

CITY OF SPRINGFIELD, ILLINOIS

ELECTRIC LIGHT AND POWER FUND
(An Enterprise Fund of the City of Springfield, Illinois)

For the Years Ended February 29, 2016
and February 28, 2015



CITY OF SPRINGFIELD - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Springfield, Illinois

We have audited the accompanying financial statements of the Electric Light and Power Fund, an Enterprise Fund of the City of Springfield, Illinois, as of and for the years ended February 29, 2016 and February 28, 2015, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Light and Power Fund of the City of Springfield, Illinois, as of February 29, 2016 and February 28, 2015, and the changes in financial position and the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year ended February 29, 2016. The implementation of this guidance resulted in changes to the pension-related expense and certain disclosures in the notes to the financial statements. The data as of February 28, 2015 was not restated as the required information was not available. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Light and Power Fund and do not purport to, and do not present fairly the financial position of the City of Springfield, Illinois, as of February 29, 2016 and February 28, 2015, the changes in its financial position, and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Springfield, Illinois
June 28, 2016

FINANCIAL STATEMENTS

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

Balance Sheets

February 29, 2016 and February 28, 2015

	2016	2015
Assets		
Utility plant (Note 2):		
Property, plant and equipment in service	\$ 1,494,332,546	\$ 1,493,232,422
Less accumulated depreciation	652,772,714	623,192,871
	841,559,832	870,039,551
Construction work in progress	14,127,790	1,674,166
Net utility plant	855,687,622	871,713,717
Other property and investments, nonutility property (Note 3)	4,986,658	4,986,658
Restricted assets:		
Cash and cash equivalents, (Notes 4 and 5)	45,742,731	52,268,312
Investments (Notes 4 and 5)	2,495,475	8,211,500
Accrued interest receivable	5,297	12,805
Total restricted assets	48,243,503	60,492,617
Current assets:		
Cash and cash equivalents (Note 4)	14,606,967	13,083,884
Investments (Notes 4 and 5)	245,000	-
Accounts receivable:		
Billed, net of allowance for doubtful accounts of \$196,240 and \$126,485 in 2016 and 2015, respectively	26,311,028	19,009,431
Unbilled utility revenues	9,189,250	9,352,207
Inventories, material and supplies	21,757,757	18,519,418
Prepaid expenses and other assets	1,709,213	2,104,678
Due from primary government (Note 6)	892,201	3,396,343
Total current assets	74,711,416	65,465,961
Prepaid insurance and other prepaids (Note 5)	494,233	1,597,270
Total assets	984,123,432	1,004,256,223
Deferred outflows of resources		
Loss on refunding	10,035,583	44,383
IMRF Pension	19,815,707	-
	29,851,290	44,383
Total assets and deferred outflows of resources	\$ 1,013,974,722	\$ 1,004,300,606

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

Balance Sheets

February 29, 2016 and February 28, 2015

	2016	2015
Net Position and Liabilities		
Net position:		
Net investment in capital assets	\$ 295,266,766	\$ 304,694,445
Restricted for debt service	28,361,942	28,866,486
Restricted for system repairs and improvements	7,601,833	9,079,635
Unrestricted	(42,753,849)	(12,120,076)
Total net position	288,476,692	330,520,490
Noncurrent liabilities:		
Long-term debt, net of current installments (Note 5)	556,602,020	566,192,431
IMRF pension obligation (Note 9)	57,559,109	2,201,198
Other postemployment benefits obligation (Note 14)	45,273,553	33,943,607
Long-term compensated absences payable (Note 1)	2,867,629	2,331,138
Long-term workers' compensation claims (Note 11)	1,068,721	1,060,191
Total noncurrent liabilities	663,371,032	605,728,565
Current liabilities payable from restricted assets:		
Current installments of long-term debt (Note 5)	14,585,000	14,235,000
Accrued interest payable	6,499,687	14,113,253
Total current liabilities payable from restricted assets	21,084,687	28,348,253
Current liabilities:		
Accounts and contracts payable	23,140,078	21,785,329
Accrued payroll	2,273,727	2,020,112
Unearned revenue	2,675,325	-
Compensated absences payable (Note 1)	3,376,119	3,251,628
Due to primary government (Note 6)	7,350,095	10,163,640
Deposits payable	1,543,686	1,463,975
Other payables and workers compensation claims (Note 11)	683,281	1,018,614
Total current liabilities	41,042,311	39,703,298
Total liabilities	725,498,030	673,780,116
Total net position and liabilities	\$ 1,013,974,722	\$ 1,004,300,606

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

Statements of Revenues, Expenses and Changes in Net Position

Years Ended February 29, 2016 and February 28, 2015

	<u>2016</u>	<u>2015</u>
Operating revenues, electric revenues and other	<u>\$ 237,772,754</u>	<u>\$ 244,679,049</u>
(net of sales tax expense of \$5,277,208 and \$5,400,920 in 2016 and 2015, respectively)		
Operating expenses:		
Production:		
Fuel cost	46,265,969	58,867,091
Operations and maintenance	79,892,750	88,808,042
Transmission	5,646,892	5,192,773
Distribution	13,808,619	14,593,381
Accounting and collection	6,499,260	6,670,959
Customer services	899,233	1,542,195
Administrative and general	9,064,832	10,952,085
Depreciation	32,736,776	32,633,733
Other postemployment benefits (Note 14)	12,882,032	7,148,844
IMRF pension expense (Note 9)	-	42,905
Total operating expenses	<u>207,696,363</u>	<u>226,452,008</u>
Operating income	<u>30,076,391</u>	<u>18,227,041</u>
Nonoperating income (expense):		
Other income (expense)	(390,870)	(71,625)
Amortization of surety premium	(66,342)	(73,113)
Investment income	59,735	25,272
Interest charges (Note 7)	(25,596,002)	(27,220,073)
Nonutility income (Note 3)	74,890	81,911
Total nonoperating income (expense)	<u>(25,918,589)</u>	<u>(27,257,628)</u>
Change in net position before contributions and transfers	4,157,802	(9,030,587)
Contribution revenue (Note 1)	874,301	1,435,136
Transfer out (Note 13)	<u>(8,643,964)</u>	<u>(5,029,332)</u>
Change in net position	(3,611,861)	(12,624,783)
Net position, beginning of year	330,520,490	343,145,273
Change in accounting principle	<u>(38,431,937)</u>	<u>-</u>
Net position, beginning of year - as restated	<u>292,088,553</u>	<u>343,145,273</u>
Net position, end of year	<u>\$ 288,476,692</u>	<u>\$ 330,520,490</u>

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

Statements of Cash Flows

Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 231,537,518	\$ 245,047,251
Receipts from primary government	1,947,008	2,563,518
Payment to suppliers	(94,426,141)	(104,808,218)
Payments to employees	(44,890,153)	(47,046,847)
Payments to primary government	(28,456,068)	(35,365,866)
Net cash from operating activities	65,712,164	60,389,838
Cash flows from noncapital financing activities:		
Net payments on inter-fund borrowing and transfers	(8,953,367)	(10,490,448)
Net cash from noncapital financing activities	(8,953,367)	(10,490,448)
Cash flows from capital and related financing activities:		
Acquisition and construction of utility plant	(16,710,681)	(11,609,437)
Payments on line of credit	-	(1,200,000)
Net cost of refunding	(2,150,612)	-
Principal paid on long-term debt	(14,235,000)	(13,600,000)
Interest paid on long-term debt	(34,463,392)	(28,572,556)
Contribution revenue	874,301	1,435,136
Other capital and related financing activities	(611,124)	13,081
Net cash from capital and related financing activities	(67,296,508)	(53,533,776)
Cash flows from investing activities:		
Purchase of investments	(2,990,000)	(4,715,987)
Proceeds from maturities of investments	8,450,000	245,000
Interest on investments	75,213	32,024
Net cash from investing activities	5,535,213	(4,438,963)
Net increase (decrease) in cash and cash equivalents	(5,002,498)	(8,073,349)
Cash and cash equivalents, beginning	65,352,196	73,425,545
Cash and cash equivalents, ending	\$ 60,349,698	\$ 65,352,196
Cash and cash equivalents, restricted	45,742,731	52,268,312
Cash and cash equivalents, unrestricted	14,606,967	13,083,884
Total cash and cash equivalents	\$ 60,349,698	\$ 65,352,196

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

Statements of Cash Flows

Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Reconciliation of operating income to net cash from operating activities:		
Operating income (loss)	\$ 30,076,391	\$ 18,227,041
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	32,736,776	32,633,733
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,043,264)	2,655,479
(Increase) decrease in inventories, materials and supplies	(3,238,339)	(1,900,143)
(Increase) decrease in prepaid expenses and other assets	42,808	(102,232)
Increase (decrease) in accounts and contracts payable	1,354,749	3,085,281
Increase (decrease) in accrued payroll	253,615	(189,402)
Increase (decrease) in unearned revenue	2,675,325	-
Increase (decrease) in other payables and workers' compensation claims	(326,803)	150,797
Increase (decrease) in compensated absences	660,982	(292,159)
Increase (decrease) in deposit payable	79,711	276,241
Increase (decrease) in IMRF pension obligation	(2,889,733)	42,905
Increase (decrease) in OPEB obligation	11,329,946	5,802,297
Net cash from operating activities	\$ 65,712,164	\$ 60,389,838
Supplemental disclosures of noncash:		
Investing and capital and related financing activities:		
Refunding of bonds	\$ 548,606,827	\$ -

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

February 29, 2016 and February 28, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Electric Light and Power Fund, an Enterprise Fund of the City of Springfield, Illinois (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting practices. The more significant of the Electric Light and Power Fund's accounting policies are described below.

A. Fund Accounting and Financial Statement Presentation

The Electric Light and Power Fund is a fund of the City and is classified as an Enterprise Fund (proprietary fund type). Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or change in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The financial statements present only the financial position, changes in financial position, and cash flows of the City's Electric Light and Power Fund. These financial statements are not intended to present fairly the financial position, changes in financial position and cash flows of the City in conformity with GAAP.

B. Basis of Accounting

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements.

The Electric Light and Power Fund utilizes the accrual basis of accounting, which recognizes revenue when it is earned, including an estimate of electric revenue unbilled at the end of each accounting period, and expenses when they are incurred. The Water Fund, the Electric Light and Power Fund and the Sewer Fund jointly bill customers for services.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with on-going operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Retail revenue is billed monthly based on rates adopted by the City Council. In addition to the base rates established by ordinance, a fuel adjustment factor is also applied. During fiscal year 2016 and 2015, the average monthly fuel adjustment factor was a charge of \$0.010178 and \$0.008792 per kilowatt-hour, respectively. For the year ended February 29, 2016 and February 28, 2015, retail customers of the electric system paid an average price of \$0.1324 and \$0.1302 per kilowatt-hour, respectively. Retail customer class average prices per kilowatt-hour, for the 2016 and 2015 fiscal years were as follows:

	<u>2016</u>	<u>2015</u>
Residential	\$ 0.1249	\$ 0.1227
Commercial general service	0.1379	0.1358
Large general service	0.1247	0.1228

D. Utility Plant in Service and Auxiliary Service Property

Utility property, plant and equipment are stated at cost. The cost of property additions, including replacements of units of property and improvements, is capitalized to property, plant and equipment. Cost includes labor, material and similar items, and indirect charges for such items as transportation and supervision. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest expense incurred during the construction of major projects is included as part of the capitalized cost of the constructed capital assets. Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to operations. Donated property and equipment are valued at their fair market value on the date donated.

Depreciation is provided on a straight-line basis over the estimated service lives of depreciable property, ranging from 15 to 50 years for the utility plant, and from 5 to 50 years for equipment. Depreciation provided during the year ended February 29, 2016, was approximately 2.2 percent of depreciable utility plant at February 29, 2016. Depreciation provided during the year ended February 28, 2015, was approximately 2.2 percent of depreciable utility plant at February 28, 2015.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Nonutility and Other Property

Nonutility and other property represents property acquired for the proposed John H. Hunter Lake project. The cost of farmland, including legal and other acquisition costs are capitalized assets. Rental revenue and operating expenses are reported on the statements of revenue, expenses and changes in net position.

F. Restricted Asset Accounts

Restricted asset accounts are utilized by the Electric Light and Power Fund to comply with revenue bond ordinances. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resourced first, then, unrestricted resources, as they are needed.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Electric Light and Power Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Illinois Funds are classified as cash and cash equivalents.

H. Investments

Investments are recorded at fair value using quoted market prices, except for Certificates of deposit which are recorded at cost.

I. Inventories

Inventories of materials and supplies are stated at the lower of cost or market, with cost determined on an average cost basis.

J. Long-term Debt Issuance Costs, Premiums, Discounts and Deferred Gains/Losses on Refunding

Long-term premiums, discounts and deferred gains/losses on refunding are amortized over the life of the related issue using the effective interest method. Long term debt issuance costs are expensed as incurred.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Contribution Revenue and Related Project Costs

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Electric Light and Power Fund is required to recognize capital contributions from non-exchange transactions as revenues. Contributions are payments received from contractors and other businesses and individuals for special electric construction projects and contributions from other City funds for certain capital projects. Costs of the projects are capitalized and depreciated, or expensed as appropriate.

L. Compensated Absences

Electric Light and Power Fund employees are granted vacation and sick pay in varying amounts. In the event of termination, a non-union employee is reimbursed for accumulated vacation days up to the equivalent of two years vacation. A union employee normally must take vacation accrued during the fiscal year of accrual. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees.

Union employees may accumulate up to 90 days of sick leave to be paid upon death or retirement. Non-union employees may accumulate an unlimited number of days of sick leave. A portion of accumulated sick leave is to be paid upon death or retirement as decided by the City Council. No sick leave is paid upon termination. An actuarially determined liability is recognized for the portion of accumulated sick leave benefits estimated to be payable upon death or retirement.

	Balance at March 1	Additions	Deletions	Balance at Feb 29/28	Current
2016	\$ 5,582,766	\$ 4,005,972	\$ 3,344,990	\$ 6,243,748	\$ 3,376,119
2015	5,874,925	3,572,533	3,864,692	5,582,766	3,251,628

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budget

Annually, the City adopts a budget for the Electric Light and Power Fund. The budget is adopted using the accrual basis of accounting.

O. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent bond proceeds. Unspent bond proceeds were \$5,779,506 and \$8,421,501 as of February 29, 2016 and February 28, 2015, respectively. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Reclassification

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. UTILITY PLANT

Utility plant activity for the year ended February 29, 2016, consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Production	\$ 1,058,383,799	\$ 718,996	\$ 8,861,741	\$1,050,241,054
Transmission	80,703,582	1,528,774	359,874	81,872,482
Distribution	284,859,865	7,069,668	319,530	291,610,003
General purpose	63,515,490	2,047,656	800,733	64,762,413
Waster water treatment	1,414,177	76,908	-	1,491,085
Excess cost of property acquired from CILCO over value	4,355,509	-	-	4,355,509
Total utility plant	<u>\$ 1,493,232,422</u>	<u>\$ 11,442,002</u>	<u>\$10,341,878</u>	<u>\$ 1,494,332,546</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. UTILITY PLANT (Continued)

Accumulated depreciation activity for the year ended February 29, 2016 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 29
Production	\$ 340,275,894	\$ 21,929,372	\$ 1,676,795	\$ 360,528,471
Transmission	56,738,962	2,102,566	359,874	58,481,654
Distribution	177,956,224	6,277,879	319,530	183,914,573
General purpose	42,694,484	2,335,305	800,733	44,229,056
Waster water treatment	1,347,008	4,543	-	1,351,551
Excess cost of property acquired from CILCO over value	4,180,299	87,110	-	4,267,409
Total accumulated depreciation	<u>\$ 623,192,871</u>	<u>\$ 32,736,775</u>	<u>\$ 3,156,932</u>	<u>\$ 652,772,714</u>

	Balances March 1	Additions	Closeout	Balances February 29
Construction work in progress	\$ 1,674,166	\$ 23,895,626	\$11,442,002	\$ 14,127,790
Net utility plant	<u>\$ 871,713,717</u>	<u>\$ 2,600,853</u>	<u>\$18,626,948</u>	<u>\$ 855,687,622</u>

Utility plant activity for the year ended February 28, 2015, consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Production	\$ 1,056,072,931	\$ 2,815,221	\$ 504,353	\$ 1,058,383,799
Transmission	79,925,152	978,798	200,368	80,703,582
Distribution	277,644,886	7,256,516	41,537	284,859,865
General purpose	62,411,374	1,913,176	809,060	63,515,490
Waster water treatment	1,414,177	-	-	1,414,177
Excess cost of property acquired from CILCO over value	4,355,509	-	-	4,355,509
Total utility plant	<u>\$ 1,481,824,029</u>	<u>\$ 12,963,711</u>	<u>\$ 1,555,318</u>	<u>\$ 1,493,232,422</u>

Accumulated depreciation activity for the year ended February 28, 2015 consists of the following:

	Balances March 1	Additions	Retirements	Balances February 28
Production	\$ 318,899,098	\$ 21,881,149	\$ 504,353	\$ 340,275,894
Transmission	54,880,919	2,058,411	200,368	56,738,962
Distribution	171,720,719	6,277,042	41,537	177,956,224
General purpose	40,958,353	2,326,439	590,308	42,694,484
Waster water treatment	1,343,426	3,582	-	1,347,008
Excess cost of property acquired from CILCO over value	4,093,189	87,110	-	4,180,299
Total accumulated depreciation	<u>\$ 591,895,704</u>	<u>\$ 32,633,733</u>	<u>\$ 1,336,566</u>	<u>\$ 623,192,871</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. UTILITY PLANT (Continued)

	Balances March 1	Additions	Closeout	Balances February 28
Construction work in progress	\$ 2,809,688	\$ 11,828,189	\$ 12,963,711	\$ 1,674,166
Net utility plant	\$ 892,738,013	\$ (7,841,833)	\$ 13,182,463	\$ 871,713,717

Utility plant under construction at February 29, 2016 and February 28, 2015, of \$14,127,790 and \$1,674,166 includes interest on revenue bonds during construction, proceeds of which are used in financing the construction of certain assets. Interest expense is capitalized, net of interest revenue on the investment of unexpended bond proceeds. No interest was capitalized in fiscal years 2016 and 2015.

3. OTHER PROPERTY AND INVESTMENTS

As of February 29, 2016 and February 28, 2015, the Electric Light and Power Fund had acquired approximately 1,300 acres of farmland near Springfield for \$4,986,658. The land was acquired to construct the proposed John H. Hunter Lake, which would supplement the present Lake Springfield's potable water supply and provide cooling water for the Fund's generating system. Costs incurred for the project are classified as nonutility property, pending a final decision on the proposed project.

The Fund recognized net revenue of \$74,890 and \$81,911 from the farm and residential operations during fiscal years 2016 and 2015, respectively.

4. DEPOSITS AND INVESTMENTS

Following are the components of the Electric Light and Power Fund's cash, cash equivalents and investments:

	February 29, 2016		
	Unrestricted	Restricted	Total
Cash and cash equivalents	\$ 14,606,967	\$ 45,742,731	\$ 60,349,698
Investments	245,000	2,495,475	2,740,475
	<u>\$ 14,851,967</u>	<u>\$ 48,238,206</u>	<u>\$ 63,090,173</u>
	February 28, 2015		
	Unrestricted	Restricted	Total
Cash and cash equivalents	\$ 13,083,884	\$ 52,268,312	\$ 65,352,196
Investments	-	8,211,500	8,211,500
	<u>13,083,884</u>	<u>\$ 60,479,812</u>	<u>\$ 73,563,696</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures - an Amendment of GASB Statement 3, requires disclosure of credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and modifies previous custodial credit risk disclosure requirements.

The City is empowered by statute to invest in certain types of securities as provided in the Public Funds Investment Act, 30 Illinois Compiled Statutes 235/1 et seq. Permitted investments include U.S. Government issued or secured debt, insured or collateralized certificates of deposit, highly rated state and municipal debt, and state pooled investments. Investments held by a trustee responsible for subordinate lien bond funds may include highly rated money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933.

A. Custodial Credit Risk

Custodial credit risk is the risk a government will not be able to recover deposits or investments that are in the possession of an outside party. At February 29, 2016, the carrying amount of the Electric Light and Power Fund's deposits totaled \$7,193,717 and the bank balances totaled \$6,743,437. At February 28, 2015, the carrying amount of the Electric Light and Power Fund's deposits totaled \$1,870,901 and the bank balances totaled \$1,279,089. The City's investment policy requires that deposits with financial institutions be collateralized at 105 percent of the market value of the principal and interest of the deposit. The collateral is to be held by an independent third party with whom the entity has a current custody agreement. The City's bank balances are covered by the Federal Deposit Insurance Corporation (FDIC), Federal Home Loan Bank of Chicago irrevocable Letter of Credit, and collateral held in the City's name at the Independent Bankers Bank.

The City requires all security transactions entered into by the City be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the City Treasurer and evidenced by a safekeeping receipt.

	February 29/28	
	2016	2015
Cash and cash equivalents:		
Restricted	\$ 45,742,731	\$ 52,268,312
Unrestricted	14,606,967	13,083,884
	60,349,698	65,352,196
Less: Illinois Funds not subject to collateral	(53,155,981)	(63,481,295)
Carrying amount of deposits	<u>\$ 7,193,717</u>	<u>\$ 1,870,901</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

Interest rate risk: The risk that changes in interest rates will adversely affect the fair value of the investment is interest rate risk. In accordance with the master revenue bond ordinance, the Electric Light and Power Fund limits investments to those with a maturity of ten years or less. City policy places further limits stating that the City will not directly invest in securities with a maturity of greater than five years three months from the date of purchase. Reserve funds, however, may be invested in securities exceeding five years three months if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds.

At February 29, 2016, the Electric Light and Power Fund's investment balances were as follows:

	Fair Market Value	Maturities in Years		
		Less Than 6 Months	6-12 Months	1 - 3 Years
Federal Home Loan Mortgage	\$ <u>2,495,475</u>	\$ <u> -</u>	\$ <u>2,495,475</u>	\$ <u> -</u>

At February 28, 2015, the Electric Light and Power Fund's investment balances were as follows:

	Fair Market Value	Maturities in Years		
		Less Than 6 Months	6-12 Months	1 - 3 Years
Federal Home Loan Bank	\$ <u>3,006,870</u>	\$ <u>3,006,870</u>	\$ <u> -</u>	\$ <u> -</u>
Federal Home Loan Mortgage	\$ <u>2,000,160</u>	\$ <u>2,000,160</u>	\$ <u> -</u>	\$ <u> -</u>
Federal Farm Credit Bank	\$ <u>999,470</u>	\$ <u> -</u>	\$ <u>999,470</u>	\$ <u> -</u>

Credit risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations is credit risk. The City is empowered by statute to invest in certain types of securities as provided in the Public Funds Investment Act, 30 Illinois

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Compiled Statutes 235/1 et seq. The Electric Light and Power Fund may only invest in certain securities in accordance with a master revenue bond ordinance. Those permitted investments are defined in the master revenue bond ordinance and amendments and supplements thereto. Permitted investments include U.S. Government issued or secured debt, insured or collateralized certificates of deposit, highly rated state and municipal debt, and state pooled investments. The associated investment credit risks are noted below.

As of February 29, 2016, the Electric Light and Power Fund's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>
Certificates of Deposit	N/A
Illinois Funds	AAAm
Federal Home Loan Mortgage	AA+

As of February 28, 2015, the Electric Light and Power Fund's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>
Certificate of Deposit	N/A
Illinois Funds	AAAm
Federal Home Loan Bank	AA+
Federal Home Loan Mortgage	AA+
Federal Farm Credit Bank	AA+

As of February 29, 2016 and February 28, 2015, the Electric Light and Power Fund had investments in the Illinois Funds which are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

C. Concentration of credit risk

The risk of a loss attributed to the magnitude of a government's investment in a single issuer is concentration of credit risk. The City's investment policy calls for diversification of its investments by security type and institution. With the exception of U.S. Treasury notes and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City's investment policy is written to encompass all City investments. Diversification levels in this policy are for the total investment portfolio.

As of February 29, 2016 and February 28, 2015, the Electric Light and Power Fund invested in the Federal Home Loan Mortgage note, and the note did not exceed 5 percent of the investments.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

Long-term debt activity during the fiscal year ended February 29, 2016 consists of the following:

	<u>Balances March 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances February 29</u>
(a) Electric Revenue Bonds, Series 2006	\$ 282,045,000	\$ -	\$282,045,000	\$ -
(b) Electric Revenue Bonds, Series 2007	193,780,000	-	188,195,000	5,585,000
(c) Electric Revenue Bonds, Series 2008	94,710,000	-	76,190,000	18,520,000
(e) Electric Revenue Refunding Bonds, Series 2015	-	507,735,000	-	507,735,000
Unamortized debt premium	<u>9,892,431</u>	<u>40,302,685</u>	<u>10,848,096</u>	<u>39,347,020</u>
 Total	 <u>\$ 580,427,431</u>	 <u>\$548,037,685</u>	 <u>\$557,278,096</u>	 <u>571,187,020</u>
Less current principal maturities				<u>(14,585,000)</u>
Long-term debt, net of current principal maturities				<u>\$ 556,602,020</u>

Long-term debt activity during the fiscal year ended February 28, 2015 consists of the following:

	<u>Balances March 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances February 28</u>
(a) Electric Revenue Bonds, Series 2006	\$ 293,455,000	\$ -	\$ 11,410,000	\$ 282,045,000
(b) Electric Revenue Bonds, Series 2007	195,970,000	-	2,190,000	193,780,000
(c) Electric Revenue Bonds, Series 2008	94,710,000	-	-	94,710,000
(d) Revolving Line of Credit	1,200,000	-	1,200,000	-
Unamortized debt premium	<u>11,127,787</u>	<u>-</u>	<u>1,235,356</u>	<u>9,892,431</u>
 Total	 <u>\$ 596,462,787</u>	 <u>\$ -</u>	 <u>\$ 16,035,356</u>	 <u>580,427,431</u>
Less current principal maturities				<u>(14,235,000)</u>
Long-term debt, net of current principal maturities				<u>\$ 566,192,431</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

- (a) \$314,810,000; Electric Revenue Bonds (Senior Lien), Series 2006; final payment due March 1, 2035; interest 3.625 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund. A portion of the proceeds were used to retire \$44,065,000 of the Electric Revenue Bonds (Senior Lien), Series 2001. The remaining outstanding bonds totaling \$270,095,000 were refunded during fiscal year 2016 with the issuance of the Electric Revenue Refunding Bonds (Senior Lien), Series 2015.
- (b) \$198,080,000; Electric Revenue Bonds (Senior Lien), Series 2007; final payment due March 1, 2035; interest 4 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund. A portion of the outstanding bonds totaling \$185,910,000 were refunded during fiscal year 2016 with the issuance of the Electric Revenue Refunding Bonds (Senior Lien), Series 2015.
- (c) \$103,230,000; Electric Revenue Bonds (Senior Lien), Series 2008; final payment due March 1, 2037; interest 3 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund. A portion of the proceeds were used to retire the Electric Revenue Bond Subordinate Lien Series 2000 and 2002. A portion of the outstanding bonds totaling \$76,190,000 were refunded during fiscal year 2016 with the issuance of the Electric Revenue Refunding Bonds (Senior Lien), Series 2015.
- (d) \$15,000,000; Revolving Line of Credit (Subordinate Lien) from Illinois National Bank re-issued Fiscal Year 2015; final payment due September 1, 2019; interest 0.275 percentage point above the Index, (1 month LIBOR, currently 2.923 percent per annum). Nonusage fees of .05 percent of the average unused monthly balance are paid monthly. To be repaid by the net revenues of the Electric Light and Power Fund. As of February 29, 2016 and February 28, 2015, the amount owed on the line of credit was \$0.
- (e) \$507,735,000; Electric Revenue Refunding Bonds (Senior Lien), Series 2015; final payment due March 1, 2040; interest 3.5 percent to 5 percent; interest payable March 1 and September 1; principal payable March 1; to be repaid by net revenues of the Electric Light and Power Fund. The proceeds refunded the Electric Revenue Bonds, Series 2006 and a portion of the Electric Revenue Bonds, Series 2007 and 2008. As a result of the refunding, the Electric Light and Power Fund will realize additional cash flows savings of approximately \$12,129,742 and an economic gain of \$37,718,898.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Debt service requirements to maturity:

Fiscal Year Ending February 28/29	Revenue Bonds Principal	Revenue Bonds Interest	Total
2017	\$ 14,585,000	\$ 18,720,086	\$ 33,305,086
2018	9,520,000	24,203,275	33,723,275
2019	11,300,000	23,682,775	34,982,775
2020	11,850,000	23,104,025	34,954,025
2021	13,775,000	22,463,400	36,238,400
2022 – 2026	79,915,000	100,994,750	180,909,750
2027 – 2031	101,995,000	78,532,263	180,527,263
2032 – 2036	128,310,000	51,527,875	179,837,875
2037 – 2041	160,590,000	18,702,600	179,292,600
	<u>\$ 531,840,000</u>	<u>\$ 361,931,049</u>	<u>\$ 893,771,049</u>

	February 28/29	
	2016	2015
Current principal maturities by issue:		
Revenue Bonds, Series 2006	\$ -	\$11,950,000
Revenue Bonds, Series 2007	5,585,000	2,285,000
Revenue Bonds, Series 2008	9,000,000	-
Total	<u>\$14,585,000</u>	<u>\$14,235,000</u>

On December 10, 2010, the City purchased a qualified reserve account financial guaranty insurance policy for \$1.908 million. The guarantor of this surety policy is liable to pay the bondholders should the Electric Light and Power Fund become unable to make a scheduled debt service payment. The policy limits the insured amount to the lesser of \$21.2 million or 50 percent of the debt service reserve requirements as defined in the Electric Fund Master Bond Ordinance. After the surety policy was put in place a total of \$19.292 million was moved from the 2001, 2006, 2007, and 2008 Debt Service Reserve Accounts to a newly established 2010 Electric Improvement account. The proceeds in the 2010 Electric Improvement account are restricted for use for capital improvements to the Electric System. The surety bond will be amortized over the life of the remaining debt after the refunding through fiscal year 2018 using the effective interest rate method of the 2008 issuance.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

On December 2, 2015, the City issued \$507.735M Senior Lien Electric Revenue Refunding Bonds, Series 2015. The bonds refunded \$270.095M of the Series 2006 Senior Lien Bonds, \$185.910M of the Series 2007 Senior Lien Bonds and \$76.190M of the Series 2008 Senior Lien Bonds, as well as fully funded the Senior Lien Debt Service Reserve Account created under the Bond Ordinance and paid the costs related to the issuance of the Series 2015 Senior Lien Bonds. The Senior Lien Debt Service Reserve Account is to be funded in an amount equal to \$36,584,275. Upon issuance of the Series 2015 Senior Lien Bonds, the Senior Lien Debt Service Reserve Account will be comprised of cash in the amount of \$18,292,138 and surety bond. The guarantor of this surety policy is liable to pay the bondholders should the Electric Light and Power Fund become unable to make a scheduled debt service payment. The policy limits the insured amount to 50 percent of the debt service reserve requirements as defined in the Electric Fund Master Bond Ordinance.

The bond ordinances for the bond issues establish certain reserve accounts and restrict transactions of these accounts. A description of these accounts and a schedule of activity for the years ended February 29, 2016, and February 28, 2015 are as follows:

Emergency Repair Account: Established to pay for emergency repairs and replacements and to pay bond principal and interest when no other funds are available. Amount on deposit is to be not less than \$4,000,000 or such other amount as the City Council may determine based upon the recommendation of an independent consulting engineer. Deposit deficiencies shall be funded in equal installments over 24 consecutive months.

Renewal, Replacement and Improvement Account: Established to pay the cost of extraordinary maintenance, necessary repairs, and replacements or contingencies; routine maintenance, but only when no other funds are available; improvements and extensions or acquisitions for the system, including equipment; and payment of principal and interest on first the outstanding Senior Lien bonds and then the outstanding Junior Lien bonds if sufficient funds are not available in the respective Bond and Interest Accounts. Monthly funding is required at no less than one-twelfth of 10 percent of revenue for the preceding fiscal year less costs of fuel and purchased power. However, monthly funding may fall to one-fifteenth of 10 percent as long as, at the end of each year, the total monthly deposits for the year amount to 10 percent of net revenue less costs for fuel and purchased power.

Electric Rebate Account: Established to account for funds required to be deposited in order for the interest paid on the Electric revenue bonds to remain tax-exempt. Amounts are to be deposited on each anniversary date equal to the actuarial bond fund earnings for the year less allowable bond fund earnings which represent excess earnings on the gross funds for each computation period. Amounts on deposit must be paid to the U.S. Government on various anniversary dates.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

2006 Senior Lien Bond and Interest Account: Established to pay 2006 Senior Lien Bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2006 Senior Lien Debt Service Reserve Account: Established to pay 2006 Senior Lien Bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on the 2006 Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2007 Senior Lien Bond and Interest Account: Established to pay 2007 Senior Lien Bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2007 Senior Lien Debt Service Reserve Account: Established to pay 2007 Senior Lien Bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on the 2007 Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2008 Senior Lien Bond and Interest Account: Established to pay 2008 Senior Lien Bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2008 Senior Lien Debt Service Reserve Account: Established to pay 2008 Senior Lien Bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on the 2008 Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

2015 Senior Lien Bond and Interest Account: Established to pay 2015 Senior Lien Bond principal and interest when due. Amounts deposited monthly to accumulate at a rate equal to a fractional amount of the current portion of long-term debt due plus a fractional amount of the next semiannual interest payment.

2015 Senior Lien Debt Service Reserve Account: Established to pay 2015 Senior Lien Bond principal and interest if sufficient funds are not available from other sources. Amount on deposit is to equal the Maximum Annual Debt Service on the 2015 Outstanding Senior Lien Bonds. Deposit deficiencies shall be funded in equal installments over twelve consecutive months.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

2010 Electric Improvement Account: Established to pay the cost of certain capital improvements for the system, including the Dallman 33 Scrubber project, Dallman 33 boiler reheat section replacement, improvements at Spaulding substation and a mercury emission control system.

	Emergency Repair Account	Renewal Replacement & Improvement Account	Rebate Fund Account
Cash and cash equivalents and investments- February 28, 2014 – reserve accounts	\$ 3,237,175	\$ 7,155,995	\$ 45,272
Add (deduct)			
Interest received	503	738	6
Compliance deposits	-	20,981,210	-
Grant proceeds	-	-	-
Insurance settlements	-	11,520	-
Bond and interest payments	-	-	-
Transfers (to) from restricted accounts	-	-	-
Transfers (to) from unrestricted accounts	762,616	(23,115,400)	-
	<u>763,119</u>	<u>(2,121,932)</u>	<u>6</u>
Associated premium/discount	-	-	-
Adjustment to fair market value	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents and investments- February 28, 2015 – reserve accounts	4,000,294	5,034,063	45,278
Add (deduct)			
Interest received	1,698	4,259	33
Compliance deposits	-	18,991,278	-
Grant proceeds	-	-	-
Insurance settlements	-	3,502	-
Bond and interest payments	-	-	-
Transfers (to) from restricted accounts	-	-	-
Transfers (to) from unrestricted accounts	-	(20,480,000)	-
	<u>1,698</u>	<u>(1,480,961)</u>	<u>33</u>
Associated premium/discount	-	-	-
Adjustment to fair market value	(3,096)	-	-
	<u>(3,096)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents and investments- February 29, 2016 – reserve accounts	<u>\$ 3,998,896</u>	<u>\$ 3,553,102</u>	<u>\$ 45,311</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2006 Senior Lien Bond and Interest Account	2006 Senior Lien Debt Service Reserve Account
Cash and cash equivalents and investments- February 28, 2014 – reserve accounts	<u>\$ 18,655,763</u>	<u>\$ 12,879,301</u>
Add (deduct)		
Interest received	1,160	9,625
Compliance deposits	25,895,866	-
Grant proceeds	-	-
Insurance settlements	-	-
Bond and interest payments	(25,629,020)	-
Transfers (to) from restricted accounts	-	-
Transfers (to) from unrestricted accounts	-	-
	<u>268,006</u>	<u>9,625</u>
Associated premium/discount	-	-
Adjustment to fair market value	-	(1,577)
	<u>-</u>	<u>(1,577)</u>
Cash and cash equivalents and investments- February 28, 2015 – reserve accounts	<u>18,923,769</u>	<u>12,887,349</u>
Add (deduct)		
Interest received	785	26,143
Compliance deposits	10,040,711	-
Grant proceeds	-	-
Insurance settlements	-	-
Bond and interest payments	(25,617,300)	-
Transfers (to) from restricted accounts	-	(9,843,062)
Transfers (to) from unrestricted accounts	(3,347,965)	(3,070,552)
	<u>(18,923,769)</u>	<u>(12,887,471)</u>
Associated premium/discount	-	-
Adjustment to fair market value	-	122
	<u>-</u>	<u>122</u>
Cash and cash equivalents and investments- February 29, 2016 – reserve accounts	<u>\$ -</u>	<u>\$ -</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2007 Senior Lien Bond and Interest Account	2007 Senior Lien Debt Service Reserve Account
Cash and cash equivalents and investments- February 28, 2014 – reserve accounts	<u>\$ 7,004,770</u>	<u>\$ 4,810,710</u>
Add (deduct)		
Interest received	427	3,025
Compliance deposits	11,826,218	-
Grant proceeds	-	-
Insurance settlements	-	-
Bond and interest payments	(11,775,500)	-
Transfers (to) from restricted accounts	-	-
Transfers (to) from unrestricted accounts	-	-
	<u>51,145</u>	<u>3,025</u>
Associated premium/discount	-	-
Adjustment to fair market value	-	(610)
	<u>-</u>	<u>(610)</u>
Cash and cash equivalents and investments- February 28, 2015 – reserve accounts	<u>7,055,915</u>	<u>4,813,125</u>
Add (deduct)		
Interest received	3,283	5,949
Compliance deposits	12,728,822	-
Grant proceeds	-	-
Insurance settlements	-	-
Bond and interest payments	(11,781,000)	-
Transfers (to) from restricted accounts	-	-
Transfers (to) from unrestricted accounts	(2,308,040)	-
	<u>(1,356,935)</u>	<u>5,949</u>
Associated premium/discount	-	-
Adjustment to fair market value	-	(40)
	<u>-</u>	<u>(40)</u>
Cash and cash equivalents and investments- February 29, 2016 – reserve accounts	<u>\$ 5,698,980</u>	<u>\$ 4,819,034</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2008 Senior Lien Bond and Interest Account	2008 Senior Lien Debt Service Reserve Account	2015 Senior Lien Bond and Interest Account
Cash and cash equivalents and investments- February 28, 2014 – reserve accounts	\$ 2,367,789	\$ 3,625,987	\$ -
Add (deduct)			
Interest received	141	2,134	-
Compliance deposits	4,735,341	-	-
Grant proceeds	-	-	-
Insurance settlements	-	-	-
Bond and interest payments	(4,735,500)	-	-
Transfers (to) from restricted accounts	-	-	-
Transfers (to) from unrestricted accounts	-	-	-
	<u>(18)</u>	<u>2,134</u>	<u>-</u>
Associated premium/discount	-	-	-
Adjustment to fair market value	-	(610)	-
	<u>-</u>	<u>(610)</u>	<u>-</u>
Cash and cash equivalents and investments- February 28, 2015 – reserve accounts	<u>2,367,771</u>	<u>3,627,511</u>	<u>-</u>
Add (deduct)			
Interest received	4,766	6,362	1,172
Compliance deposits	12,783,406	-	5,924,749
Grant proceeds	-	-	-
Insurance settlements	-	-	-
Bond and interest payments	(4,735,500)	-	-
Transfers (to) from restricted accounts	-	-	-
Transfers (to) from unrestricted accounts	(953,742)	710	-
	<u>7,098,930</u>	<u>7,072</u>	<u>5,925,921</u>
Associated premium/discount	-	-	-
Adjustment to fair market value	-	(40)	-
	<u>-</u>	<u>(40)</u>	<u>-</u>
Cash and cash equivalents and investments- February 29, 2016 – reserve accounts	<u>\$ 9,466,701</u>	<u>\$ 3,634,543</u>	<u>\$ 5,925,921</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

	2015 Senior Lien Debt Service Reserve Account	2010 Electric Improvement Account	Total
Cash and cash equivalents and investments- February 28, 2014 – reserve accounts	\$ -	\$ 3,326,307	\$ 63,109,069
Add (deduct)			
Interest received	-	360	18,119
Compliance deposits	-	-	63,438,635
Grant proceeds	-	-	-
Insurance settlements	-	-	11,520
Bond and interest payments	-	-	(42,140,020)
Transfers (to) from restricted accounts	-	-	-
Transfers (to) from unrestricted accounts	-	(1,577,654)	(23,930,438)
	-	(1,577,294)	(2,602,184)
Associated premium/discount	-	-	-
Adjustment to fair market value	-	-	(2,797)
	-	-	(2,797)
Cash and cash equivalents and investments- February 28, 2015 – reserve accounts	-	1,749,013	60,504,088
Add (deduct)			
Interest received	4,061	989	59,500
Compliance deposits	-	-	60,468,966
Grant proceeds	-	-	-
Insurance settlements	-	-	3,502
Bond and interest payments	-	-	(42,133,800)
Transfers (to) from restricted accounts	9,843,062	-	-
Transfers (to) from unrestricted accounts	22,633	(523,780)	(30,660,736)
	9,869,756	(522,791)	(12,262,568)
Associated premium/discount	-	-	-
Adjustment to fair market value	-	-	(3,054)
	-	-	(3,054)
Cash and cash equivalents and investments- February 29, 2016 – reserve accounts	\$ 9,869,756	\$ 1,226,222	48,238,466
Unrestricted portion 2010 Improvement			(260)
Accrued interest receivable			5,297
			\$ 48,243,503

For the year ended February 28, 2015 the reconciliation of the reserve account to the restricted accounts was as follows:

Cash and cash equivalents and investments-February 28, 2015, reserve accounts	\$ 60,504,088
Unrestricted portion 2010 Improvement Fund	(24,276)
Accrued Interest Receivable	12,805
	<u>\$ 60,492,617</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

Various other agreements associated with the bond ordinances require the following:

- Additional Senior Lien Revenue Bonds can be issued if:
 - 1) The net revenue (all revenue of the System after deduction of the reasonable and necessary expenses of operation and maintenance but before depreciation, interest, and amortization), as shown in the financial statements audited by an independent certified public accountant for the last completed fiscal year prior to the issuance of such bonds, is equal to at least 125 percent of the combined maximum annual principal and interest requirements on the bonds then outstanding which remain outstanding after the additional bonds are issued. Additionally, if the rates of the System are changed, the rates in effect at the time of the issuance of any such bonds can be used to adjust the net revenues for the immediately preceding Fiscal Year, as determined by an Officer's Certificate, or
 - 2) The adjusted net revenue during any twelve consecutive months within the eighteen months immediately preceding the issuance of new bonds is at least 125 percent of the current debt service on all bonds then outstanding which remain outstanding after the additional bonds are issued, as determined by an Officer's Certificate.
- Junior Lien Revenue Bonds can be issued if:
 - 1) The net revenue (all revenue of the System after deduction of the reasonable and necessary expenses of operation and maintenance but before depreciation, interest, and amortization), as shown in the financial statements audited by an independent certified public accountant for the last completed fiscal year prior to the issuance of such bonds, is equal to at least 125 percent of the combined maximum annual principal and interest requirements on the bonds then outstanding which remain outstanding after the additional bonds are issued. Additionally, if the rates of the System are changed, the rates in effect at the time of the issuance of any such bonds can be used to adjust the net revenues for the immediately preceding Fiscal Year, as determined by an Officer's Certificate, or
 - 2) The adjusted net revenue during any twelve consecutive months within the eighteen months immediately preceding the issuance of new bonds is at least to 125 percent of the maximum annual debt service on all outstanding bonds as computed immediately after the issuance of the proposed Junior Lien Bonds on all bonds then outstanding which remain outstanding after the additional bonds are issued as determined by an Officer's Certificate.
- Electric charges are to be collected from the various City departments except the Street Department for street lighting purposes.
- Disposals of utility plant can only be of a routine operational nature.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

- An annual operating budget for the Electric Light and Power Fund shall be adopted by the City.
- Investments are restricted as shown in the Deposits and Investments footnote (note 4).
- Net revenue as defined in the bond ordinances must equal 1.25 times principal and interest for each fiscal year after reduction for reserve account requirements. The bond ordinances exclude principal and interest on subordinate lien debt for the purpose of this test.

As of February 29, 2016, net revenue was approximately 1.72 times the principal and interest for the fiscal year.

As of February 28, 2015, net revenue was approximately 1.25 times the principal and interest for the fiscal year.

6. DUE TO/FROM PRIMARY GOVERNMENT

The following amounts are due to/from primary government as of February 29, 2016:

	Due From Primary Government	Due To Primary Government
General Fund	\$ 472,273	\$ 4,488,712
Lincoln Library Fund	21,254	-
Oak Ridge Cemetery Fund	1,244	-
Self-Insurance	45	65,920
Sewer Fund	4,761	1,772,360
IMRF Fund	-	627,133
Motor Fuel Tax Fund	374,201	-
Support Services Revolving Fund	-	20
Convention and Visitors Fund	13,543	-
Motor Vehicle Parking Fund	3,478	-
Fleet Services Revolving Fund	1,402	312,550
Recycling Fund	-	60,345
Water Fund	-	23,055
Total	\$ 892,201	\$ 7,350,095

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. DUE TO/FROM PRIMARY GOVERNMENT (Continued)

The following amounts are due to/from primary government as of February 28, 2015:

	Due From Primary Government	Due To Primary Government
General Fund	\$ 2,722,098	\$ 101,710
Lincoln Library Fund	20,216	-
Oak Ridge Cemetery Fund	1,305	-
Sewer Fund	-	1,674,400
IMRF Fund	-	1,067,881
Motor Fuel Tax Fund	649,701	-
Debt Management Fund	-	195,321
Convention and Visitors Fund	2	-
Motor Vehicle Parking Fund	3,021	-
Support Services Revolving Fund	-	446,987
Recycling Fund	-	57,351
Water Fund	-	6,619,990
Total	<u>\$ 3,396,343</u>	<u>\$ 10,163,640</u>

These balances resulted from the time lag between dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

7. INTEREST CHARGES

The components of interest charges are as follows:

	February 29/28	
	2016	2015
Interest on debt	\$ 26,974,554	\$ 28,256,125
Amortization of debt premiums, discounts and issuance costs	(1,523,930)	(1,106,121)
Amortization of deferred loss on refunding	145,378	70,069
Net interest charges	<u>\$ 25,596,002</u>	<u>\$ 27,220,073</u>

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. RELATED PARTY TRANSACTIONS

The Electric Light and Power Fund provides electric service to the other departments of the City at normal rates, except that the Fund provides street lighting services to the City at no charge.

During the years ended February 29, 2016 and February 28, 2015, certain employees performed services for both the Electric Light and Power Fund and the Water Fund. Salaries and employee expenses for such individuals are generally allocated 85 percent to the Electric Light and Power Fund and 15 percent to the Water Fund based on the Massachusetts Formula, which gives equal weighting to each Fund's revenue, property, and labor.

The Electric Light and Power Fund, the Water Fund, and the Sewer Fund jointly bill customers for services. Each of these funds records its billed accounts receivable from customers each month.

The Electric Light and Power Fund receives certain minimal administrative and investing services from the City.

The Electric Light and Power Fund provides information technology and support services to the General (Corporate) Fund and certain other City funds at no charge.

City Ordinance (628-11-4), as amended, defines and limits the contributions and payments made from the Electric Light and Power Fund and defines other inter-fund financial policies. Section 1 of the ordinance lists the contributions and payments that are allowable. One of the listed items is electricity and maintenance for street lamps and traffic signals. For fiscal year 2016, the Electric Light and Power Fund provided \$2,497,876 as free or below-cost electric service to the City for street lighting and traffic signals. For fiscal year 2015, the Electric Light and Power Fund provided \$2,456,912 as free or below-cost electric service to the City.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN

Participating employees are covered by the Illinois Municipal Retirement Fund (IMRF) through the City. However the Electric Fund's participation in IMRF is equivalent to a cost sharing multiple-employer plan since only one actuarial valuation is performed for both the City and the Electric Fund combined. All disclosures for an agent plan can be found in the City's comprehensive annual financial report. Contributions are paid by the City and are reimbursed by the Electric Fund.

For the City as a whole the plan is as follows:

Plan description: The employer'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 employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

Plan Administration

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

Benefits Provided

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN (Continued)

Benefits Provided – continued

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Contributions

As set by statute, regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar years 2016, 2015, 2014 and 2013 were 16.24 percent, 15.44 percent, 16.00 percent and 15.70 percent, respectively of annual covered payroll. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For the years ended February 29, 2016 and February 28, 2015 salaries totaling \$37,998,356 and \$41,444,268, respectively, were paid that required employer contributions of \$5,923,990 and \$6,398,995, respectively. For the fiscal years ending February 29, 2016 and February 28, 2015, the Electric Fund's contributions were 54.3 percent and 55.8 percent, respectively, for the contributions of the City as a whole.

The financial statements for the fiscal year ended February 28, 2015 were not restated for the implementation of GASB Statement No. 68. The following disclosures are in accordance with GASB Statement No. 27.

Annual Pensions Costs and Net Pension Obligation

For fiscal year ended February 28, 2015, the Electric Light and Power Fund's actual contributions for pension cost for the plan were \$6,398,995 and the annual pension cost as allocated by the City were \$6,441,900. For fiscal year ended February 28, 2014, the Electric Fund's actual contributions for pension cost for the plan were \$6,399,343 and the annual pension cost as allocated by the City were \$6,437,814. For fiscal year ended February 28, 2013, the Electric Fund's actual contributions for pension cost for the plan were \$5,674,885 and the annual pension cost as allocated by the City were \$6,149,320.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN (Continued)

Annual Pensions Costs and Net Pension Obligation – continued

	2015	2014	2013	2012
Annual required contribution	\$ 6,395,532	\$ 6,392,461	\$ 5,989,056	\$ 5,937,789
Interest on IMRF pension obligation	162,584	159,023	133,727	80,899
Adjustment to ARC	(116,216)	(113,670)	26,537	(57,827)
Annual pension cost	6,441,900	6,437,184	6,149,320	5,960,861
Annual contributions made	(6,398,995)	(6,399,343)	(5,674,885)	(5,233,118)
Increase in IMRF pension obligation	42,905	38,471	474,435	727,743
Net IMRF pension obligation at beginning of year	2,158,293	2,119,822	1,645,387	917,644
Net IMRF pension obligation at end of year	\$ 2,201,198	\$ 2,158,293	\$ 2,119,822	\$ 1,645,387

More information concerning the plan, funded status, actuarial assumptions and related required supplemental information may be found in the City's financial statements. The City of Springfield, Illinois' Comprehensive Annual Financial Report may be obtained by writing to the Office of Budget & Management, City of Springfield, Room 210, Municipal Center West, Springfield, Illinois 62701 or on the City's website www.springfield.il.us.

The City implemented GASB Statement No. 68 for the fiscal year ended February 29, 2016. The following disclosures are in accordance with GASB Statement No. 68.

Actuarial Assumptions

The City's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2015
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Interest rate	7.50%
Cost of living adjustments	3.00%
Asset valuation method	Market Value

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN (Continued)

Actuarial Assumptions – continued

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

Discount Rate

The discount rate used to measure the total pension liability was 7.46%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, expected rate of return of 7.50% was blended with the index rate of 3.57% for tax exempt general obligation municipal bonds rated AA or better at December 31, 2015 to arrive at a discount rate of 7.46% used to determine the total pension liability.

Net Pension Liability

At February 29, 2016, the Electric Fund reported a liability of \$57,559,109 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Electric Fund's proportion of the net pension liability was based on the Electric Fund's actual contribution to the plan for the year ended February 29, 2016 relative to the actual contributions of the City as a whole. At February 29, 2016, the Electric Fund's proportion was 54.30% of the total contribution.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended February 29, 2016, the Electric Fund recognized pension expense of \$3,042,776. At February 29, 2016, the Electric Fund reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,274,248	\$ -
Changes in assumption	298,709	-
Net difference between projected and actual earnings on pension plan investments	16,302,327	-
Contributions made after measurement date	940,423	-
TOTAL	\$ 19,815,707	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Period ended</u> <u>February 28/29,</u>	
2017	\$ 5,945,742
2018	5,005,320
2019	4,789,063
2020	4,075,582
2021	-
Thereafter	-
TOTAL	\$ 19,815,707

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PENSION PLAN (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Electric Fund calculated using the discount rate of 7.46% as well as what the Electric Fund's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.46%) or 1 percentage point higher (8.46%) than the current rate:

	1% Decrease (6.46%)	Current Discount Rate (7.46%)	1% Increase (8.46%)
Net pension liability (asset)	\$392,423,083	\$348,158,823	\$ 311,751,413
Plan Fiduciary Net Position	<u>290,599,714</u>	<u>290,599,714</u>	<u>290,599,714</u>
Net Pension Liability / (Asset)	101,823,369	57,559,109	21,151,699

10. DEFERRED COMPENSATION

Certain employees paid by the Electric Light and Power Fund participate in a deferred compensation plan (the Plan) established in accordance with requirements of the Internal Revenue Code Section 457 and sponsored by the City. Participation in the Plan is available to all employees of the City. The Electric Light and Power Fund has no administration responsibility, investment responsibility or liability for investment losses under the Plan.

11. RISK MANAGEMENT

The City is self-insured for medical benefits. The Electric Light and Power Fund makes monthly contributions to the City's Self Insurance Fund for medical claims based on a budgeted per-member amount. Any unpaid claims or incurred, but not reported, claims are liabilities of the Self Insurance Fund.

The City is also self-insured for certain general liability claims and workers' compensation claims. The Electric Light and Power Fund maintains cash and investment reserves to fund such claims. If needed, budgetary provisions may be established to provide additional funding. The Electric Light and Power Fund is responsible for actual general liability claims up to \$900,000 and for all workers' compensation claims. The Electric Light and Power Fund's liability for unpaid workers' compensation claims, as of February 29, 2016, February 28, 2015, and February 28, 2014 is as follows:

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. RISK MANAGEMENT (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Claims payable, beginning of year	\$ 2,078,805	\$ 1,928,008	\$ 2,083,450
Add claims incurred	488,919	1,418,018	1,230,302
Less claims paid	<u>(815,722)</u>	<u>(1,267,221)</u>	<u>(1,385,744)</u>
Claims payable, end of year	<u>\$ 1,752,002</u>	<u>\$ 2,078,805</u>	<u>\$ 1,928,008</u>

Under the Bond Ordinance, the City is required to maintain insurance for the System of the kinds and in the amounts customarily carried by private parties operating similar properties; provided, however, that the City may self-insure over all or a part of such risks by establishing reasonable reserves or budgetary provisions. The City uses a combination of insurance policies and self-insurance to comply with the provisions of the Bond Ordinance. The City has a property coverage contract with National Union Fire Insurance Company of Pittsburgh, Pa., an AIG company, which provides property insurance coverage for the facilities of the System, including Dallman Units 31, 32, 33 and Unit 4, Interstate, all substations and large transformers. This contract which expires on July 14, 2017 has a liability limit of \$350,000,000. Settlement amounts have not exceeded insurance coverage for the current and three prior fiscal years. In addition, the City has established, within the General Account of the Electric Light and Power Fund, an Insurance Reserve Account which is used to pay for losses incurred by the System which are not covered by insurance policies and are less than \$900,000. As of February 29, 2016, the amount on deposit in the System's Insurance Reserve Account was \$1,000,303.

Monies received pursuant to casualty insurance policies maintained by the City, for the benefit of the System, are required to be deposited to the credit of the Renewal, Replacement and Improvement Account and used to repair or replace the loss or damage with respect to which the monies were received or, at the option of the City, deposited into the Special Redemption Fund established under the Master Bond Ordinance and used (a) to pay principal of or interest or redemption premium on any Bonds when there are no other funds for such purpose or, if not needed for the purposes set forth in this clause (a), then (b) to redeem or purchase Bonds subject, in the case of purchases, to the certain limitations provided in the Master Bond Ordinance. The City maintains a self-insurance program for general liability for the System and for worker's compensation which covers the Department as well as other City Agencies and departments.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS

City Council approved a Resource Management Agreement with The Energy Authority (TEA), giving TEA the exclusive right to market the City's excess generation capacity, effective March 1, 2003. Under this agreement, the City pays a monthly resource management fee to TEA. The City paid resource management fees of \$768,081 and \$764,260 to TEA during the years ended February 29, 2016 and February 28, 2015, respectively.

The City is a transmission-owning member of Midcontinent Independent System Operator (MISO) and participates in the energy market operated by MISO (the "MISO Energy Market") under a Resource Management Agreement with The Energy Authority Inc. ("TEA"). The City has designated TEA to be the Market Participant for the transaction of power sales and purchases in the MISO Energy Market on behalf of the City. The MISO Energy Market consists of both Day Ahead and Real Time energy markets. Participation in the MISO Energy Market gives the System the ability to offer excess generating capacity for sale into the MISO Energy Market and also provides the opportunity for economical power purchases to accommodate the System's native load needs at certain times of the year. Net sales to MISO totaled \$6,507,731 and \$10,478,169 for the years ended February 29, 2016 and February 28, 2015, respectively. Net sales to MISO are included with operating revenues.

On August 10, 2006, the Illinois Environmental Protection Agency issued to the City the Prevention of Significant Deterioration Air Permit, known as the "Air Permit", for the Dallman 4 Project. On September 12, 2006, however, the Sierra Club challenged the "Air Permit", which caused a delay in issuance of the release to begin construction. The City estimated that the cost of an expected one-year delay from the Sierra Club's challenge to the Air Permit could total a minimum of \$150 million. To avoid the increased cost and prevent further construction delay, on November 16, 2006, the City entered into a settlement with the Sierra Club and the release to begin construction was granted. Under the settlement, the City agreed to enter into a power purchase agreement for 120 MW of wind power capacity at a reasonable price for at least ten years.

In accordance with the Settlement, the Electric Light and Power Fund purchased 54,008 MW from Hancock County Wind costing \$2,959,232 and 337,021 MW from Crystal Lake Wind, LLC costing \$19,964,685 in fiscal year 2016.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. TRANSFER OUT

The City retired the amount owing the Illinois Municipal Retirement Fund for the early retirement incentive program, of which many City employees took advantage during fiscal years 2004 and 2005, by issuing the 2004A General Obligation Bonds. Management annually allocates, the repayment of 2004A General Obligation bond principal and interest to the various divisions of the City government based on the percentage of employee payoff dollars in that division under the early retirement incentive program similar to the Self Insurance Fund General Obligation Bonds.

In fiscal year 2008, the City started implementing a new Enterprise Resource Planning (ERP) System. The ERP System was financed by the City. The Electric Light and Power Fund has recorded a share of responsibility for payment on this system as a transfer out.

For the years ended February 29, 2016 and February 28, 2015, the Electric Light and Power Fund's annual allocation was determined to be \$585,964 and \$1,403,972, respectively, for the two programs.

The Electric Light and Power Fund also makes payment in lieu of tax contributions to the primary government whereas the City passed ordinance 628-11-04, later amended by ordinances 729-10-05, 355-05-08, and 117-02-09, defining and codifying the financial relationships between City agencies, departments, and funds as to place a limit on the Office of Public Utilities contributions/payments from the Electric Fund to the City's Corporate Fund. Contributions from retail sales revenues are based on 2.67% of retail revenues, minus uncollectable debt, penalties and applicable taxes. Contributions from wholesale sales revenues are calculated as the greater of 30 percent of net income from wholesale sales or 3.5 percent of gross wholesale revenue. The net income from wholesale sales shall be the revenues from off-system electricity sales, less all variable costs of production related to those off-system sales. These contributions totaled \$3,625,360 during fiscal year 2015.

For fiscal year 2015, the Springfield City Council approved two ordinances to address the Electric Funds debt coverage shortage issue. The first ordinance, 64-02-15, stated that the Director of the Office of Budget and Management shall waive Payment in Lieu of Taxes (PILOT) payments from and refund PILOT payments to the Electric Fund from the Corporate Fund in a total amount required to establish Net Revenues for Fiscal Year 2015 in an amount of 125% of the Current Debt Service Requirement in an amount not to exceed \$2,000,000. The second ordinance, 169-05-15 removed the limitation and authorized the rebate of the amount necessary to honor the debt coverage ratio as defined in the Electric Fund's Master Bond Ordinance.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. TRANSFER OUT (Continued)

The amount of the transfer that would have been recorded if the City Council had not voted to reduce the PILOT payments would have been \$8,004,982. The amount was reduced by \$4,379,622.

During Fiscal Year 2016, the PILOT transfer calculation for the Electric Fund was amended by Ordinance 337-10-15. Transfers shall be made in an amount approved through the annual appropriation ordinance. In addition, transfers are initially capped at 3.35% of “operating revenues, electric revenue and other revenues” as defined in the preceding year’s annual audit. The transfer cap increases to 3.75% in March 2019. During fiscal year 2016, the annual appropriation ordinance budgeted transfer amount was \$8,058,000, which was less than the 3.35% of FY15 revenues cap amount of \$8,196,748.

The two program allocations and the contributions to the primary government are shown as a transfer out, in the Statement of Revenues, Expenses and Changes in Net Position.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, address employer reporting for participation in defined benefit and defined contribution Other Postemployment Benefits (OPEB) plans that provide postemployment benefits other than pensions. OPEB benefits include healthcare and other nonpension benefits provided to employees in exchange for employee services rendered and constitutes part of the compensation for those services.

The City of Springfield Retiree Health Insurance Plan is a self-insured medical plan that operates under the administration of the City’s Office of Human Resources in conjunction with the Joint Labor-Management Health Insurance Committee. Retired employees of the City of Springfield and their dependents are eligible to participate in the plan. Retirees are required to pay certain premiums and the City pays the balance of the cost of the plan. The Electric Light and Power Fund contributes its portion of retiree OPEB costs for its retirees. For fiscal years 2016 and 2015, the Electric Light and Power fund contributed \$1,552,086 and \$1,346,547, respectively.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding policy: The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The City currently contributes enough money to the plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the plan are paid by the City's Self-Insurance Fund. The City allocates the annual required contributions based upon head counts of plan participants. For fiscal years 2016 and 2015, the City allocated 36.32 percent and 29.53 percent to the Electric Light and Power Fund, respectively.

The following shows the components of the Electric Light and Power Fund's estimated annual OPEB cost as allocated by the City:

	Fiscal Year Ending February 28/29			
	2016	2015	2014	2013
Annual required contribution	\$ 12,602,370	\$ 6,933,974	\$ 5,938,631	\$ 5,938,631
Interest on OPEB obligation	1,677,974	1,257,344	1,152,298	908,181
Adjustment to ARC	(1,398,312)	(1,042,474)	(955,380)	(752,980)
OPEB expense	12,882,032	7,148,844	6,135,549	6,093,832
Net OPEB contributions made during the fiscal year	(1,552,086)	(1,346,547)	(1,369,230)	(1,108,437)
Net increase in OPEB obligation	11,329,946	5,802,297	4,766,319	4,985,395
Net OPEB obligation at beginning of year	33,943,607	28,141,310	23,374,991	18,389,596
Net OPEB obligation at end of year	\$ 45,273,553	\$ 33,943,607	\$ 28,141,310	\$ 23,374,991
Percentage of expense contributed	12.05%	18.84%	22.32%	18.19%

Additional information regarding the City's OPEB Plan, funded status, actuarial assumptions and related required supplemental information can be found in the City's Comprehensive Annual Financial Report.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PLEDGED ELECTRIC REVENUE

The Electric Light and Power Fund has pledged future net revenues, net of operations and maintenance costs, to repay \$661.12 million in electric revenue bonds issued in 2006, 2007 and 2008. Proceeds from these bonds provided financing for various electric system projects including the construction of Dallman Unit 4. The bonds are payable solely from electric net revenues and are payable through March 1, 2037. Annual principal and interest payments on the bonds are required to be 80 percent or less of net revenues as per the bond ordinance. As of fiscal year 2015, the total principal and interest remaining to be paid on the bonds is \$954.6 million. For fiscal year 2015, the total principal and interest paid and total net revenues were \$42,140,020 and \$53,074,225, respectively.

During fiscal year 2016, the issuance of the Series 2015 Senior Electric Lien bonds refunded a portion of the 2006, 2007 and 2008 electric revenue bonds. The Series 2015 bonds are payable solely from electric net revenues and are payable through March 1, 2040. As of fiscal year 2016, the total principal and interest remaining to be paid on the bonds is \$893.7 million. For fiscal year 2016, the total principal and interest paid (including the refunding) and total net revenues were \$581,008,154 and \$71,219,129, respectively.

16. AMENDED COAL CONTRACT

On April 5, 2016 the City Council approved Ordinance 145-04-16 which restated and amended an existing contract with Arch Coal Sales Company, Inc. to provide coal to the Dallman Power Station. The agreement has been amended several times throughout the years to accommodate name changes, price re-openers and quantities. Some of the key terms have been changed: (1) all price adjustments (except for SO₂ & Btu) have been eliminated; (2) Arch will remove up to 60,000 tons of ash per year from Dallman for \$5/ton; (3) Arch's storage & loading facilities will be open 24 hours/day; (4) SO₂ penalty has been adjusted; (5) price re-determination provisions have been eliminated; (6) insurance requirements on hauling have been implemented; and (7) exhibits & other references have been updated with current information. The changes lead to an overall decrease in actual price paid from \$45.07/ton to \$35.90/ton. The contract expires December 31, 2020.

CITY OF SPRINGFIELD, ILLINOIS - ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the City recorded a prior period adjustment for the implementation of GASB Statement No. 68 to recognize the effect of recording the Net Pension Asset resulting from its participating in IMRF for its employees' pension as well as the contributions made between the measurement date used for IMRF of December 31, 2014 and the date of its financial statements in the prior year of February 28, 2015.

Net position, March 1, 2015 (as previously reported)	\$ 330,520,490
Restated for:	
IMRF Net Pension Liability Prior period	\$ (39,437,938)
Deferred outflow for contributions made between December 31, 2014 and February 28, 2015	<u>\$ 1,006,001</u>
Net position, March 1, 2015 (as restated)	<u>\$ 292,088,553</u>

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

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

February 29, 2016

	2016
Actuarially required contribution	\$ 5,923,990
Contributions in relation to the actuarially required contribution	5,923,990
CONTRIBUTION DEFICIENCY (Excess)	\$ -
Covered-employee payroll	\$ 37,998,356
Contributions as a percentage of covered-employee payroll	15.59%

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of December 31, 2015. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.5% annually, projected salary increases assumption of 4.4% to 16.0% compounded annually and postretirement benefit increases of 3% compounded annually.

**CITY OF SPRINGFIELD
ELECTRIC LIGHT AND POWER FUND
SPRINGFIELD, ILLINOIS**

**SCHEDULE OF THE ELECTRIC LIGHT AND POWER FUND'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ILLINOIS MUNICIPAL RETIREMENT FUND**

February 29, 2016

	December 31 2015*
Electric Light and Power Fund's proportion of net pension liability	54.30%
Electric Light and Power Fund's proportionate share of net pension liability	\$ 57,559,109
Electric Light and Power Fund's covered-employee payroll	\$ 38,153,775
Electric Light and Power Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.86%
Plan fiduciary net position as a percentage of the total pension liability	83.47%

* IMRF measurement date is December 31, 2015