CITY OF FAIRBURY, ILLINOIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
YEAR ENDED APRIL 30, 2014

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 680,205	$ 395,187	$ 1,075,392
Cash paid to suppliers for goods and services	(263,699)	(161,325)	(425,024)
Cash paid to employees for services	(315,325)	(143,455)	(458,780)
Net cash provided by operating activities	101,181	90,407	191,588
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(1,672)	(267,947)	(269,619)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Loan proceeds received	228,948	27,269	256,217
Principal payments on debt	(46,588)	(59,998)	(106,586)
Interest paid	(9,927)	(6,479)	(16,406)
Acquisition of capital assets	(243,674)	(28,701)	(272,375)
Net cash used in capital and related financing activities	(71,241)	(67,909)	(139,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase (maturity) of certificates of deposit	(25,280)	313,271	287,991
Interest received on certificates of deposit	517	411	928
Net cash provided by (used in) investing activities	(24,763)	313,682	288,919
INCREASE IN CASH	3,505	68,233	71,738
CASH AT BEGINNING OF YEAR	69,297	166,119	235,416
CASH AT END OF YEAR	$ 72,802	$ 234,352	$ 307,154
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	$ (64,382)	$ (146,143)	$ (210,525)
Adjustment to reconcile operating loss to net cash provided by operating activities			
Depreciation	154,179	234,514	388,693
Change in assets and liabilities:			
Customer deposits	(400)	-	(400)
Miscellaneous non-operating receipts	11,784	2,036	13,820
Net cash provided by operating activities	$ 101,181	$ 90,407	$ 191,588

See accompanying notes.

CITY OF FAIRBURY, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2014

	AGENCY (ECONOMIC DEVELOPMENT GRANT PROGRAM)
ASSETS	
Cash and certificate of deposit	$ 322,808
Notes receivable	38,148
	$ 360,956
LIABILITIES	
Due to State (DCEO)	360,956
NET POSITION	$ -

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as described later, accounting policies of the City of Fairbury, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

Generally accepted accounting principles require the financial reporting entity to include the primary government and other organizations for which the primary government is financially accountable (component units). Financial accountability includes the primary government's ability to appoint a voting majority of the organization's governing body, the ability to impose will on an organization, and fiscal dependence on the primary government.

These financial statements do not include the Dominy Memorial Library, which is a component unit of the City of Fairbury. Accordingly, these financial statements reflect only the primary government of the City of Fairbury.

B. Basis of Presentation

Management's Discussion & Analysis – Provides introductory information on basic financial statements and an analytical overview of the City's financial activities.

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund balances, revenue received, and expenditures disbursed. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Other information – Budgetary comparison schedules and analysis of funding progress – IMRF are presented. The original and final budget for revenues and expenditures is presented in comparison with the actual final budgetary revenues and expenditures.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources and expenditures not required by law or contractual agreement to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City includes the following special revenue funds:

Motor Fuel Tax Fund – To account for the operations of the City's Street Department in connection with highway construction and maintenance projects authorized by the Illinois Department of Transportation. Financing is provided by the City's share of the state motor fuel tax.

Audit Fund – To account for the revenue and expenditures resulting from the City's compliance with the "Municipal Auditing Law" as stipulated in Chapter 65 of the Illinois Compiled Statutes. Financing is provided by a specific annual real estate tax levy and payments are made only for the costs of the annual audit of all City funds.

Capital Project Fund – Capital project fund is used to account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The City includes the following capital project fund:

Fire Station Fund – To account for the revenue and expenditures of constructing and equipping the Brian J. Munz Public Safety Complex.

Proprietary Funds

Enterprise Funds – 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 revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City maintains the following enterprise funds:

Waterworks Fund – To account for the water operations. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's capital assets) and provide for a net income to finance the continued operations of the system.

Sewerage Fund – To account for the wastewater operations. Revenue is provided through user charges which are designed to pay operating expenses (including depreciation of the Fund's capital assets) and provide for a net income to finance the continued operations of the system.

Fiduciary Funds

Agency Funds – Agency funds are used to account for assets held by the City in a custodial capacity (i.e., assets equal liabilities). Agency funds do not involve the measurement of results of operations. The City includes the following agency fund:

Economic Development Grant Program Fund – To account for community development assistance program funds awarded by the Illinois Department of Commerce and Economic Opportunity (DCEO), the City acting as custodial agent for the State of Illinois.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- Governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Agency fund assets and liabilities are accounted for using the modified cash basis.

D. Budgets and Budgetary Accounting

The budget for all governmental fund types is prepared on the modified cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The original and final budget was passed through an appropriations ordinance on July 17, 2013.

For each fund, total fund expenditures may not legally exceed the budgeted expenditures. The budget lapses at the end of each fiscal year. Encumbrances accounting is not employed.

The City adopts its annual budget in accordance with Chapter 65, Paragraph 5/8-2-9 of the Illinois Compiled Statutes, as follows:

(1) The budget officer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.

(2) The Council approves the proposed operating budget as a basis for the appropriation.

(3) A public hearing is conducted to obtain taxpayer comments on the appropriation.

(4) Prior to August 1, the budget is legally adopted through passage of an appropriations ordinance.

(5) Budgeted amounts may be transferred between object classes within a fund at any time. The annual budget may be revised by a vote of two-thirds of the City Council by deleting, adding to, or changing budgeted items. Except as provided for by the statute, no revision of the budget can be made increasing the budget in the event funds are not available.

The City also adopts an informal operating budget for proprietary funds containing estimated revenues and expenditures, which is used as a management control device. Revenues are not included in the appropriations ordinance.

E. Investments

The City's investments are comprised of certificates of deposit and money market funds. Certificates of deposit are classified together regardless of maturity. Certificates of deposit are carried at cost, which approximates fair value. Money market funds are valued at fair value.

The City is allowed to invest in securities as authorized by Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes. Generally, allowable investments consist of: interest bearing deposits in financial institutions; the Illinois Funds Money Market Fund; notes and bonds guaranteed by the United States of America; and, subject to certain restrictions, short term corporate obligations and repurchase agreements with financial institutions.

F. Compensated Absences

As a result of using the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid. It is the City's policy to permit employees to accumulate a limited amount of sick pay (maximum of 48 days per employee). Vacation pay must be taken annually based upon the calendar year or it is forfeited. Upon termination, employees are paid for unused sick and vacation pay. Sick and vacation pay is recorded in the fiscal year the checks are drawn.

The estimated liability for unpaid compensated absences at April 30, 2014 was approximately $144,000 (not reflected in the financial statements).

G. Real Estate Taxes

Real estate taxes are a lien on individual properties from January 1 in the year in which the taxes are levied. The levy must be filed with the County Clerk by the last Tuesday in December each year. The tax levy for the taxes collected in the fiscal year ended April 30, 2014 was passed December 5, 2012. Due dates, by statute, are June 1 and September 1 of the following year. Generally, collections of tax monies are made within 30 to 60 days of the due dates.

The following are the tax rate limits permitted by state law and local referendum and the actual rates levied for 2012 per $100 of assessed valuation:

Assessed Valuation	$ 53,352,722		
Type of Tax	Limit	Rate	Extension
Corporate	.4375	.2645	$ 141,081
Garbage	.2000	.1966	104,875
Fire protection	.6000	.0794	42,357
Public benefits	.0500	.0491	26,223
Police protection	.6000	.0794	42,357
Audit	As Needed	.0270	14,432
I.M.R.F.	As Needed	.3645	194,487
Tort	As Needed	.1500	80,008
Unemployment compensation	As Needed	.0149	7,965
Social security	As Needed	.1430	76,278
Street lighting	.0500	.0491	26,223
		1.4175	$ 756,286

The City is limited under state law to aggregate indebtedness of 2.875% of assessed valuation. This limitation does not apply to indebtedness used to finance fire protection equipment and facilities or water and wastewater treatment facilities or alternate revenue bonds. The available legal debt margin approximated $1.5 million at April 30, 2014.

H. Accounting Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

I. Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost less a provision for depreciation. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are capitalized at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $20,000 for infrastructure and $1,000 for all other capital assets is used. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-50 years
Improvements other than buildings	10-40 years
Machinery, furniture, and equipment	3-40 years
Infrastructure	20-40 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

J. Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

K. Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

(1) Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
(2) Restricted net position – Net assets with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
(3) Unrestricted net position – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund balance is displayed in five components, as applicable:

(1) Non-spendable fund balance – Amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

(2) Restricted fund balance – Amounts with constraints placed on their use by external groups or by law through constitutional provisions or enabling legislation.
(3) Committed fund balance – Amounts that can only be used for specific purposes as determined by formal action of the City's highest level of decision-making authority (the City Council). The committed amounts cannot be used for any other purpose unless the City Council takes the same formal action to remove or change the imposed constraints.
(4) Assigned fund balance – Amounts intended for a specific purpose which do not meet the criteria to be classified as restricted or committed. The City Council, through resolution establishing the City's fund balance policy, has delegated to the City Administrator the authority to assign amounts to specific purposes. Pursuant to the City's fund balance policy, any fund balance assigned by the City Administrator must be reported to the City Council at its next regular meeting. The City Council has the authority to remove or change the assigned fund balance with a simple majority vote.
(5) Unassigned fund balance – Amounts in the general fund that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes in the general fund. In other governmental funds, the unassigned fund balance classification would only be used, as applicable, to report a deficit balance in that fund.

As of April 30, 2014, the City's fund balances were classified as restricted, committed, assigned, and unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the City considers restricted amounts to have been spent first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, the City considers committed amounts to have been spent first, followed by assigned amounts and then unassigned amounts.

Restricted net assets for the business-type activities and fund balance for the governmental activities are described at Note 3 and 6, respectively.

L. Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government - Licenses, permits and fees, grants, and contributions
Public safety - Fine revenue, grants from other governmental entities, and contributions
Streets and recycling - Garbage collection
Park - Pool revenues

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

M. Interfund Balances and Activities

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements.

NOTE 2. CASH AND INVESTMENTS

The City's cash and investments at April 30, 2014 consisted of deposits with financial institutions, including certificates of deposit and money market funds, and the Illinois Funds Money Market Fund. The City uses common bank accounts for certain funds.

The Illinois Funds have a credit rating of AAAm, by an independent rating agency, indicating an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks. The Illinois Funds Money Market Fund has a weighted average days to maturity of 36 days. The amount invested in this fund was $448 as of April 30, 2014.

Custodial credit risk is the risk that in the event of a bank failure, the deposits of the City may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City does not have a policy to address custodial credit risk. Deposits of the City's reporting entity are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. At April 30, 2014, the City had $1,400,000 deposits collateralized by pledged securities. The City's certificates of deposit have original maturities from 6 months to 120 months.

The deposits are reflected on the financial statements at April 30, 2014 as follows:

Government-wide statement of net position:	
Cash	$ 1,300,569
Money market funds (reported as Investments)	953,778
Certificates of deposit (reported as Investments)	267,400
Certificates of deposit (reported as restricted Investments)	146,000
Agency fund statement of assets and liabilities:	
Cash and certificate of deposit	322,808
	$ 2,990,555

NOTE 3. RESTRICTED INVESTMENTS

Ordinance 2008-10, approved August 6, 2008, provided for the issuance of $170,000 General Obligation (Alternate Revenue) Bonds. The proceeds of this issue were used to refinance existing bonds outstanding. The certificate of deposit restricted for debt service at April 30, 2014 was $30,000.

Ordinance 2012-3, approved June 5, 2012, provided for the issuance of $500,000 General Obligation Bonds. The proceeds of this issue are being used to construct and equip a public safety building (fire station). The certificate of deposit restricted for debt service of these bonds at April 30, 2014 was $44,000.

In connection with the $627,937 EPA wastewater treatment loan agreement and the $595,825 EPA drinking water loan agreement, the Illinois Environmental Protection Agency requires the City to establish wastewater and waterworks reserve accounts equal to one years' principal and interest payments to fund future required loan payments. As of April 30, 2014, the balances of the wastewater and waterworks restricted accounts were $27,000 and $25,000, respectively.

In connection with the $490,000 EPA drinking water loan agreement, the Illinois Environmental Protection Agency requires the City to establish a waterworks reserve account to fund required loan payments. The fund is required to have on hand one-half of one annual payment required to be made. As of April 30, 2014, the balance of this restricted certificate of deposit was $20,000.

NOTE 4. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2014 was as follows:

	Balance May 1, 2013	Additions	Deletions	Balance April 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,064,104	$ -	$ -	$ 1,064,104
Other capital assets:				
Land improvements	164,012	-	-	164,012
Buildings and improvements	1,306,589	275,626	-	1,582,215
Vehicles	1,512,800	-	20,646	1,492,154
Equipment	2,181,157	32,353	1,545	2,211,965
Infrastructure	239,113	-	-	239,113
Total other capital assets	5,403,671	307,979	22,191	5,689,459
Less accumulated depreciation for:				
Land improvements	66,906	5,056	-	71,962
Buildings and improvements	583,540	43,497	-	627,037
Vehicles	1,002,412	74,453	20,646	1,056,219
Equipment	1,288,710	103,184	1,545	1,390,349
Infrastructure	41,291	11,956	-	53,247
Total accumulated depreciation	2,982,859	238,146	22,191	3,198,814
Other capital assets, net	2,420,812	69,833	-	2,490,645
Governmental activities, net	$ 3,484,916	$ 69,833	$ -	$ 3,554,749

	Balance May 1, 2013	Additions	Deletions	Balance April 30, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 52,245	$ -	$ -	$ 52,245
Other capital assets:				
Utility plant	8,457,066	-	-	8,457,066
Wells and improvements	846,837	-	-	846,837
Equipment	1,753,701	231,776	15,035	1,970,442
Water tower	818,982	11,898	-	830,880
Vehicles	82,362	-	-	82,362
Infrastructure	1,765,909	28,701	-	1,794,610
Total other capital assets	13,724,857	272,375	15,035	13,982,197
Less accumulated depreciation for:				
Utility plant	7,550,973	212,525	-	7,763,498
Wells and improvements	422,570	20,687	-	443,257
Equipment	438,715	88,771	15,035	512,451
Water tower	276,242	20,474	-	296,716
Vehicles	52,197	3,190	-	55,387
Infrastructure	120,378	43,046	-	163,424
Total accumulated depreciation	8,861,075	388,693	15,035	9,234,733
Other capital assets, net	4,863,782	(116,318)	-	4,747,464
Business-type activities, net	$ 4,916,027	$ (116,318)	$ -	$ 4,799,709

Depreciation expense was charged as follows in the Statement of Activities:

Governmental Activities:	
General government	$ 57,436
Public safety	64,104
Streets, park and recycling	116,606
Total depreciation expense for governmental activities	$ 238,146
Business-Type Activities	
Water	$ 154,179
Sewer	234,514
Total depreciation expense for business-type activities	$ 388,693

NOTE 5. LONG-TERM DEBT

The City's long-term debt arising from cash transactions is segregated between amounts to be paid from governmental activities and amounts repaid from business type activities.

The changes in the City's long-term debt for the year ended April 30, 2014 are as follows:

	Balance May 1, 2013	Additions	Reductions	Balance April 30, 2014	Amount Due Within One Year
Governmental Activities:					
Bonds payable	$ 595,000	$ -	$ 20,000	$ 575,000	$ 45,000
Notes payable	130,383	-	29,198	101,185	9,198
	$ 725,383	$ -	$ 49,198	$ 676,185	$ 54,198
Business-Type Activities:					
Notes payable	$ 1,085,960	$ 256,217	$ 106,586	$ 1,235,591	$ 74,272

Governmental Activities

As of April 30, 2014, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Bonds Payable:

On December 1, 1996, the City issued general obligation (alternate revenue) bonds in the principal amount of $300,000 with interest rates ranging from 5.3% to 8.0%. All sales tax and general fund revenues received by the City are pledged as alternate revenues for repayment of these bonds. However, these bonds are general obligations and the City is required to levy ad valorem taxes if alternate revenue sources are insufficient. The bond proceeds were used to offset expenditures incurred in the construction of a new city hall. On September 1, 2008, the City refunded these bonds in the principal amount of $170,000 with an interest rate of 4.7% and maturities through fiscal year 2017. There was no recognized gain or loss on the refunding; however, the City reduced future debt service payments by approximately $8,500. The conditions of these bonds are significantly the same as the refunded bonds.

On June 20, 2012, the City issued general obligation bonds in the principal amount of $500,000 with interest rates ranging from 2.8% to 7.0%. The bond proceeds are being used to offset expenditures incurred in constructing and equipping the new Brian J. Munz Public Safety Complex.

The schedule of principal and interest requirements of the bonds are as follows:

Year ending April 30,	June 1 Interest	December 1 Interest	December 1 Principal	Total
2015	$ 12,563	$ 12,562	$ 45,000	$ 70,124
2016	11,275	11,275	45,000	67,550
2017	9,988	9,987	45,000	64,974
2018	8,700	8,700	20,000	37,400
2019	8,050	8,050	25,000	41,100
2020-2024	30,112	30,113	130,000	190,224
2025-2029	18,230	18,230	155,000	191,460
2030-2034	4,205	4,205	110,000	118,410
	$ 103,123	$ 103,122	$ 575,000	$ 781,242

Notes Payable:

$183,967 note payable to Illinois Finance Authority for a fire truck, payable in annual installments of $9,198, non-interest bearing, final payment due November 2024, secured by fire truck, net book value $82,374	$ 101,185

The schedule of principal and interest requirements on the long-term debt is as follows:

Year Ended April 30,	Interest	Principal	Total
2015	$ 25,125	$ 54,198	$ 79,323
2016	22,550	54,198	76,748
2017	19,975	54,198	74,173
2018	17,400	29,198	46,598
2019	16,100	34,198	50,298
2020-2024	60,225	185,195	245,420
2025-2029	36,460	155,000	191,460
2030-2034	8,410	110,000	118,410
	$ 206,245	$ 676,185	$ 882,430

Business-Type Activities

As of April 30, 2014, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Notes Payable:

$228,948 note payable ($235,872 available) to Illinois Environmental Protection Agency for water meter improvements, payable in semi-annual installments of $6,976, including principal and interest at 1.995%, final payment due May 2034	$ 228,948
$27,269 note payable ($183,721 available) to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installments of $831, including principal and interest at 1.93%, final payment due April 2034	27,269
$490,000 note payable to Illinois Environmental Protection Agency for new water tower, payable in semi-annual installments of $15,937, including principal and interest at 2.625%, final payment due May 2019	162,257
$627,937 note payable to Illinois Environmental Protection Agency for sewer improvements, payable in semi-annual installment of $16,224, including principal and interest at 1.25%, final payment due May 2032	421,019
$595,825 note payable to Illinois Environmental Protection Agency for watermain improvements, payable in semi-annual installments of $14,488, including principal and interest at 1.25%, final payment due May 2032	396,098
	$ 1,235,591

The schedule of principal and interest requirements on the long-term debt is as follows:

Year Ended April 30,	Interest	Principal	Total
2015	$ 17,225	$ 74,272	$ 91,497
2016	17,897	80,576	98,473
2017	16,412	82,061	98,473
2018	14,893	83,580	98,473
2019	13,345	85,128	98,473
2020-2024	50,108	298,821	348,929
2025-2029	29,292	303,698	332,990
2030-2034	8,035	220,548	228,583
2035	69	6,907	6,976
	$ 167,276	$ 1,235,591	$ 1,402,867

NOTE 6. GOVERNMENTAL FUND BALANCES

The following is a detailed summary of fund balance classifications as presented in the governmental funds balance sheet – modified cash basis.

The following is a summary of restricted fund balances:

Debt service	$ 30,000
Street lighting	7,000
Unemployment insurance	18,000
Fire station	485,710
Park equipment	5,815
Law enforcement	35,796
Fire department	43,219
Street repair and improvements	451,669
Audit	15,761
	$ 1,092,970

The street repair and improvements, audit, and fire station fund balances presented above represent resources restricted for the Motor Fuel Fund, Audit Fund, and Fire Station Fund (Brian J. Munz Public Safety Complex), respectively. The remaining amounts above represent resources restricted for the indicated purposes within the General Fund.

The committed amount of $24,500 and the assigned amount of $163,031 for the Fire Station Fund is for the Brian J. Munz Public Safety Complex.

The assigned amount for the General Fund of $48,809 represents vehicle seizure funds (law enforcement) assigned for police equipment to be determined.

NOTE 7. INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended April 30, 2014, were as follows:

	Transfer In	Transfer Out
General Fund	$ 188,171	$ -
Fire Station Fund	81,448	-
Sewer Fund	-	267,947
Water Fund	-	1,672
	$ 269,619	$ 269,619

The interfund transfers from the Enterprise Funds to the General Fund and the Fire Station Fund represent expenditures incurred by the General Fund and Fire Station Fund but paid by the Enterprise Funds.

NOTE 8. RETIREMENT PLANS

A. Plan Description

Plan Description. The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is 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. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, the City's Regular plan members are required to contribute 4.5 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 year 2013 was 17.77 percent. 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.

Annual Pension Cost. The required contribution for calendar year 2013 was $217,131.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	$ 217,131	100%	$ -
12/31/2012	197,107	100%	-
12/31/2011	195,410	100%	-

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 47.77 percent funded. The actuarial accrued liability for benefits was $3,906,611 and the actuarial value of assets was $1,866,198, resulting in an underfunded actuarial accrued liability (UAAL) of $2,040,413. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was $1,221,895 and the ratio of the UAAL to the covered payroll was 167 percent.

The schedule of funding progress, presented as Other Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Trend Information

Historical trend information designed to provide information about the City's progress in accumulating sufficient assets to pay benefits when due is presented in the accompanying other supplementary information.

C. Social Security

All City employees are covered under Social Security. The City paid $99,696 of social security taxes for the year ended April 30, 2014.

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation; and natural disasters. The City self-insures the risk of damage to small equipment owned by the fire department. Consequently, the City is responsible for the cost of repairing or replacing such small equipment if it is damaged, destroyed or stolen.

The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OTHER INFORMATION