u>	<u>\$ 237,444</u>

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, 2017
 (COMPARED TO THE FISCAL YEAR ENDED APRIL 30, 2016)

	STREET FUND	MOTOR FUEL TAX FUND	ROAD AND BRIDGES FUND	PARKS AND RECREATION FUND	POLICE PROTECTION FUND	TORT	RETIREMENT FUND	TAX INCREMENT FINANCING FUND	TOTAL 2017	2016
REVENUES:										
Property Taxes	\$ 26,065		\$ 11,677		\$ 33,679	\$ 22,876	\$ 31,455	\$ 3,888	\$ 129,640	\$ 129,437
Motor Fuel Taxes		\$ 45,118							45,118	45,513
Rental Income									-	-
Grant Income										
Interest Income		43	45	\$ 10					98	145
Fines and Fees					37,785				37,785	14,923
Service, Reimbursements and Other Income	7,898		1,869	5,974	6,895				22,636	23,263
Total Revenues	<u>\$ 33,963</u>	<u>\$ 45,161</u>	<u>\$ 13,591</u>	<u>\$ 5,984</u>	<u>\$ 78,359</u>	<u>\$ 22,876</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ 235,277</u>	<u>\$ 213,281</u>
EXPENDITURES:										
Salaries and Wages	\$ 61,400			\$ 2,812	\$ 170,744				\$ 234,956	\$ 235,976
Payroll Taxes and Fringe Benefits	41,789			584	68,291				110,664	75,985
Insurance						\$ 41,472			41,472	54,023
Professional Fees	2,725			2,606	19,772				25,103	22,986
Repairs and Maintenance	1,353			6,171	2,497				10,021	70,131
Supplies	6,557			5,083	15,117				26,757	20,054
Telephone and Utilities	4,841			1,858	6,387				13,086	17,449
Training and Conferences					5,650				5,650	-
Street Lighting	16,019								16,019	14,255
Travel and Auto	7,243				13,269				20,512	15,307
Capital Outlay	1,768	\$ 29,639		10,000					41,407	46,958
Debt Payment	13,705				8,889				22,594	22,603
Other Expenditures	6,519			306	4,918				11,743	24,990
Total Expenditures	<u>\$ 163,919</u>	<u>\$ 29,639</u>	<u>\$ -</u>	<u>\$ 29,420</u>	<u>\$ 315,534</u>	<u>\$ 41,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 579,984</u>	<u>\$ 620,717</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ (129,956)</u>	<u>\$ 15,522</u>	<u>\$ 13,591</u>	<u>\$ (23,436)</u>	<u>\$ (237,175)</u>	<u>\$ (18,596)</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ (344,707)</u>	<u>\$ (407,436)</u>
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	\$ 72,720			\$ 21,264	\$ 145,066	\$ 15,895			\$ 254,945	\$ 389,223
Operating Transfers Out									-	(15,170)
Total Other Financing Sources (Uses)	<u>\$ 72,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,264</u>	<u>\$ 145,066</u>	<u>\$ 15,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,945</u>	<u>\$ 374,053</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (57,236)</u>	<u>\$ 15,522</u>	<u>\$ 13,591</u>	<u>\$ (2,172)</u>	<u>\$ (92,109)</u>	<u>\$ (2,701)</u>	<u>\$ 31,455</u>	<u>\$ 3,888</u>	<u>\$ (89,762)</u>	<u>\$ (33,383)</u>
FUND BALANCE - MAY 1	<u>(15,484)</u>	<u>41,441</u>	<u>15,409</u>	<u>17,435</u>	<u>(34,292)</u>	<u>2,351</u>	<u>44,564</u>	<u>3,434</u>	<u>74,858</u>	<u>79,151</u>
PRIOR PERIOD ADJUSTMENT					<u>18,245</u>	<u>(18,245)</u>			<u>\$ -</u>	
FUND BALANCE - APRIL 30	<u>\$ (72,720)</u>	<u>\$ 56,963</u>	<u>\$ 29,000</u>	<u>\$ 15,263</u>	<u>\$ (108,156)</u>	<u>\$ (18,595)</u>	<u>\$ 76,019</u>	<u>\$ 7,322</u>	<u>\$ (14,904)</u>	<u>\$ 45,768</u>

CITY OF BUNKER HILL, ILLINOIS
COMBINING BALANCE SHEETS
ENTERPRISE FUNDS
APRIL 30, 2017
(COMPARED TO APRIL 30, 2016)

	WATER FUND	SEWER FUND	BOND AND INTEREST FUND	SEWER DEPRECIATION FUND	SEWER BOND RESERVE FUND	TOTALS 2017	2016
ASSETS:							
Current Assets:							
Cash	\$ 103,538	\$ 515,117	\$ 67,481	\$ 18,800	\$ 2,075	\$ 707,011	\$ 627,396
Cash Investments	18,710					18,710	69,460
Restricted Cash	27,691	113,375				141,066	171,639
Accounts Receivable (net of allowance)	87,854	47,330	37,635			172,819	158,908
Due From Other Funds		10,900				10,900	
Inventory	6,000	6,000				12,000	12,000
Total Current Assets	<u>\$ 243,793</u>	<u>\$ 692,722</u>	<u>\$ 105,116</u>	<u>\$ 18,800</u>	<u>\$ 2,075</u>	<u>\$ 1,062,506</u>	<u>\$ 1,039,403</u>
Capital Assets:							
Property, Plant, and Equipment	\$4,171,529	\$6,179,981				\$10,351,510	\$ 9,852,792
Less: Accumulated Depreciation	(2,270,220)	(1,933,409)				(4,203,629)	(3,905,903)
Net Capital Assets	<u>\$1,901,309</u>	<u>\$4,246,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,147,881</u>	<u>\$ 5,946,889</u>
Deferred Outflows of Resources							
Deferred Outflow Related to Pension Liability	<u>\$ 51,964</u>	<u>\$ 49,690</u>				<u>\$ 101,654</u>	<u>\$ 141,604</u>
Total Assets	<u>\$2,197,066</u>	<u>\$4,988,984</u>	<u>\$ 105,116</u>	<u>\$ 18,800</u>	<u>\$ 2,075</u>	<u>\$ 7,312,041</u>	<u>\$ 7,127,896</u>
LIABILITIES AND FUND NET ASSETS:							
Liabilities							
Accounts Payable	\$ 7,125	\$ 6,742				\$ 13,867	\$ 159,699
Customer Deposits	56,311					56,311	57,916
Accrued Payroll	815	815				1,630	1,442
Accrued Payroll Taxes and Retirement	178	178				356	316
Interest Payable	3,749					3,749	3,961
Bonds Payable - Current Portion	20,000	44,000				64,000	20,000
Total Current Liabilities	<u>\$ 88,178</u>	<u>\$ 51,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,913</u>	<u>\$ 243,334</u>
Long-Term Liabilities							
Pension Liability	\$ 123,335	\$ 123,663				\$ 246,998	\$ 241,238
Bonds and Notes Payable - Net of Current Portion	285,000	2,412,000				2,697,000	2,805,000
Total Long Term Liabilities	<u>\$ 408,335</u>	<u>\$2,535,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,943,998</u>	<u>\$ 3,046,238</u>
Deferred Inflows of Resources							
Deferred Inflow Related to Pension Liability	<u>\$ 1,073</u>	<u>\$ 1,203</u>				<u>\$ 2,276</u>	
Total Liabilities	<u>\$ 497,586</u>	<u>\$2,588,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,086,187</u>	<u>\$ 3,289,572</u>
FUND NET ASSETS:							
Investment in Capital Assets, Net of Related Debt	\$1,596,309	\$1,790,572				\$ 3,386,881	\$ 3,121,889
Restricted for:							
Current Bond Maturities			\$ 105,116			105,116	92,158
Future Bond Maturities		113,375			\$ 2,075	115,450	168,562
Sewer Reserves, Replacement, and Maintenance				\$ 18,800		18,800	93,952
Unrestricted	103,171	496,436				599,607	361,763
Total Fund Net Assets	<u>\$1,699,480</u>	<u>\$2,400,383</u>	<u>\$ 105,116</u>	<u>\$ 18,800</u>	<u>\$ 2,075</u>	<u>\$ 4,225,854</u>	<u>\$ 3,838,324</u>
Total Liabilities and Fund Net Assets	<u>\$2,197,066</u>	<u>\$4,988,984</u>	<u>\$ 105,116</u>	<u>\$ 18,800</u>	<u>\$ 2,075</u>	<u>\$ 7,312,041</u>	<u>\$ 7,127,896</u>

CITY OF BUNKER HILL, ILLINOIS
 COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED APRIL 30, 2017
 (COMPARED TO FISCAL YEAR ENDED APRIL 30, 2016)

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>BOND AND INTEREST FUND</u>	<u>SEWER DEPRECIATION FUND</u>	<u>SEWER BOND RESERVE</u>	<u>TOTAL</u>	
						<u>2017</u>	<u>2016</u>
OPERATING REVENUES:							
Water and Sewer Collections	\$ 601,076	\$ 427,394				\$ 1,028,470	\$ 909,283
Connection Fees	6,855					6,855	12,366
Penalties	9,283	7,289				16,572	16,818
Refunds and Reimbursements	31,441	12,126				43,567	26,608
Total Operating Revenues	<u>\$ 648,655</u>	<u>\$ 446,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,464</u>	<u>\$ 965,075</u>
OPERATING EXPENSES:							
Cost of Water	\$ 298,552					\$ 298,552	\$ 273,372
Salaries and Wages	55,795	\$ 57,261				113,056	108,272
Payroll Taxes and Fringe Benefits	67,419	67,599				135,018	84,512
Repairs and Maintenance	39,675	56,907				96,582	99,965
Professional Fees	13,863	9,892				23,755	54,405
Equipment Rental	2,696					2,696	51,425
Supplies	15,232	8,564				23,796	23,651
Telephone and Utilities	18,517	6,932				25,449	42,261
Insurance	10,368	10,368				20,736	36,016
Travel and Auto	3,053	2,858				5,911	1,869
Depreciation	132,404	165,321				297,725	310,982
Other Expenses	5,726	4,951				10,677	10,091
Total Operating Expenses	<u>\$ 663,300</u>	<u>\$ 390,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,053,953</u>	<u>\$ 1,096,821</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>\$ (14,645)</u>	<u>\$ 56,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,511</u>	<u>\$ (131,746)</u>
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	\$ 68	\$ 1,011				\$ 1,079	\$ 617
Property Taxes			\$ 35,881			35,881	37,427
Grant Revenue	276,351	101,000				377,351	125,910
Interest Expense		(52,659)	(15,633)			(68,292)	(69,589)
Total Non-Operating Revenues (Expenses)	<u>\$ 276,419</u>	<u>\$ 49,352</u>	<u>\$ 20,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,019</u>	<u>\$ 94,365</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 261,774</u>	<u>\$ 105,508</u>	<u>\$ 20,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,530</u>	<u>\$ (37,381)</u>
TOTAL OPERATING TRANSFERS (TO) FROM OTHER FUNDS	<u>\$ 77,290</u>		<u>\$ (7,290)</u>	<u>\$ (5,000)</u>	<u>\$ (65,000)</u>	<u>\$ -</u>	<u>\$ -</u>
INCREASE (DECREASE) IN FUND NET ASSETS	<u>\$ 339,064</u>	<u>\$ 105,508</u>	<u>\$ 12,958</u>	<u>\$ (5,000)</u>	<u>\$ (65,000)</u>	<u>\$ 387,530</u>	<u>\$ (37,381)</u>
FUND NET ASSETS - MAY 1	1,360,416	2,294,875	92,158	\$ 23,800	\$ 67,075	3,838,324	3,959,985
Prior Period Adjustment						-	(84,280)
FUND NET ASSETS - APRIL 30	<u>\$ 1,699,480</u>	<u>\$ 2,400,383</u>	<u>\$ 105,116</u>	<u>\$ 18,800</u>	<u>\$ 2,075</u>	<u>\$ 4,225,854</u>	<u>\$ 3,838,324</u>

FEDERAL FINANCIAL COMPLIANCE SECTION

Independent Auditor's 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

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 Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The City of Bunker Hill, Illinois' 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, Illinois' 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

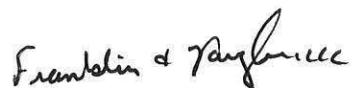
Management of the City of Bunker Hill, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bunker Hill, Illinois' 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 the 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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2017-001 to be significant deficiencies.

The City of Bunker Hill, Illinois' response to the internal control over compliance findings identified in our audit is 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.

A handwritten signature in cursive script that reads "Franklin & Vaughn".

Franklin & Vaughn, LLC
Edwardsville, IL
November 7, 2017

CITY OF BUNKER HILL, ILLINOIS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2017

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, 2017. 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, 2017

Federal Grantor/Pass-Through Grantor				<u>Expenditures</u>	
Program Title	<u>CFDA</u>	<u>Pass-through Entity</u>	<u>Prior Year</u>	<u>May 1, 2016 -</u>	<u>Final Status</u>
	<u>Number</u>	<u>Identifying Number</u>	<u>Expenditures</u>	<u>April 30, 2017</u>	
United States Department of Agriculture					
Sewerage Revenue Bonds, Series 2013	10.76		\$ 2,500,000	\$ -	\$ 2,500,000
Rural Development Grant	10.76			101,000	101,000
Department of Housing and Urban Development					
Community Development Block Grants	14.228			276,351	276,351
Total				<u>\$ 377,351</u>	

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, 2017

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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, 2017

SECTION 2

FINDINGS

Finding 2017-001

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:

See Management's response and corrective action plan on page 46 of this report.

CITY OF BUNKER HILL, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SCHEDULE OF FEDERAL AWARDS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2017

SECTION 3

FINDINGS

None Identified



CITY OF BUNKER HILL

801 South Franklin Street • Bunker Hill, Illinois 62014
Telephone 618-585-4632 • Fax 618-585-3829



Corrective Action Plan

United States Department of Agriculture

Bunker Hill, Illinois respectfully submits the following corrective action plan for the year ended April 30, 2017.

Name and address of independent public accounting firm:

Franklin & Vaughn, LLC
#1 Sunset Hills Professional Center, Ste D
Edwardsville, IL 62025

Audit Period: For the Year Ended April 30, 2017

The findings from the April 30, 2017 schedule of findings and questioned costs are discussed below. The findings are number consistently with the numbers assigned in the schedule.

Finding – Financial Statement Audit

Significant Deficiency

Finding 2017-001

Condition, criteria, cause and effect: 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. 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 the financial statements, in conformity with U.S generally accepted accounting principles. 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.

Questioned Costs: Not applicable

Recommendation: The City should consider the costs and benefits of hiring additional expertise or training accounting personnel to ensure the City's financial statements are prepared in accordance with generally accepted accounting principles.

View of Responsible Officials and Planned Corrective Action: Management has considered the recommendation, but feels that it does not have the necessary resources to expend general or department funds to address this finding.

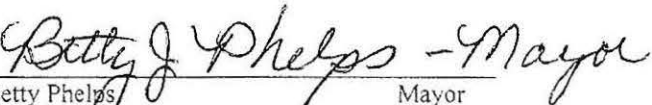
"The City of Bunker Hill is an equal opportunity provider and employer."

The City of Bunker Hill does not discriminate in admission, access to, treatment or employment in programs or activities on the basis of a handicap in violation of section 504 of the Rehabilitation Act.

Management will continue to rely on the assistance of Franklin & Vaughn in the preparation of the City's financial statements and related disclosures in accordance with generally accepted accounting principles. Management will continue to oversee and approve the financial statements and related disclosures, and take responsibility for them.

If the U.S. Department of Agriculture has any questions regarding this plan, please contact Betty Phelps, Mayor of Bunker Hill at (618) 585-4632

Sincerely,


Betty Phelps Mayor