

**City of O'Fallon
St. Clair County, Illinois**

**ANNUAL FINANCIAL REPORT
Year Ended April 30, 2010**

**AND
INDEPENDENT AUDITOR'S REPORT**



**ALLISON KNAPP &
SIEKMANN, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

City of O'Fallon
St. Clair County, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2010

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City of O'Fallon
St. Clair County, Illinois

April 30, 2010

CITY OFFICIALS

MAYOR
Gary L. Graham

CLERK
Philip Goodwin

TREASURER
David Hursey

CITY COUNCIL

Nila Grogan
Ed True
Rick Reckamp, Jr.
John T. Drolet
Michael Bennett
Steve Engler
Jerry Albrecht

Gene McCoskey
Daniel Polites
Jerry Mouser
David Snyder
Dennis Renner
Ned Drolet
David Cozad

CITY ADMINISTRATOR
Walter Denton

CHIEF FINANCIAL OFFICER
Dean Rich



CERTIFIED PUBLIC ACCOUNTANTS

November 23, 2010

Honorable Mayor and City Council
City of O'Fallon, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of O'Fallon, Illinois, as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of O'Fallon's management. Our responsibility is to express opinions on these financial statements based on our audit.

The prior year summarized comparative information has been derived from the City's April 30, 2009 financial statements and, in our report dated October 20, 2009, we expressed unqualified opinions on the respective financial statements of the aggregate discretely presented component units and each major fund. We expressed a qualified opinion on the governmental activities, business-type activities and each major proprietary fund for not determining the net pension obligation funding status and not recognizing the other post-employment benefit (OPEB) expense or obligation and on the aggregate remaining fund information, because the City did not disclose descriptive information about OPEB and because the fiduciary fund omitted a portion of the Policemen's Pension Fund disclosures.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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The City has not determined whether the annual pension costs for the Policemen's Pension Fund are over or under funded in accordance with U. S. generally accepted accounting principles, which require an asset or liability to be recorded in the government-wide statement of net assets for the governmental activities based on the aggregate annual pension cost in relation to annual contributions made, which would change the expense in the governmental activities. The amount by which this departure would affect the assets, liabilities and expenses of the governmental activities is not reasonably determinable.

The City has also excluded a portion of the Policemen's Pension Fund disclosures. In our opinion, disclosure of this information is required by U. S. generally accepted accounting principles.

The City has not recognized the other post-employment benefit (OPEB) expense or obligation which is required in accordance with U. S. generally accepted accounting principles and under Government Accounting Standards Board (GASB) Statement No. 45, to be recorded in the government-wide financial statements and in the proprietary fund financial statements. The effects of that departure on the financial statements are not reasonably determinable. The City has also not disclosed the descriptive information about the other post-employment benefits required by standards.

In our opinion, except for the effects of the omission of a portion of the Policemen's Pension Fund disclosures as described in paragraph five and the OPEB disclosures noted in paragraph six, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the City of O'Fallon, Illinois, as of April 30, 2010, and the respective changes in financial position, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

In addition, in our opinion, except for the matters discussed in paragraphs four and six, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major proprietary fund of the City of O'Fallon, Illinois, as of April 30, 2010, and the respective changes in net assets, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units and each major governmental fund of the City of O'Fallon, Illinois as of April 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010 on our consideration of the City of O'Fallon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial

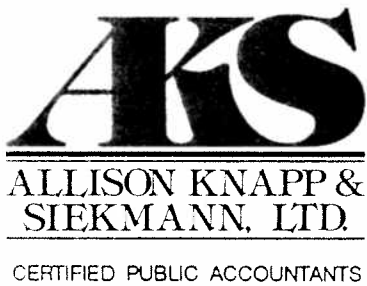
reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U. S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, IMRF Trend Information and Police Pension Trend Information presented on pages MDA-1 through 10 and Schedules A through C, 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 U. S. generally accepted auditing standards, 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. The City of O'Fallon, Illinois has not presented the Police Pension Annual Pension Cost in the Schedule of Employer Contributions or the schedule of funding progress for the other post-employment benefits or the management discussion and analysis that U. S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of O'Fallon's financial statements as a whole. The accompanying supplemental information and other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards and the supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U. S.

generally accepted auditing standards. In our opinion, the supplemental information is fairly stated in all material respects, in relation to the financial statements taken as a whole. The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Allison Knapp + Siekmann, Ltd.



November 23, 2010

Honorable Mayor and City Council
City of O'Fallon, Illinois

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
TAX INCREMENT FINANCING ACT

We have audited the basic financial statements of the City of O'Fallon, Illinois, for the year ended April 30, 2010, and have issued our report thereon dated November 23, 2010, which was qualified for not determining whether the annual pension costs for the Policeman's Pension are over or under funded, an omission of a portion of the Policeman's Pension Fund disclosures, not determining a cost or liability for other post-employment benefit costs and the omission of the other post-employment benefits disclosures. The financial statements are the responsibility of management for the City of O'Fallon. Our responsibility is to express opinions on the financial statements based on our audit.

Our audit was made in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management of the City of O'Fallon, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, nothing came to our attention that caused us to believe that the City

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failed to comply with the accounting provisions in Subsection (q) of Section 11-74.4-3 of Public Act 85-1142 insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Aldermen and management of the City of O'Fallon, Illinois and the State of Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

Allison Knapp + Siekmann, Ltd.

The City of O'Fallon, Illinois**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)****April 30, 2010**

This section of the City of O'Fallon's annual financial report presents an easily readable analysis of the government's financial performance for the fiscal year ended April 30, 2010.

The MD&A provides an analysis of the overall financial position and results of the previous year's operations in order to assess whether the City's finances have improved or deteriorated. The analysis describes capital asset and long-term debt activity and concludes with information regarding currently known facts, decisions or conditions that are expected to have a significant effect on the City's future financial position and operations. Please read this analysis in conjunction with the City's financial statements including all supplementary information and note disclosures.

Using this Annual Report

The new financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison and enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The government-wide statements consist of a statement of net assets and a statement of activities and are prepared using the economic resources measurement focus and accrual basis of accounting. These statements will report all of the assets, liabilities, revenues and expenses of the government. Each statement distinguishes between the governmental and business-type activities of the primary government and presents a total primary government in a separate column. Fiduciary activities, (such as the police pension funds), whose resources are not available to finance the government's programs, are excluded from the government-wide financial statements.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type) that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities.

Fund-based Financial Statements

The fund-based financial statements consist of a series of statements that provide information about the government's major and non-major governmental, proprietary (enterprise/business-type), and fiduciary funds.

Governmental fund financial statements (including the general fund, special revenue, capital projects and debt service) are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balance.

Proprietary fund financial statements (enterprise/business-type) and fiduciary fund financial statements (police pension) are prepared using the economic resources measurement focus and the accrual basis of accounting. The statements consist of a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. The fiduciary fund statements include a statement of net assets and a statement of changes in net assets.

The fund financial statements include a reconciliation between the government-wide and fund financial statements because of the difference in basis of accounting. The differences are primarily in how fixed assets and debt are treated and the timing for recording some revenues and expenses.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure-roads, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) that periodically measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City has chosen to depreciate assets over their useful life.

Financial Analysis of the City as a Whole

See Net Assets (Chart 2)

The City's combined net assets increased by \$4,832,596. Governmental activities had an increase of \$3,560,253 and business activities had an increase of \$1,272,343. Net assets of the City's governmental activities total \$66.5 million with 42% of that being invested in capital assets (buildings, roads, equipment, etc.) net of related debt. The net assets of the business-type activities total \$31.5 million with 85% invested in capital assets net of related debt.

See Changes in Net Assets (Chart 3)

As noted, net assets from governmental activities increased \$3,560,253 (5% growth). Total revenues decreased by 2% compared to last year as well as expenses decreasing by less than ½ %. Significant revenue changes were:

- Franchise fees increased by almost 4%. Franchise fees are collected for both telephone and cable realizing revenue of \$1,267,959.
- Our parks and recreation department continues to grow each year. Fees and concessions for that department increased again over last year, generating \$909,843 in revenue. This is due to the addition of new programs and the increase in use of those programs by the citizens.
- Revenue from property taxes increased by almost 8% - \$410,759 bringing the total property tax to \$5,300,800. The 2008 tax levy was artificially low by \$342,866 due to a management decision to not include the county multiplier. Since it had no affect, this was not repeated for the 2009 levy; therefore the reason for the appearance of a large increase.
- Sales tax decreased by \$295,426 or almost 4% from last year. This decrease is attributed to the decline in car sales, which comprises the majority of our sales tax revenue.
- Income tax decreased by \$189,533 or 8% from last year.
- Investment income decreased 17% from last year. This is due to lower interest rates on our investments.

As noted, expenses decreased only ½ % during fiscal year 2010. Significant expense changes were:

- Interest expense on long-term debt decreased by 28%, or \$583,288 over last year. This was partly due to interest payments due on the G.O. Bonds were substantially lower than last year and over time, principal will increase and interest will decrease, thus reducing our interest expense.
- Culture and recreation increased by 34% due to the Family Sports Park and Park activities being so successful. New programs were started and additional staff required. Although expenses increased, revenues also increased as stated above.
- Highways & Streets saw a 6% increase in expenses while general government expenses decreased by 14%. Public Safety expenses decreased slightly from last year.

Business-type Activities

As noted, net assets from business-type activities increased by \$1,272,343. Operating revenues of the City's business-type activities increased by \$636,495 or 5%. Operating expenses decreased by \$490,864 or 4%. Fund net asset balances for the City's business-type activities are \$31.5 million for fiscal year 2010, with \$3.49 million being unrestricted.

Financial Analysis of the City's Fund Financial Statements

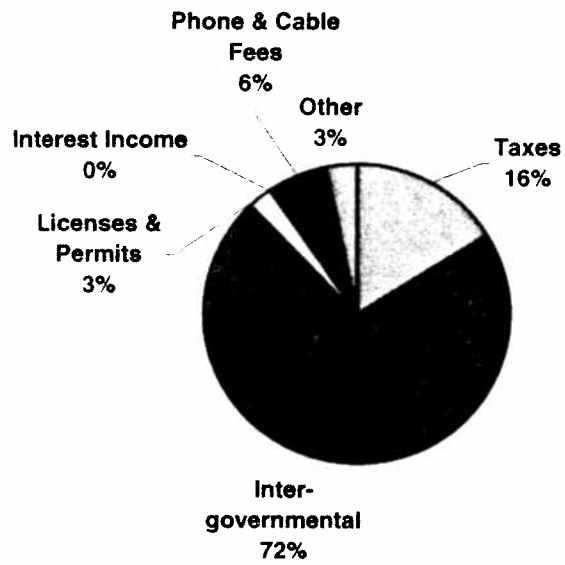
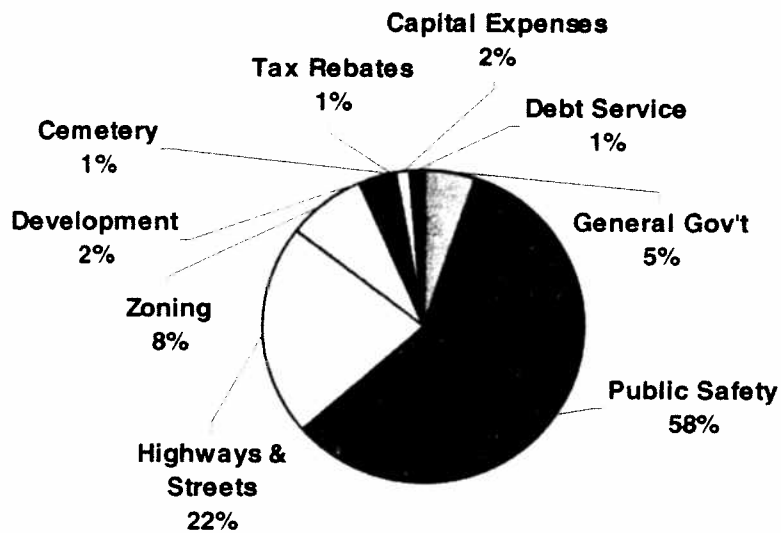
For the fiscal year ended April 30, 2010 the Governmental Funds reflect a \$13,012,588 increase in fund balance. The Governmental Fund's cash and investments increased by \$13,095,938. Most of the increase is attributable to the refunding of the 2006 bond issue and the issuance of \$9,295,000 in G.O. taxable bonds Series 2009A to finance additions to the Family Sports Park and the City Library. The Governmental Fund revenues decreased 3% (\$717,397), while the expenses decreased by 25% (\$5,245,551) over last year; leaving an excess of revenues over expenditures of \$2,731,588 before other financing sources (uses). One of the reasons that the Governmental Fund revenues show a decrease is because \$885,646 of State income tax which was not received within sixty days after the end of the fiscal year are not considered financial resources and, therefore, are reported in the Governmental Funds as deferred revenue and not included in this total.

Status of Reserves

	Fiscal Year 5/1/09-4/30/10	Fiscal Year 5/1/08-4/30/09	Increase/ Decrease
<u>Governmental Funds</u>			
General	\$ 8,794,820	\$ 7,861,330	\$ 933,490
Fire	759,420	168,336	591,084
Ambulance	2,927,080	2,131,241	795,839
Sports Park	9,713,396	509,678	9,203,718
Non-Major	15,192,088	13,703,631	1,488,457

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$2,134,540. Proceeds from the issuance of long-term debt increased the fund balance by \$22,483. Planned transfers to various other funds reduced the fund balance by \$1,223,533. The ending fund balance in the General Fund account is \$8,794,820. Management believes that this level of fund balance is acceptable.

Revenues for the City are generated from a number of sources and for the most part are dependent on different financial factors. This relative mix of different sources, as illustrated in the chart below, provides long-term stability.

Revenue by Sources- General Fund**Expenditures by Program-General Fund**

This City has one fund (a non-major fund) set up for the parks system and the City pool. During the year, revenues were \$2,283,222 and expenses were \$2,250,143, an excess of revenues of \$33,079. The City's park system is growing every year. The ending fund balance in the Park Fund is \$598,723.

The City has five Debt Service Funds; 1997 (2001) Bond Issue, 2002 Bond Issue, 2006 Bond Issue, 2009 Bond Issue and a 2009A Bond Issue. The 1997 Bond Issue was a general obligation bond in the amount of \$7,450,000. This bond was issued to complete various infrastructure and development projects within the City. During the year the City made payments to retire \$335,000 of principal and paid \$267,300 in interest and fiscal charges.

The 2002 Bond Issue was a general obligation bond in the amount of \$14,000,000. This bond was issued to complete Prop S infrastructure projects and to complete the police station on Seven Hills Road. During the year the City made payments to retire \$275,000 of principal and paid \$279,787 in interest and fiscal charges.

The 2006 Bond Issue was a general obligation bond in the amount of \$20,100,000. This bond was issued to defease a portion of the 2002 bond issue and construct a convention center, sports complex and other road improvements. During the year the City made payments to retire \$770,000 of principal and paid \$909,237 in interest. In 2010 the City defeased a portion of this 2006 issue.

The 2009 Bond Issue was a general obligation bond in the amount of \$18,450,000. As stated above, this bond was issued to defease a portion of the 2006 bond issue and to finance additions to the Family Sports Park.

The City also issued \$9,295,000 in general obligation taxable bonds Series 2009A to finance an addition to the City library and additions to the Family Sports Park. These bonds are Build America Bonds which proved a federal subsidy through a refundable tax credit in an amount equal to 35 percent (35%) of the total coupon interest. These bonds are taxable and not tax-exempt.

General Fund Budgetary Highlights

Actual City operating expenses are \$2,949,937 below the final budget amount and actual operating revenues are \$2,016,447 below the final budget amount. (Including Other Financing Sources (Uses)) This amounts to \$933,490 excess of revenues and other financing sources over expenditures.

Capital Asset and Debt Administration (Chart 1)

At the end of 2010 the City had \$115 million (net of accumulated depreciation) invested in a broad range of capital assets, including police, fire, park facilities, roads, water and sewer lines, etc. Governmental funds had \$76.8 million and business-type activities had \$38.2 million invested at the end of fiscal year 2010, net of depreciation.

Chart 1 Government Funds Changes in Capital Assets For the Year Ended April 30, 2010

	Governmental Capital Assets <u>05/01/09</u>	<u>Increases</u>	<u>Decreases</u>	Governmental Capital Assets <u>04/30/10</u>
Capital assets not being depreciated				
Land	\$ 26,770,783	\$ 78,700	\$ -	\$ 26,849,483
Construction in progress	<u>16,061,833</u>	<u>-</u>	<u>6,481,195</u>	<u>9,580,638</u>

Chart 1
Government Funds
Changes in Capital Assets
For the Year Ended April 30, 2010

	Governmental Capital Assets 05/01/09	Increases	Decreases	Governmental Capital Assets 04/30/10
Total capital assets not being depreciated	<u>42,832,616</u>	<u>78,700</u>	<u>6,481,195</u>	<u>36,430,121</u>
Capital assets being depreciated				
Land/building improvements	1,443,507	39,269	-	1,482,776
Buildings	11,575,061	6,623,435	-	18,198,496
Equipment	4,679,498	196,226	45,376	4,830,348
Vehicles	4,169,960	44,966	22,567	4,192,359
Infrastructure	<u>111,004,934</u>	<u>450,835</u>	<u>-</u>	<u>111,455,769</u>
Total capital assets being depreciated	132,872,960	7,354,731	67,943	140,159,748
Less accumulated depreciation	<u>96,967,036</u>	<u>2,754,456</u>	<u>10,424</u>	<u>99,711,068</u>
Total capital assets being depreciated, net	<u>35,905,924</u>	<u>4,600,275</u>	<u>57,519</u>	<u>40,448,680</u>
Governmental funds Total capital assets, net	<u>\$ 78,738,540</u>	<u>\$ 4,678,975</u>	<u>\$ 6,538,714</u>	<u>\$ 76,878,801</u>

This year's major additions to the capital assets include the following:

Governmental activities:

Park scoreboards and bleachers	\$ 51,102
Remodel of Bank Building/Fire Dept. Headquarters	79,989
Dog Park shelter/improvements	35,179
Admin. - Radios/Streaming video	24,440
Police vehicles	44,966
Ambulance equipment	43,205
Park mowers and access control	49,917
City Hall computer server enclosure	27,011

See Note 5 for additional information on capital assets.

Debt Outstanding

The City issued General Obligation Bonds in 1993, 2001, 2002, 2006 and 2009. In 1993, a bond was issued in the amount of \$1,500,000 for the construction of a new library. These bonds were paid off in fiscal year 2009. In 2001, a bond was issued in the amount of \$7,640,000 for various infrastructure and development projects. The principal outstanding for this bond at April 30, 2010 is \$5,365,000. In 2002, a bond was issued in the

amount of \$14,000,000 for the construction of a new police station and various road improvements. The principal outstanding for this bond at April 30, 2010 is \$5,455,000. The Prop S portion of this bond was defeased and reissued as a 20 year bond under the 2006 issue. In 2006, a bond was issued in the amount of \$20,100,000 to defease a portion of the 2002 bond issue for roads and construct a Family Sports Park, Convention Center and other road improvements. The principal outstanding for this bond on April 30, 2010 is \$4,940,000. In 2009, a bond was issued in the amount of \$18,450,000 to defease a portion of the 2006 bond issue and to finance additions to the Family Sports Park. The principal outstanding on this bond remains at \$18,450,000. Also in 2009, a Build America bond was issued for \$9,295,000 to finance an addition to the City library and additions to the Family Sports Park. The principal outstanding on this bond is \$9,295,000. In 2005, various bonds were issued for the City's special service areas to be used for various commercial ventures. The amount outstanding for these bonds at April 30, 2010 is \$3,115,000. In 2007, an additional \$3,850,000 in bonds was issued for new commercial ventures in the special service areas. The amount outstanding for these bonds at April 30, 2010 is \$3,640,000. The City's capital leases and notes payable for governmental activities total \$936,725, which leaves the legal debt margin remaining at \$7,607,196.

The City issued Alternate Revenue Source Waterworks Bonds in 2004. The business-type activities bond was issued in the amount of \$3,310,000 for construction and installation of new encoder water meters. The amount outstanding for this bond at April 30, 2010 is \$1,425,000. Capital leases in the business-type activities total \$113,619 and include public works vehicles, generator and computer equipment. In addition, the business-type activities have the Dairy Loan with a balance of \$16,669, a Construction Loan (from the IEPA for sewer plant improvements) with a balance of \$3,628,600, two additional Construction Loans (from the IEPA for water towers) one with a balance of \$876,535 and the other, \$5,255,014.

See Note 6 for additional information on long-term debt.

Economic Factors

The most recent assessed valuation for the City is \$658,364,306. The assessed valuation for the City increased by \$2,215,034 over last year. The City's tax rate increased by \$0.024 for a current rate of \$0.8973 in comparison to last year's rate of \$0.8732. This includes a 4% "loss in collections" increase added by St. Clair County for projected delinquent collections due to the current recession.

O'Fallon today is recognized as the fastest growing city in southwest Illinois with a population of 29,421. Located just five minutes from Scott Air Force Base, 20 minutes from downtown St. Louis and with three I-64 interchanges, O'Fallon has an excellent central location for serving major Midwest markets. Along with outstanding access and exceptional development potential, O'Fallon is nationally recognized for its rich heritage of education excellence and is renowned for quality living.

In addition to its major employer Scott AFB, O'Fallon has a diverse retail base with several national retail businesses - Super Wal-Mart, Sam's Club, Home Depot, Petsmart, Walgreens, and regional leaders American TV and Garden Ridge. O'Fallon is the Auto Mart for the St. Louis Metro Area with 19 dealers in a 2-mile area. With 10 modern hotels, O'Fallon has become a tourist location for the major sports venues in the St. Louis region. The completion of Phase 2 of the Family Sports Park and the opening of the City's Regency Conference Center is sure to bring even more activity to O'Fallon.

O'Fallon has a median family income of \$66,262 with 70% of the population working in management, professional, sales and related occupations. 72% of the residents have some college or more and 96% of our high school students go on to college. For a 150-year-old city, O'Fallon has a young population with a median age of 35 and 42% of households with an individual under 18 years.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional financial information, contact the Director of Finance, Dean Rich at (618) 624-4500 extension 1110.

Chart 2
Statement of Net Assets
April 30, 2010

	Governmental Activities		Business-Type Activities		Primary Government Total		Component Unit	
	2010	2009	2010	2009	2010	2009	2010	2009
ASSETS								
Cash	\$ 27,603,605	\$ 22,674,924	\$ 3,387,411	\$ 2,319,322	\$30,991,016	\$ 24,994,246	\$ 1,196,797	\$ 948,573
Investments	8,464,218	296,961	-	-	8,464,218	296,961	3,976,630	1,734,288
Restricted								
Cash and cash equivalents	-	-	463,635	981,697	463,635	981,697	-	-
Accounts receivable - net	-	-	18,818	16,135	18,818	16,135	-	-
Receivables								
Property taxes	4,104,313	4,003,942	-	-	4,104,313	4,003,942	987,546	971,101
Other gov't. entities	1,918,793	1,458,936	-	-	1,918,793	1,458,936	-	-
Interest receivable	35,158	-	-	-	35,158	-	18,236	10,219
Other	330,336	682,899	-	-	330,336	682,899	30,798	50,670
Water and sewer fees	-	-	1,439,195	1,270,150	1,439,195	1,270,150	-	-
Service fees	253,490	156,471	-	-	253,490	156,471	-	-
Prepaid expenses	258,945	250,419	186,322	175,594	445,267	426,013	11,698	10,715
Deferred loss on refunding of bonds	2,010,898	-	-	-	2,010,898	-	-	-
Capital assets (net of accumulated depreciation)	40,448,680	35,905,924	31,651,402	32,381,856	72,100,082	68,287,780	1,296,874	1,352,917
Capital assets, non-depreciable	36,430,121	42,832,616	6,594,746	4,974,079	43,024,867	47,806,695	-	-
Bond issuance costs	455,140	270,343	10,318	15,321	465,458	285,664	19,334	-
Due from Police Pension	50,256	-	-	-	50,256	-	-	-
Due from employees	17,836	12,785	-	-	17,836	12,785	-	-
TOTAL ASSETS	122,381,789	108,546,220	43,751,847	42,134,154	166,133,636	150,680,374	7,537,913	5,078,483
LIABILITIES								
Current liabilities								
Accounts payable	367,496	654,050	349,020	922,694	716,516	1,576,744	22,236	15,646
Accrued payroll	149,365	360,134	39,941	112,837	189,306	472,971	8,094	21,391
Cash overdraft	-	-	-	88,871	-	88,871	-	-
Deferred revenue								
Property taxes	3,203,012	3,234,279	-	-	3,203,012	3,234,279	987,546	971,101
Fees	143,326	144,995	-	-	143,326	144,995	-	-
Accrued interest on bonds, net	-	-	-	-	-	-	-	-
Pension contributions payable	901,301	769,663	-	-	901,301	769,663	-	-
Deferred credits, net	510,485	516,857	-	-	510,485	516,857	-	-
Deposits - customers	-	-	3,419	3,419	3,419	3,419	-	-
Payroll withholding	-	-	-	-	-	-	-	-
Payable from restricted assets								
Long-term debt - due within one year	-	-	455,407	459,665	455,407	459,665	-	-
Accrued interest	-	-	25,459	28,456	25,459	28,456	-	-
Total Current Liabilities	5,274,985	5,679,978	873,246	1,615,942	6,148,231	7,295,920	1,017,876	1,008,138
Non-current liabilities								
Long-term debt - due within one year	1,235,088	1,771,699	471,566	457,956	1,706,654	2,229,655	55,000	-
Equipment notes payable	786,637	935,759	21,153	113,619	807,790	1,049,378	-	-
Compensated absences	1,423,745	1,302,703	489,581	435,565	1,913,326	1,738,268	95,520	79,982
Notes payable	-	-	9,282,311	7,829,425	9,282,311	7,829,425	-	-
Bonds payable	47,155,000	35,910,000	1,085,000	1,425,000	48,240,000	37,335,000	1,965,000	-
Total Long-Term Liabilities	50,600,470	39,920,161	11,349,611	10,261,565	61,950,081	50,181,726	2,115,520	79,982
TOTAL LIABILITIES	55,875,455	45,600,139	12,222,857	11,877,507	68,098,312	57,477,646	3,133,396	1,088,120
NET ASSETS								
Investment in capital assets, net of related debt	27,702,076	40,121,082	26,930,711	27,070,270	54,632,787	67,191,352	1,296,874	1,352,917
Restricted for								
Library	-	-	-	-	-	-	3,107,643	2,637,446
Construction	-	-	701,298	696,268	701,298	696,268	-	-
Debt service	-	-	405,872	288,428	405,872	288,428	-	-
Unrestricted	38,804,258	22,824,999	3,491,109	2,201,681	42,295,367	25,026,680	-	-
TOTAL NET ASSETS	\$ 66,506,334	\$ 62,946,081	\$ 31,528,990	\$ 30,256,647	\$98,035,324	\$ 93,202,728	\$ 4,404,517	\$3,990,363

Chart 3
Statement of Changes in Net Assets
April 30, 2010

	Governmental Activities		Business-Type Activities		Primary Government Total		Component Unit	
	2010	2009	2010	2009	2010	2009	2010	2009
REVENUES								
Program Revenues								
Charges for services	\$ 3,280,215	\$ 3,127,680	\$12,577,985	\$ 11,388,088	\$15,858,200	\$14,515,768	\$ 45,880	\$ 37,019
Operating grants	143,604	267,590	-	-	143,604	267,590	30,092	81,202
Capital grants	-	610,755	-	535,859	-	1,146,614	-	1,365,919
General Revenues								
Taxes								
Property	5,300,800	4,890,041	-	-	5,300,800	4,890,041	959,911	1,019,912
Replacement	20,246	24,572	-	-	20,246	24,572	5,352	6,446
Motor fuel	772,593	745,147	-	-	772,593	745,147	-	-
Sales	8,134,063	8,429,489	-	-	8,134,063	8,429,489	-	-
Utility	1,172,662	1,327,070	-	-	1,172,662	1,327,070	-	-
Income	2,269,149	2,458,682	-	-	2,269,149	2,458,682	-	-
Food and beverage	571,928	575,707	-	-	571,928	575,707	-	-
Miscellaneous	818,582	549,760	-	-	818,582	549,760	-	-
Franchise fees	1,267,959	1,213,695	-	-	1,267,959	1,213,695	-	-
Investment income	219,393	264,262	30,203	47,746	249,596	312,008	264,424	70,515
Donations not restricted to specific activities	8,647	13,680	-	-	8,647	13,680	19,644	21,346
Gain (loss) on abandonment of fixed assets	(43,444)	(10,293)	-	-	(43,444)	(10,293)	-	-
Miscellaneous	98,628	15,944	-	-	98,628	15,944	-	-
TOTAL REVENUES	24,035,025	24,503,781	12,608,188	11,971,693	36,643,213	36,475,474	1,325,303	2,602,359
EXPENSES								
General government	3,052,932	3,480,458	-	-	3,052,932	3,480,458	-	-
Public safety	8,499,526	8,528,304	-	-	8,499,526	8,528,304	-	-
Highways and streets	4,651,606	4,387,436	-	-	4,651,606	4,387,436	-	-
Cultural and recreation	2,751,684	2,050,089	-	-	2,751,684	2,050,089	-	-
Interest on long-term debt	1,519,024	2,102,312	-	-	1,519,024	2,102,312	-	-
Water	-	-	7,991,346	8,107,242	7,991,346	8,107,242	-	-
Sewer	-	-	3,344,499	3,719,467	3,344,499	3,719,467	-	-
Library	-	-	-	-	-	-	911,149	967,985
TOTAL EXPENSES	20,474,772	20,548,599	11,335,845	11,826,709	31,810,617	32,375,308	911,149	967,985
Excess before transfers	3,560,253	3,955,182	1,272,343	144,984	4,832,596	4,100,166	414,154	1,634,374
TRANSFERS	-	-	-	-	-	-	-	-
CHANGES IN NET ASSETS	3,560,253	3,955,182	1,272,343	144,984	4,832,596	4,100,166	414,154	1,634,374
Net assets beginning	62,946,081	58,990,899	30,256,647	30,111,663	93,202,728	89,102,562	3,990,363	2,355,989
NET ASSETS ENDING	\$66,506,334	\$62,946,081	\$31,528,990	\$ 30,256,647	\$98,035,324	\$93,202,728	\$ 4,404,517	\$ 3,990,363

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET ASSETS

April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

			2010
			Total
	Governmental	Business-Type	Primary
	Activities	Activities	Government
ASSETS			
Cash and cash equivalents	\$ 27,603,605	\$ 3,387,411	\$ 30,991,016
Investments	8,464,218	-	8,464,218
Restricted			
Cash and cash equivalents	-	463,635	463,635
Accounts receivable - net	-	18,818	18,818
Receivables			
Property taxes	4,104,313	-	4,104,313
Other governmental entities	1,918,793	-	1,918,793
Interest receivable	35,158	-	35,158
Other	330,336	-	330,336
Water and sewer fees	-	1,439,195	1,439,195
Service fees	253,490	-	253,490
Prepaid expenses	258,945	186,322	445,267
Due from employees	17,836	-	17,836
Due from Police Pension	50,256	-	50,256
Bond issuance costs (net of amortization)	455,140	10,318	465,458
Deferred loss on refunding of bonds	2,010,898	-	2,010,898
Capital assets, non-depreciable	36,430,121	6,594,746	43,024,867
Capital assets (net of accumulated depreciation)	40,448,680	31,651,402	72,100,082
Total assets	122,381,789	43,751,847	166,133,636
LIABILITIES			
Accounts payable	367,496	349,020	716,516
Accrued payroll	149,365	39,941	189,306
Cash overdraft	-	-	-
Deferred revenue			
Property taxes	3,203,012	-	3,203,012
Fees	143,326	-	143,326
Deferred credits, net	510,485	-	510,485
Pension contributions payable	901,301	-	901,301
Deposits - customers	-	3,419	3,419
Payable from restricted assets			
Long-term debt - due within one year	-	455,407	455,407
Cash overdraft	-	-	-
Accrued interest	-	25,459	25,459

(continued on next page)

EXHIBIT A

<u>2009</u> <u>Total</u> <u>Primary</u> <u>Government</u>	<u>2010</u> <u>Component</u> <u>Unit</u>	<u>2009</u> <u>Component</u> <u>Unit</u>
\$ 24,994,246	\$ 1,196,797	\$ 948,573
296,961	3,976,630	1,734,288
981,697	-	-
16,135	-	-
4,003,942	987,546	971,101
1,458,936	-	-
-	18,236	10,219
682,899	30,798	50,670
1,270,150	-	-
156,471	-	-
426,013	11,698	10,715
12,785	-	-
-	-	-
285,664	19,334	-
-	-	-
47,806,695	-	-
68,287,780	1,296,874	1,352,917
150,680,374	7,537,913	5,078,483
1,576,744	22,236	15,646
472,971	8,094	21,391
88,871	-	-
3,234,279	987,546	971,101
144,995	-	-
516,857	-	-
769,663	-	-
3,419	-	-
459,665	-	-
-	-	-
28,456	-	-

STATEMENT OF NET ASSETS
(continued)
April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

	Governmental Activities	Business-Type Activities	2010 Total Primary Government
LIABILITIES (continued)			
Noncurrent liabilities			
Long-term debt - due within one year	1,235,088	471,566	1,706,654
Equipment notes payable	786,637	21,153	807,790
Compensated absences	1,423,745	489,581	1,913,326
Notes payable	-	9,282,311	9,282,311
Bonds payable	47,155,000	1,085,000	48,240,000
Total liabilities	55,875,455	12,222,857	68,098,312
NET ASSETS			
Investment in capital assets, net of related debt	27,702,076	26,930,711	54,632,787
Restricted for			
Library	-	-	-
Construction	-	701,298	701,298
Debt service	-	405,872	405,872
Unrestricted	38,804,258	3,491,109	42,295,367
TOTAL NET ASSETS	\$ 66,506,334	\$ 31,528,990	\$ 98,035,324

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

EXHIBIT A

Page 2

<u>2009</u> <u>Total</u> <u>Primary</u> <u>Government</u>	<u>2010</u> <u>Component</u> <u>Unit</u>	<u>2009</u> <u>Component</u> <u>Unit</u>
2,229,655	55,000	-
1,049,378	-	-
1,738,268	95,520	79,982
7,829,425	-	-
37,335,000	1,965,000	-
<u>57,477,646</u>	<u>3,133,396</u>	<u>1,088,120</u>
67,191,352	1,296,874	1,352,917
-	3,107,643	2,637,446
696,269	-	-
288,428	-	-
25,026,679	-	-
<u>\$ 93,202,728</u>	<u>\$ 4,404,517</u>	<u>\$ 3,990,363</u>

STATEMENT OF ACTIVITIES

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 3,052,932	\$ 695,987	\$ -	\$ -
Public safety	8,499,526	897,276	111,883	-
Highways and streets	4,651,606	122,500	31,721	-
Culture and recreation	2,751,684	1,564,452	-	-
Interest on long-term debt	1,519,024	-	-	-
Total governmental activities	20,474,772	3,280,215	143,604	-
Business-type activities				
Water	7,991,346	8,096,933	-	-
Sewer	3,344,499	4,481,052	-	-
Total business-type activities	11,335,845	12,577,985	-	-
TOTAL PRIMARY GOVERNMENT	31,810,617	15,858,200	143,604	-
COMPONENT UNIT				
Library	911,149	45,880	30,092	-

General revenues

Taxes
 Property
 Replacement
 Motor fuel
 Sales
 Utility
 Income
 Food and beverage
 Miscellaneous
 Other governmental entities

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

		Net (Expenses) Revenues and Changes in Net Assets			
		Primary Government			
Governmental Activities	Business-Type Activities	2010 Total	2009 Total	2010 Component Unit	2009 Component Unit
\$ (2,356,945)	\$ -	\$ (2,356,945)	\$ (2,832,584)	\$ -	\$ -
(7,490,367)	-	(7,490,367)	(7,542,715)	-	-
(4,497,385)	-	(4,497,385)	(3,532,359)	-	-
(1,187,232)	-	(1,187,232)	(532,604)	-	-
(1,519,024)	-	(1,519,024)	(2,102,312)	-	-
(17,050,953)	-	(17,050,953)	(16,542,574)	-	-
-	105,587	105,587	(318,642)	-	-
-	1,136,553	1,136,553	415,880	-	-
-	1,242,140	1,242,140	97,238	-	-
(17,050,953)	1,242,140	(15,808,813)	(16,445,336)	-	-
-	-	-	-	(835,177)	516,155
5,300,800	-	5,300,800	4,890,041	959,911	1,019,912
20,246	-	20,246	24,572	5,352	6,446
772,593	-	772,593	745,147	-	-
8,134,063	-	8,134,063	8,429,489	-	-
1,172,662	-	1,172,662	1,327,070	-	-
2,269,149	-	2,269,149	2,458,682	-	-
571,928	-	571,928	575,707	-	-
328,586	-	328,586	349,760	-	-
489,996	-	489,996	200,000	-	-

(continued on next page)

<u>Expenses</u>	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants and Contributions</u>
General revenues (continued)			
Franchise fees			
Investment income			
Donations not restricted to specific activities			
Gain/(loss) on abandonment/trade of fixed assets			
Miscellaneous			
	Total general revenues		
	Change in net assets		
	NET ASSETS - BEGINNING		
	Prior period adjustment		
	NET ASSETS - ENDING		

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

STATEMENT OF ACTIVITIES
(continued)
Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

Net (Expenses) Revenues and Changes in Net Assets		Primary Government		2010	2009
Governmental Activities	Business-Type Activities	2010 Total	2009 Total	Component Unit	Component Unit
1,267,959	-	1,267,959	1,213,695	-	-
219,393	30,203	249,596	312,008	264,424	70,515
8,647	-	8,647	13,680	19,644	21,346
(43,444)	-	(43,444)	(10,293)	-	-
98,628	-	98,628	15,944	-	-
20,611,206	30,203	20,641,409	20,345,502	1,249,331	1,118,219
3,560,253	1,272,343	4,832,596	4,100,166	414,154	1,634,374
62,946,081	30,256,647	93,202,728	89,102,562	3,990,363	2,355,989
-	-	-	-	-	-
<u>\$ 66,506,334</u>	<u>\$ 31,528,990</u>	<u>\$ 98,035,324</u>	<u>\$ 93,202,728</u>	<u>\$ 4,404,517</u>	<u>\$ 3,990,363</u>

City of O'Fallon
St. Clair County, Illinois

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

	General	Fire	Ambulance
ASSETS			
Cash	\$ 7,560,351	\$ 796,724	\$ 2,673,717
Investments	-	-	-
Prepaid expenses	195,233	11,721	39,286
Receivables			
Property taxes	240,303	1,027,707	1,318,704
Other governmental entities	1,730,088	-	-
Interest receivable	-	-	-
Other	234,662	-	-
Ambulance fees	-	-	253,490
Due from employees	17,836	-	-
Due from Police Pension	50,256	-	-
Due from other funds	133,900	-	-
TOTAL ASSETS	<u>\$ 10,162,629</u>	<u>\$ 1,836,152</u>	<u>\$ 4,285,197</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 133,416	\$ 37,871	\$ 23,025
Accrued payroll	108,444	11,154	16,388
Deferred taxes	240,303	1,027,707	1,318,704
Deferred revenue	885,646	-	-
Due to other funds	-	-	-
Total liabilities	<u>1,367,809</u>	<u>1,076,732</u>	<u>1,358,117</u>
FUND BALANCE			
Reserved for			
Prepaid expenses	195,233	11,721	39,286
Due from employees	17,836	-	-

(continued on next page)

EXHIBIT C

Park Sports Complex	Other Governmental Funds	2010	2009
		Total Governmental Funds	Total Governmental Funds
\$ 1,622,821	\$ 14,949,992	\$ 27,603,605	\$ 22,674,924
8,055,678	408,540	8,464,218	296,961
-	12,705	258,945	250,419
-	1,517,599	4,104,313	4,003,942
-	188,705	1,918,793	1,458,936
34,897	261	35,158	-
-	95,674	330,336	682,899
-	-	253,490	156,471
-	-	17,836	12,785
-	-	50,256	-
-	-	133,900	-
<u>\$ 9,713,396</u>	<u>\$ 17,173,476</u>	<u>\$ 43,170,850</u>	<u>\$ 29,537,337</u>
\$ -	\$ 173,184	\$ 367,496	\$ 654,050
-	13,379	149,365	360,134
-	1,517,599	4,104,313	4,003,942
-	143,326	1,028,972	144,995
-	133,900	133,900	-
<u>-</u>	<u>1,981,388</u>	<u>5,784,046</u>	<u>5,163,121</u>
-	12,705	258,945	250,419
-	-	17,836	12,785

BALANCE SHEET
GOVERNMENTAL FUNDS
(continued)
April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

	<u>General</u>	<u>Fire</u>	<u>Ambulance</u>
LIABILITIES AND FUND BALANCE (continued)			
FUND BALANCE (continued)			
Unreserved, reported in			
General fund	8,581,751	-	-
Special revenue funds	-	747,699	2,887,794
Capital project funds	-	-	-
Debt service funds	-	-	-
	<u>8,794,820</u>	<u>759,420</u>	<u>2,927,080</u>
Total fund balance			
	<u>8,794,820</u>	<u>759,420</u>	<u>2,927,080</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,162,629</u>	<u>\$ 1,836,152</u>	<u>\$ 4,285,197</u>

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

		2010	2009
Park Sports Complex	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
-	-	8,581,751	7,680,200
-	7,785,274	11,420,767	8,993,718
9,713,396	4,848,981	14,562,377	5,251,138
-	2,545,128	2,545,128	2,185,956
9,713,396	15,192,088	37,386,804	24,374,216
<u>\$ 9,713,396</u>	<u>\$ 17,173,476</u>	<u>\$ 43,170,850</u>	<u>\$ 29,537,337</u>

City of O'Fallon
St. Clair County, Illinois

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

April 30, 2010

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS (EXHIBIT C)	\$ 37,386,804
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$176,589,869 net of accumulated depreciation of \$99,711,068 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	76,878,801
Deferred bond issuance costs, gain and losses on refunded bonds and bond premiums are to be amortized over the life of the bonds and are not reported in the governmental funds.	
Bond issuance costs of \$527,112 net of accumulated amortization of \$71,972.	455,140
Bond premiums of \$613,178 net of accumulated amortization of \$118,476.	(494,702)
Gain on refunded bonds of \$23,675 net of accumulated amortization of \$7,892.	(15,783)
Loss on refunded bonds of \$2,116,735 net of accumulated amortization of \$105,837.	2,010,898
Revenues reported in the statement of activities from state income tax received more than sixty days after the end of the fiscal year are not financial resources and, therefore, are reported in the governmental funds as deferred revenue.	885,646
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds (see Note 6).	(50,600,470)
NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)	<u>\$ 66,506,334</u>

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

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

	General	Fire	Ambulance
REVENUES			
Taxes			
Property taxes	\$ 243,547	\$ 974,164	\$ 1,262,520
Utility	1,033,635	-	-
2% Fire	-	16,729	-
Food and beverage	571,928	-	-
Rural fire district	-	-	311,857
Intergovernmental receipts			
Replacement tax	201	-	-
Motor fuel taxes	-	-	-
State sales tax	6,534,466	-	-
State income tax	1,383,503	-	-
Road and bridge tax	237,467	-	-
Grants	76,359	-	-
MEGSI	35,524	-	-
Other	-	489,996	-
Licenses and permits	288,973	13,461	-
Subdivision fees	16,906	-	-
Police reports	11,749	-	-
Fines and fees	310,375	-	-
Service fees	-	-	885,527
Recreation fees	-	-	-
Room tax	-	-	-
Interest income	13,095	2	2,180
Accrued interest on sale of bonds	-	-	-
Phone and cable television fees	699,720	-	-
Rentals	8,460	-	-
Miscellaneous revenues and reimbursements	6,923	13,381	1,300
Concession income	-	-	-
Donations	-	-	-
Annex fees	-	-	-
Park extraction fees	-	-	-
Cemetery revenue	29,827	-	-
Insurance refunds and claims	500	-	-
Sale of assets	6,245	7,830	-
Total revenues	11,509,403	1,515,563	2,463,384

(continued on next page)

EXHIBIT E

Park Sports Complex	Other Governmental Funds	2010	2009
		Total Governmental Funds	Total Governmental Funds
\$ -	\$ 2,583,102	\$ 5,063,333	\$ 4,662,486
-	139,027	1,172,662	1,327,070
-	-	16,729	27,661
-	-	571,928	575,707
-	-	311,857	322,099
-	20,045	20,246	24,572
-	772,593	772,593	745,147
-	1,599,597	8,134,063	8,429,489
-	-	1,383,503	2,458,682
-	-	237,467	227,555
-	31,721	108,080	216,154
-	-	35,524	51,436
-	-	489,996	200,000
-	-	302,434	317,557
-	17,500	34,406	53,143
-	-	11,749	12,152
-	-	310,375	249,415
-	-	885,527	829,687
-	820,938	820,938	802,778
-	623,294	623,294	542,098
102,280	101,836	219,393	264,262
30,874	-	30,874	-
-	568,239	1,267,959	1,213,695
-	-	8,460	8,255
-	1,350	22,954	15,452
-	88,905	88,905	91,436
-	8,647	8,647	13,680
-	122,500	122,500	170,482
-	31,315	31,315	31,173
-	10,485	40,312	19,504
-	44,300	44,800	492
-	-	14,075	20,976
133,154	7,585,394	23,206,898	23,924,295

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
(continued)
Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

	<u>General</u>	<u>Fire</u>	<u>Ambulance</u>
EXPENDITURES			
Current			
General government	499,719	-	-
Public safety	5,440,404	-	1,620,090
Fire	-	711,447	-
Highways and streets	2,052,237	-	-
Zoning	762,502	-	-
Development	221,491	-	-
Cemetery	66,993	-	-
Culture and recreation	-	-	-
Tax increment financing	-	-	-
Tourism	-	-	-
Tax rebates	59,635	-	-
Capital expenditures	149,790	80,733	43,204
Debt service			
Bond issuance costs	-	-	-
Principal retirement	114,023	109,061	3,667
Interest and fiscal charges	8,069	42,490	584
	<u>9,374,863</u>	<u>943,731</u>	<u>1,667,545</u>
Total expenditures			
	<u>9,374,863</u>	<u>943,731</u>	<u>1,667,545</u>
Excess (deficiency) of revenues over expenditures	<u>2,134,540</u>	<u>571,832</u>	<u>795,839</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of notes	22,483	19,252	-
Proceeds from bond issue	-	-	-
Premium on sale of bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfer from other funds	-	-	-
Transfer (to) other funds	(1,223,533)	-	-
	<u>(1,223,533)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,201,050)</u>	<u>19,252</u>	<u>-</u>
Net change in fund balance	933,490	591,084	795,839
FUND BALANCE, BEGINNING OF YEAR	<u>7,861,330</u>	<u>168,336</u>	<u>2,131,241</u>
FUND BALANCE, END OF YEAR	<u>\$ 8,794,820</u>	<u>\$ 759,420</u>	<u>\$ 2,927,080</u>

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

EXHIBIT E

Page 2

<u>Park Sports Complex</u>	<u>Other Governmental Funds</u>	<u>2010 Total Governmental Funds</u>	<u>2009 Total Governmental Funds</u>
-	946,815	1,446,534	1,752,799
-	-	7,060,494	7,199,388
-	-	711,447	637,177
-	891,172	2,943,409	2,787,463
-	-	762,502	850,766
-	150,968	372,459	478,001
-	-	66,993	49,029
-	2,569,505	2,569,505	1,894,584
-	27,517	27,517	66,442
-	59,755	59,755	49,038
-	-	59,635	144,770
-	678,509	952,236	5,650,384
209,062	-	209,062	-
325,710	1,260,007	1,812,468	2,043,278
113,929	1,256,222	1,421,294	2,117,742
<u>648,701</u>	<u>7,840,470</u>	<u>20,475,310</u>	<u>25,720,861</u>
<u>(515,547)</u>	<u>(255,076)</u>	<u>2,731,588</u>	<u>(1,796,566)</u>
-	-	41,735	521,670
25,725,000	-	25,725,000	-
26,000	-	26,000	-
(15,511,735)	-	(15,511,735)	-
-	2,093,623	2,093,623	5,915,702
<u>(520,000)</u>	<u>(350,090)</u>	<u>(2,093,623)</u>	<u>(5,915,702)</u>
<u>9,719,265</u>	<u>1,743,533</u>	<u>10,281,000</u>	<u>521,670</u>
9,203,718	1,488,457	13,012,588	(1,274,896)
<u>509,678</u>	<u>13,703,631</u>	<u>24,374,216</u>	<u>25,649,112</u>
<u>\$ 9,713,396</u>	<u>\$ 15,192,088</u>	<u>\$ 37,386,804</u>	<u>\$ 24,374,216</u>

City of O'Fallon
St. Clair County, Illinois

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended April 30, 2010

NET CHANGE IN FUND BALANCE -

TOTAL GOVERNMENTAL FUNDS (EXHIBIT E)

\$ 13,012,588

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

Governmental funds report capital outlays as expenditures.

However, they are capitalized and depreciated in the statement of
activities. This is the amount of capital outlays in the current period.

952,236

Income taxes received more than sixty days after the end of the fiscal
year are reported as deferred revenue in the governmental funds.

However, in the government-wide financial statements this is treated
as revenue.

885,646

Proceeds from the sale of assets are included in the governmental funds.

However, the cost of the assets sold is removed from capital assets and
offset against the sale proceeds in the government-wide statements.

(14,075)

Governmental funds report the proceeds from sale of property as revenue.

This is the amount of gain (loss) from abandonment of fixed assets.

(43,444)

Governmental funds report the effect of issuance costs, premiums and discounts
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities.

Bond issuance costs

209,062

Premium on bonds

(26,000)

The repayment of long-term debt is reported as an expenditure when
due in governmental funds but as a reduction of principal outstanding
in the statement of activities.

1,812,468

The payment to refunded bond escrow agent for defeased bonds is reported
as an expenditure when due in governmental funds but as a reduction of
principal outstanding in the statement of activities.

15,511,735

The proceeds of long-term debt issuances provide current financial resources
to governmental funds but issuing debt increases long-term liabilities
in the statement of net assets.

(25,766,735)

The changes in compensated absences provide or use current financial
resources in the governmental funds but the change increases or
decreases long-term liabilities in the statement of net assets.

(121,042)

(continued on next page)

EXHIBIT F

Page 2

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

(continued)

Year Ended April 30, 2010

NET CHANGE IN FUND BALANCE -

TOTAL GOVERNMENTAL FUNDS (EXHIBIT E) (continued)

Amounts reported for governmental activities in the statement of
activities are different because (continued):

Some expenses in the statement of activities do not require the
use of current financial resources and, therefore, are not reported
as expenditures in governmental funds.

Depreciation expense

(2,754,456)

Governmental funds report the effect of issuance costs, premiums, discounts,
deferred gain or loss on refunding and similar items when debt is first issued,
whereas these amounts are deferred and amortized in the statement of activities.

Amortization reported in the government-wide statements.

(97,730)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)

\$ 3,560.253

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

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

	Business-Type Activities		
		2010	2009
	Water Funds	Sewer Funds	Total Proprietary Funds
			Total Proprietary Funds
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,387,411	\$ -	\$ 3,387,411
Prepaid expenses	59,020	127,302	186,322
Receivables			
Customers	932,759	563,968	1,496,727
Less allowance for doubtful accounts	(37,073)	(20,459)	(57,532)
Due from other funds	-	612,555	612,555
Total current assets	4,342,117	1,283,366	5,625,483
RESTRICTED ASSETS			
Cash and cash equivalents	274,689	188,946	463,635
Accounts receivable	13,820	5,556	19,376
Less allowance for doubtful accounts	(558)	-	(558)
Due from other funds	-	650,176	650,176
Total restricted assets	287,951	844,678	1,132,629
NONCURRENT ASSETS			
Capital assets			
Cost	38,465,104	23,856,637	62,321,741
Accumulated depreciation	13,241,716	10,833,877	24,075,593
Total noncurrent assets	25,223,388	13,022,760	38,246,148
OTHER ASSETS			
Unamortized bond issuance costs	10,318	-	10,318
Total assets	29,863,774	15,150,804	45,014,578
CURRENT LIABILITIES			
Accounts payable	286,041	62,979	349,020
Accrued payroll	26,390	13,551	39,941

(continued on next page)

EXHIBIT G

Page 2

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

(continued)

April 30, 2010

(With Summarized Comparative Information for April 30, 2009)

	Business-Type Activities			
			2010	2009
	Water Funds	Sewer Funds	Total Proprietary Funds	Total Proprietary Funds
CURRENT LIABILITIES (continued)				
Cash overdraft	-	-	-	88,871
Due to other funds	1,262,731	-	1,262,731	-
Customer deposits	3,419	-	3,419	3,419
Current portion of long-term debt	393,888	77,678	471,566	457,956
Total current liabilities	1,972,469	154,208	2,126,677	1,585,777
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Current portion of long-term debt	-	455,407	455,407	459,665
Accrued interest	-	25,459	25,459	28,456
Total liabilities payable from restricted assets	-	480,866	480,866	488,121
NONCURRENT LIABILITIES				
Compensated absences	347,571	142,010	489,581	435,565
Bonds payable	1,085,000	-	1,085,000	1,425,000
Notes payable	6,092,449	3,189,862	9,282,311	7,829,425
Notes payable - fixed assets	14,102	7,051	21,153	113,619
Total noncurrent liabilities	7,539,122	3,338,923	10,878,045	9,803,609
Total liabilities	9,511,591	3,973,997	13,485,588	11,877,507
NET ASSETS				
Invested in capital assets, net of related debt	17,637,949	9,292,762	26,930,711	27,070,270
Restricted for				
Construction	225,360	475,938	701,298	696,269
Debt service	62,591	343,281	405,872	288,428
Unrestricted	2,426,283	1,064,826	3,491,109	2,201,680
TOTAL NET ASSETS	\$ 20,352,183	\$ 11,176,807	\$ 31,528,990	\$ 30,256,647

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

AKS
ALLISON KNAPP &
SIEKMANN, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

	Business-Type Activities			
	Water Funds	Sewer Funds	2010	2009
			Total Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES				
Charges for services				
Sales	\$ 7,319,561	\$ 3,939,592	\$ 11,259,153	\$ 10,126,471
Tap-on fees	441,894	85,875	527,769	531,416
Service charges and fees	211,078	453,215	664,293	610,052
Sprinklers and hydrants	96,875	-	96,875	98,695
Miscellaneous refunds and rebates	27,525	2,370	29,895	21,454
Total operating revenues	8,096,933	4,481,052	12,577,985	11,388,088
OPERATING EXPENSES				
Personal services	2,046,834	1,166,276	3,213,110	3,495,141
Contractual services	4,133,440	944,055	5,077,495	5,399,883
Commodities	559,768	451,014	1,010,782	890,669
Miscellaneous	4,104	112	4,216	3,282
Depreciation and amortization	1,166,962	664,892	1,831,854	1,827,914
Total operating expenses	7,911,108	3,226,349	11,137,457	11,616,889
Operating income (loss)	185,825	1,254,703	1,440,528	(228,801)
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(80,238)	(118,150)	(198,388)	(209,820)
Interest income	29,940	263	30,203	47,746
Total nonoperating revenues (expenses)	(50,298)	(117,887)	(168,185)	(162,074)
Income (loss) before capital contributions	135,527	1,136,816	1,272,343	(390,875)
Noncash capital contributions	-	-	-	535,859
Change in net assets	135,527	1,136,816	1,272,343	144,984
TOTAL NET ASSETS, BEGINNING OF YEAR	20,216,656	10,039,991	30,256,647	30,111,663
TOTAL NET ASSETS, END OF YEAR	<u>\$ 20,352,183</u>	<u>\$ 11,176,807</u>	<u>\$ 31,528,990</u>	<u>\$ 30,256,647</u>

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

EXHIBIT I

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS

Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

	Business-Type Activities			
	Water Funds	Sewer Funds	2010 Total Proprietary Funds	2009 Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 7,270,597	\$ 3,817,958	\$ 11,088,555	\$ 9,910,299
Receipts from miscellaneous revenues	777,372	541,460	1,318,832	1,261,617
Payments to suppliers	(4,581,621)	(1,486,184)	(6,067,805)	(5,864,334)
Payments to and for employees	(2,720,806)	(1,178,417)	(3,899,223)	(3,362,725)
Net cash provided by operating activities	745,542	1,694,817	2,440,359	1,944,857
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in compensated absences	38,937	15,079	54,016	51,450
Net cash provided by noncapital financing activities	38,937	15,079	54,016	51,450
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from notes	1,950,171	-	1,950,171	4,189,355
Principal payments on notes	(52,965)	(537,434)	(590,399)	(562,160)
Acquisition and construction of capital assets	(2,391,167)	(325,898)	(2,717,065)	(5,742,503)
Principal payments on bonds	(330,000)	-	(330,000)	(325,000)
Interest paid on notes	(80,238)	(118,150)	(198,388)	(209,820)
Net cash (used) by capital and related financing activities	(904,199)	(981,482)	(1,885,681)	(2,650,128)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	29,941	263	30,204	47,746
Net increase (decrease) in cash and cash equivalents	(89,779)	728,677	638,898	(606,075)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,489,148	723,000	3,212,148	3,818,223
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,399,369	\$ 1,451,677	\$ 3,851,046	\$ 3,212,148

(continued on next page)

STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
(continued)

Year Ended April 30, 2010

(With Summarized Comparative Information for Year Ended April 30, 2009)

	Business-Type Activities			
	Water Funds	Sewer Funds	2010	2009
			Total Proprietary Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 185,825	\$ 1,254,703	\$ 1,440,528	\$ (228,801)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities				
Depreciation expense	1,161,960	664,892	1,826,852	1,821,985
Amortization expense	5,002	-	5,002	5,929
Bad debt allowance	(2,313)	1,183	(1,130)	9,489
(Increase) decrease in current assets				
Customer receivables	(48,964)	(121,634)	(170,598)	(214,931)
Due from employees	-	-	-	889
Prepaid expenses	(2,874)	(7,854)	(10,728)	29,677
Increase (decrease) in current liabilities				
Accounts payable	(507,418)	(66,256)	(573,674)	441,677
Accrued payroll	(45,676)	(27,220)	(72,896)	81,855
Accrued interest	-	(2,997)	(2,997)	(2,912)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 745,542</u>	<u>\$ 1,694,817</u>	<u>\$ 2,440,359</u>	<u>\$ 1,944,857</u>
ACCOUNTED FOR AS FOLLOWS				
Unrestricted cash and cash equivalents			\$ 3,387,411	\$ 2,319,322
Restricted cash and cash equivalents			463,635	981,697
Cash overdraft - unrestricted			-	(88,871)
TOTAL AS ABOVE			<u>\$ 3,851,046</u>	<u>\$ 3,212,148</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Infrastructure donation of water and sewer lines	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,815</u>

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

EXHIBIT J

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

April 30, 2010
(With Summarized Comparative Information for April 30, 2009)

	Pension Trust Funds	2010 Fiduciary Total	2009 Fiduciary Total
ASSETS			
Cash	\$ 1,243,607	\$ 1,243,607	\$ 605,481
Investments	12,236,786	12,236,786	10,065,401
Receivables, less allowance for uncollectible amounts			
Interest receivable	56,118	56,118	50,721
Member buyback	6,912	6,912	-
Contribution from City of O'Fallon	901,301	901,301	769,663
Due from other governmental entities	646	646	1,050
Total assets	14,445,370	14,445,370	11,492,316
LIABILITIES			
Due to general fund	50,256	50,256	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 14,395,114</u>	<u>\$ 14,395,114</u>	<u>\$ 11,492,316</u>

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

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

Year Ended April 30, 2010
(With Summarized Comparative Information for Year Ended April 30, 2009)

	2010 Pension Trust Funds	2009 Pension Trust Funds
ADDITIONS		
Contributions		
Plan members	\$ 618,314	\$ 366,927
Employer	899,353	768,061
Total contributions	1,517,667	1,134,988
Intergovernmental revenue - replacement taxes	4,570	5,504
Investment income		
Net appreciation (depreciation) in fair value of investments	1,585,690	(1,675,793)
Realized gain (loss) on sale of investments	(10,067)	(2,105)
Investment income	320,278	402,225
	1,895,901	(1,275,673)
Less investment fees	(23,646)	(27,743)
Net investment income (loss)	1,872,255	(1,303,416)
Total additions	3,394,492	(162,924)
DEDUCTIONS		
Benefits	481,632	434,169
Refunds	-	36,206
Administration services	10,062	7,074
Total deductions	491,694	477,449
Change in net assets	2,902,798	(640,373)
Net assets held in trust for pension benefits		
Net assets, beginning of year	11,492,316	12,132,689
NET ASSETS, END OF YEAR	\$ 14,395,114	\$ 11,492,316

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

City of O'Fallon
St. Clair County, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2010

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City of O'Fallon
St. Clair County, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2010

Note 1: Summary of Significant Accounting Policies

The financial statements of the City of O'Fallon (the "City") are prepared in accordance with U. S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated on May 5, 1905 under the provisions of the State of Illinois. The City operates on a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services (ambulance), culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and sewer).

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and all related organizations for which the City exercises financial accountability. The Police Pension Fund has been included as a fiduciary fund due to the fiduciary responsibility exercised over this Pension Fund.

Discretely Presented Component Unit

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial statements as component units. The criteria for including organizations within the City's reporting entity, as set forth in GASB No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The O'Fallon Public Library has been determined to be part of the reporting entity because the City exercises financial accountability over the assets, operations and management of the Library. The governing boards of the Library are appointed by the Mayor with approval of the City Council. Therefore, the O'Fallon Public Library is included in the accompanying financial statements as a discretely presented component unit.

The Library's budget is approved and adopted by the City Council. The Library also submits its property tax levy to the council for approval and the taxes are levied under the City's authority and included as part of the City's total tax levy.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report financial information for the City as a whole excluding fiduciary activities of the City such as employee pension plans. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported in separate columns with composite columns for nonmajor funds in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Special Revenue Fund is used to account for the financial transactions and proceeds of fire protection and public safety services for the City.

The Ambulance Special Revenue Fund is used to account for the financial transactions and proceeds of emergency services for the City.

The Park Sports Complex Capital Project Fund is used to account for the financial transactions and proceeds used to construct a new City park.

The City reports the following major proprietary funds:

The Water and Sewer Enterprise Funds are used to account for the activities of the water and sewerage operations.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

C. Fund Accounting

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to account for proprietary funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement a pension fund is used.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are reported when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing water, sewer and recreation services. Incidental revenues/expenses are reported as nonoperating.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

E. Budget

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations for all funds lapse at the end of the year.

F. Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)

April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

F. Cash, Cash Equivalents and Investments (continued)

Investments are stated at fair value. All investments are certificates of deposit or U. S. Treasury investments held in local financial institutions, which have pledged various collateral on individual fund balances over the Federal Deposit Insurance Corporation (FDIC) limitations.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of a fiscal year are referred to as due to and from other funds.

H. Allowance for Uncollectible Accounts

The City maintains an allowance for doubtful accounts amounting to \$58,090 and \$59,220 for 2010 and 2009, respectively, in the following funds. This comprises the balances on accounts outstanding over a certain period.

	2010	2009
Water Funds	\$ 37,631	\$ 39,944
Sewer Funds	20,459	19,276
Total	<u>\$ 58,090</u>	<u>\$ 59,220</u>

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

J. Property Taxes

The City's property tax is levied each year on all taxable real property located in the City on or before the last Tuesday in December. The levy was passed by the Council in December. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments due in June and September of the subsequent year. The City receives significant distributions of tax receipts in the months of July and September.

For governmental funds, only property taxes, which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end, are recorded as revenues. The accompanying financial statements include the 2008 property tax levy in revenue.

The applicable tax statistics for the City, for the latest years available, are as follows:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

J. Property Taxes (continued)

ASSESSED VALUATION	2009		2008
	\$ 658,364,306		\$ 656,149,272
	2009		2008
	Maximum	Actual	Actual
Tax rates			
General	0.2500	0.0365	0.0375
Fire Protection	0.3000	0.1561	0.1500
Ambulance	0.2500	0.2003	0.1944
Library	0.1500	0.1500	0.1480
Park and Recreation	0.0900	0.0900	0.0900
Police Pension	N/A	0.1316	0.1173
Municipal Retirement	N/A	0.0521	0.0540
Social Security	N/A	0.0807	0.0820
		<u>0.8973</u>	<u>0.8732</u>

The City also levies for seven (7) special service areas for maintenance expense. They have various assessed valuations depending on the area serviced and are accounted for in the special revenue fund in total. The assessed valuation of all areas combined is \$38,192,112. Each area has a maximum rate of 0.3500 and the actual rate for all areas combined is 0.5108. The total extension for all areas combined is \$15,212.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

K. Capital Assets (continued)

included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Water and Sewer System	20 - 40 years
Infrastructure	10 - 30 years
Equipment	5 - 20 years
Land/Building Improvements	20 years
Vehicles	5 - 10 years

L. Accrued Expense - Compensated Absences

In the fund financial statements, vested or accumulated vacation and/or sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation and/or sick pay of proprietary funds and in the government-wide financial statements is recorded as an expense and a liability of those funds as the benefits accrue to employees.

M. Long-Term Obligations

In government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are amortized over the term of the related debt.

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

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

O. Restricted Net Assets

Certain net assets of the City of O'Fallon Water and Sewer System have been restricted for construction and debt service:

	Water Funds	Sewer Funds	Total
Contingency and construction	\$ 225,360	\$ 475,938	\$ 701,298
Debt service	62,591	343,281	405,872
Total restricted net assets	<u>\$ 287,951</u>	<u>\$ 819,219</u>	<u>\$1,107,170</u>

P. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

Q. Comparative Data

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since this inclusion would make the statements unduly complex and difficult to read.

R. Date of Management Evaluation

Management has evaluated events through November 23, 2010, the date on which the financial statements were available to be issued.

Note 2: Legal Compliance and Accountability

Budgetary Data

The City followed these procedures in establishing the budgetary data reported in the financial statements for the year ended April 30, 2010:

1. Prior to April 30 the proposed budget was distributed to the various committees for their review.
2. The committee reviews of the budget were conducted from February 16, 2009 through March 31, 2009.
3. A public hearing on the proposed budget was held on April 20, 2009.
4. Formal adoption of the budget was on April 20, 2009.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 3: Deposits and Investments

The City is authorized to make deposits or investments in obligations of the U. S. Government, savings accounts, time deposits, certificates of deposit or other investments, which are direct obligations of banks as defined by the Illinois Banking Act. Pension funds may also invest in certain non-U. S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts, mutual funds and equity securities. The City has an investment policy that further limits what it is able to invest in.

Deposits

At year-end the carrying amount of the City's deposits totaled \$15,570,442 and bank balances totaled \$16,570,195. Of the bank balances, \$10,838,609 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,731,586 was covered by pledged collateral, which was held in the City's name.

The carrying amount of the component unit's deposits totaled \$2,456,598. Bank balances are included in bank balance noted above due to commingled bank accounts.

Investments

The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>
U. S. Government Securities	\$ 4,847,712	\$ 5,266,260
Corporate Bonds	177,408	182,677
Common Stocks	211,815	225,863
	<u>5,236,935</u>	<u>5,674,800</u>
Investments not subject to interest rate risk		
External Investment Pools		
Illinois Funds	20,882,035	20,882,035
Illinois Metropolitan Investment Fund	2,668,462	2,668,891
Mutual Funds	4,966,397	5,603,094
Insurance Contract	3,000,000	3,000,000
	<u>\$ 36,753,829</u>	<u>\$ 37,828,820</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 3: Deposits and Investments (continued)

Reconciliation to financial statements:

Primary Government

Total deposits and investments:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Exhibit A			
Cash and cash equivalents	\$ 7,518,186	\$ 23,472,830	\$ 30,991,016
Investments	5,055,678	3,408,540	8,464,218
Restricted cash	463,635	-	463,635
Exhibit J			
Cash	1,165,511	78,096	1,243,607
Investments	1,367,432	10,869,354	12,236,786
Above Carrying Amounts	<u>\$ 15,570,442</u>	<u>\$ 37,828,820</u>	<u>\$ 53,399,262</u>

Component Unit

Total deposits and investments:

Exhibit A			
Cash	\$ 456,598	\$ 740,199	\$ 1,196,797
Investments	2,000,000	1,976,630	3,976,630
Above Carrying Amounts	<u>\$ 2,456,598</u>	<u>\$ 2,716,829</u>	<u>\$ 5,173,427</u>

Credit Risk

State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings, issued by nationally recognized statistical rating organizations. The City has an investment policy that further limits its investment choices. As of April 30, 2010 the City's investment in the Illinois Funds and Illinois Metropolitan Investment external investment pools were rated AAAm and AAAf by Standard & Poor's, respectively. The City's investments in corporate bonds and mutual bond funds are rated as follows:

	<u>Moody's</u>	<u>S & P</u>
Corporate Bonds		
Aetna, Inc.	P-2	A-2
Bear Stearns Co., Inc.	P-1	A-1
Mutual Bond Funds		
Dodge & Cox Income Fund	Aa2	No rating
Vanguard High-Yield Corporate Fund Admiral	Ba3	No rating
Vanguard Short-Term Bond Index Signal Shares	Aaa	No rating

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 3: Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. The City uses the segmented time distribution method to analyze interest rate risk as follows:

Segmented Time Distribution Investment Maturities (in Years)					
	Fair Value	<1	1-5	6-10	>10
U. S. Government securities	\$ 5,266,260	\$ 313,833	\$ 1,259,266	\$ 1,737,823	\$ 1,955,338
Corporate bonds	182,677	171,722	10,955	-	-
Common stocks	225,863	225,863	-	-	-
	<u>\$ 5,674,800</u>	<u>\$ 711,418</u>	<u>\$ 1,270,221</u>	<u>\$ 1,737,823</u>	<u>\$ 1,955,338</u>

Note 4: Employee Retirement Systems

The City has two separate retirement entities for its employees as follows:

A. Policemen's Pension Fund

Defined Benefit Pension Plan

The City contributes to a defined benefit pension plan, the Police Pension Plan, which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The pension plan does not issue a separate report.

1. Plan Description

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2010 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	13
Current employees	
Vested	24
Nonvested	<u>21</u>
TOTAL	<u>58</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 4: Employee Retirement Systems (continued)

A. Policemen's Pension Fund (continued)

Defined Benefit Pension Plan (continued)

1. Plan Description (continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. For the year ended April 30, 2010 the City's contribution was 26.99% of covered payroll.

2. Significant Investments

The fund did not have any significant individual investments (other than U. S. Government guaranteed obligations) in any one organization that represented 5.00% or more of plan net assets for the Police Pension Plan.

3. Annual Pension Cost

Employer contributions have been determined as follows:

	Police Pension
Actuarial Valuation Date	<hr/> May 1, 2009
Actuarial Cost Method	Entry-Age Normal Cost

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 4: Employee Retirement Systems (continued)

A. Policemen's Pension Fund (continued)

Defined Benefit Pension Plan (continued)

3. Annual Pension Cost (continued)

	<u>Police Pension</u>
Asset Valuation Method	Actuarial Smoothed Market
Amortization Method	Level Percentage of Payroll
Amortization Period	24 Years, Closed
Significant Actuarial Assumptions	
a. Rate of Return on Present and Future Assets	7.00% Compounded Annually
b. Projected Salary Increase - Attributable to Inflation	5.50% Compounded Annually
c. Additional Projected Salary Increases - Seniority/Merit	Not Available

B. Pension Plan

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 online at www.imrf.org.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 4: Employee Retirement Systems (continued)

B. Pension Plan (continued)

Funding Policy

As set by statute, the City's regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City contribution rate for calendar year 2009 was 9.06% 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.

Annual Pension Cost

For fiscal year ending December 31, 2009, the City's annual pension cost of \$497,978 for the regular plan was equal to the City's required and actual contributions.

Trend Information

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 497,978	100%	\$ -
12/31/08	533,434	100%	-
12/31/07	509,677	100%	-

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.50% 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% 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 City's regular 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 15% corridor between the actuarial and market value of assets. The regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007 valuation was 23 years.

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 78.46% funded. The actuarial accrued liability for benefits was \$11,411,798 and the actuarial value of assets was \$8,953,931 resulting in an underfunded actuarial accrued liability (UAAL) of \$2,457,867. The covered payroll (annual payroll for active employees covered by the plan) was \$5,496,444 and the ratio of the UAAL to the covered payroll was 45%. In conjunction with the

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 4: Employee Retirement Systems (continued)

B. Pension Plan (continued)

Funded Status and Funding Progress (continued)

December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

The schedule of funding progress, presented as RSI (Schedule B) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 5: Capital Assets

Capital asset activity for the year ended April 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 26,770,783	\$ 78,700	\$ -	\$ 26,849,483
Construction in progress	16,061,833	-	6,481,195	9,580,638
Total capital assets not being depreciated	<u>42,832,616</u>	<u>78,700</u>	<u>6,481,195</u>	<u>36,430,121</u>
Capital assets being depreciated				
Land improvements	1,443,507	39,269	-	1,482,776
Buildings	11,575,061	6,623,435	-	18,198,496
Equipment	4,679,498	196,226	45,376	4,830,348
Vehicles	4,169,960	44,966	22,567	4,192,359
Infrastructure	111,004,934	450,835	-	111,455,769
Total capital assets being depreciated	<u>132,872,960</u>	<u>7,354,731</u>	<u>67,943</u>	<u>140,159,748</u>
Less accumulated depreciation for				
Land/Building improvements	1,128,448	44,098	-	1,172,546
Buildings	2,837,098	537,789	-	3,374,887
Equipment	1,780,812	357,615	6,428	2,131,999
Vehicles	2,464,482	279,940	3,996	2,740,426
Infrastructure	88,756,196	1,535,014	-	90,291,210
Total accumulated depreciation	<u>96,967,036</u>	<u>2,754,456</u>	<u>10,424</u>	<u>99,711,068</u>
Total capital assets being depreciated, net	<u>35,905,924</u>	<u>4,600,275</u>	<u>57,519</u>	<u>40,448,680</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 78,738,540</u>	<u>\$ 4,678,975</u>	<u>\$ 6,538,714</u>	<u>\$ 76,878,801</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 5: Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in process	\$ 4,700,376	\$ 1,995,130	\$ 399,989	\$ 6,295,517
Land	273,703	25,526	-	299,229
Total capital assets not being depreciated	4,974,079	2,020,656	399,989	6,594,746
Capital assets being depreciated				
Buildings	1,938,875	106,871	-	2,045,746
Building improvements	35,625	-	-	35,625
Equipment	6,896,823	100,939	37,171	6,960,591
Utility systems	45,796,445	888,588	-	46,685,033
Total capital assets being depreciated	54,667,768	1,096,398	37,171	55,726,995
Less accumulated depreciation for				
Buildings	355,459	59,793	-	415,252
Building improvements	10,691	2,992	-	13,683
Equipment	3,339,715	611,105	37,171	3,913,649
Utility systems	18,580,047	1,152,962	-	19,733,009
Total accumulated depreciation	22,285,912	1,826,852	37,171	24,075,593
Total capital assets being depreciated, net	32,381,856	(730,454)	-	31,651,402
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 37,355,935</u>	<u>\$ 1,290,202</u>	<u>\$ 399,989</u>	<u>\$ 38,246,148</u>
PRIMARY GOVERNMENT				
CAPITAL ASSETS, NET	<u>\$ 116,094,475</u>	<u>\$ 5,969,177</u>	<u>\$ 6,938,703</u>	<u>\$ 115,124,949</u>

Depreciation expense is charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES

General government	\$ 318,212
Public safety	644,976
Highways and streets, including depreciation of general infrastructure assets	1,689,144
Cultural and recreational	102,124

**TOTAL DEPRECIATION EXPENSE -
GOVERNMENTAL ACTIVITIES**

\$ 2,754,456

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 5: Capital Assets (continued)

BUSINESS-TYPE ACTIVITIES

Water Funds	\$ 1,161,960
Sewer Funds	<u>664,892</u>

TOTAL DEPRECIATION EXPENSE -
BUSINESS-TYPE ACTIVITIES

\$ 1,826,852

Note 6: Long-Term Debt

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements

The following is a summary of changes in long-term debt for the year ended April 30, 2010 and the related fund where this debt is recorded on the accompanying financial statements.

Description and Purpose	Balance May 1, 2009	New Debt Issued	Debt Retired	Balance April 30, 2010	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
Debt Service Funds					
Bonds payable 2001	\$ 5,700,000	\$ -	\$ 335,000	\$ 5,365,000	\$ 345,000
Bonds payable 2002	5,730,000	-	275,000	5,455,000	285,000
SSA 1	1,720,000	-	65,000	1,655,000	65,000
SSA 2	370,000	-	15,000	355,000	15,000
SSA 4	1,145,000	-	40,000	1,105,000	45,000
SSA 5	650,000	-	15,000	635,000	15,000
SSA 6	1,645,000	-	40,000	1,605,000	45,000
SSA 7	1,430,000	-	30,000	1,400,000	35,000
Bonds payable 2006	19,105,000	-	14,165,000	4,940,000	220,000
Bonds payable 2009	-	18,450,000	-	18,450,000	15,000
Bonds payable 2009A	-	7,275,000	-	7,275,000	-
Total debt service funds	<u>37,495,000</u>	<u>25,725,000</u>	<u>14,980,000</u>	<u>48,240,000</u>	<u>1,085,000</u>
Other Funds - Capital Assets					
Fire truck	515,086	-	71,218	443,868	75,048
2 Police cars	3,631	-	3,631	-	-
Police car	4,312	-	4,312	-	-
1 Ford Explorer/1 Chev Silverado	2,174	-	2,174	-	-
2006 Dodge Dakota	791	-	791	-	-
6 police vehicles	49,709	-	42,439	7,270	7,270

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Description and Purpose	Balance May 1, 2009	New Debt Issued	Debt Retired	Balance April 30, 2010	Due Within One Year
Primary Government (continued)					
GOVERNMENTAL ACTIVITIES (continued)					
Other Funds - Capital Assets (continued)					
Tractor	41,825	-	13,321	28,504	13,933
3 Police cars	62,256	-	21,766	40,490	22,752
Servers	31,376	-	10,027	21,349	10,452
Rescue pumper	380,922	19,252	37,843	362,331	-
Ford Interceptor	-	22,483	2,927	19,556	7,276
Total other funds - capital assets	1,092,082	41,735	210,449	923,368	136,731
Other Funds - Notes Payable					
20 Computers	14,080	-	7,334	6,746	6,746
35 Computers	16,296	-	9,685	6,611	6,611
Total other funds - notes payable	30,376	-	17,019	13,357	13,357
Other Funds - Compensated Absences	1,302,703	121,042	-	1,423,745	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 39,920,161</u>	<u>\$ 25,887,777</u>	<u>\$ 15,207,468</u>	<u>\$ 50,600,470</u>	<u>\$ 1,235,088</u>
BUSINESS-TYPE ACTIVITIES					
Water Fund					
Bonds Payable	<u>\$ 1,755,000</u>	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 1,425,000</u>	<u>\$ 340,000</u>
Water Funds - Capital Assets					
35 Computers	3,109	-	1,848	1,261	1,261
Servers	40,605	-	12,976	27,629	13,527
Water construction note	914,676	-	38,141	876,535	39,100
Water tank note	3,304,843	1,950,171	-	5,255,014	-
Total water funds - capital assets	4,263,233	1,950,171	52,965	6,160,439	53,888
Total water funds	<u>6,018,233</u>	<u>1,950,171</u>	<u>382,965</u>	<u>7,585,439</u>	<u>393,888</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Description and Purpose	Balance May 1, 2009	New Debt Issued	Debt Retired	Balance April 30, 2010	Due Within One Year
Primary Government (continued)					
BUSINESS-TYPE ACTIVITIES (continued)					
Sewer Funds - Capital Assets					
Dairy loan	52,780	-	36,111	16,669	16,669
Construction loan	4,054,932	-	426,332	3,628,600	438,738
Servers	20,302	-	6,488	13,814	6,763
Generator	136,309	-	66,655	69,654	69,654
35 Computers	3,109	-	1,848	1,261	1,261
Total sewer funds - capital assets	4,267,432	-	537,434	3,729,998	533,085
Water/Sewer Funds - Compensated Absences					
Accumulated sick pay	435,565	54,016	-	489,581	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,721,230	\$ 2,004,187	\$ 920,399	\$ 11,805,018	\$ 926,973
TOTAL PRIMARY GOVERNMENT LONG-TERM LIABILITIES	\$ 50,641,391	\$ 27,891,964	\$ 16,127,867	\$ 62,405,488	\$ 2,162,061
COMPONENT UNIT					
Bonds Payable 2009A	\$ -	\$ 2,020,000	\$ -	\$ 2,020,000	\$ 55,000
Compensated absences	79,982	15,538	-	95,520	-
TOTAL COMPONENT UNIT	\$ 79,982	\$ 2,035,538	\$ -	\$ 2,115,520	\$ 55,000

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of April 30, 2009 are as follows:

Fiscal Year Ending April 30,	Primary Government				Component Unit	
	Governmental Activities		Business-Type Activities		General	
	General				Obligation Bonds	
	Obligation Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,085,000	\$ 3,027,553	\$ 340,000	\$ 46,410	\$ 55,000	\$ 161,108
2012	1,475,000	2,337,205	350,000	36,210	85,000	100,378

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

Fiscal Year Ending April 30,	Primary Government				Component Unit	
	Governmental Activities		Business-Type Activities		General	
	Obligation Bonds		Revenue Bonds		Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,540,000	2,274,187	360,000	25,185	85,000	98,253
2014	1,605,000	2,206,887	375,000	13,125	85,000	95,363
2015	1,680,000	2,136,140	-	-	90,000	92,473
2016	1,750,000	2,061,647	-	-	90,000	88,648
2017	1,830,000	1,982,833	-	-	95,000	84,823
2018	1,930,000	1,894,567	-	-	100,000	80,215
2019	2,030,000	1,797,449	-	-	100,000	75,365
2020	2,125,000	1,691,507	-	-	105,000	70,515
2021	2,250,000	1,580,117	-	-	110,000	65,423
2022	2,360,000	1,459,604	-	-	110,000	59,152
2023	1,885,000	1,331,785	-	-	115,000	52,882
2024	2,005,000	1,226,257	-	-	120,000	46,327
2025	1,570,000	1,113,268	-	-	125,000	39,487
2026	1,620,000	1,020,927	-	-	130,000	32,175
2027	1,460,000	924,954	-	-	135,000	24,570
2028	1,270,000	841,639	-	-	140,000	16,672
2029	1,170,000	779,105	-	-	145,000	8,482
2030	1,220,000	730,886	-	-	-	-
2031	1,275,000	677,511	-	-	-	-
2032	1,345,000	608,980	-	-	-	-
2033	1,415,000	536,686	-	-	-	-
2034	1,490,000	458,861	-	-	-	-
2035	1,580,000	376,911	-	-	-	-
2036	1,650,000	297,911	-	-	-	-
2037	1,755,000	230,344	-	-	-	-
2038	1,875,000	158,477	-	-	-	-
2039	1,995,000	81,695	-	-	-	-
	<u>\$ 48,240,000</u>	<u>\$ 35,845,893</u>	<u>\$ 1,425,000</u>	<u>\$ 120,930</u>	<u>\$ 2,020,000</u>	<u>\$ 1,292,311</u>

1. The City issued \$7,450,000 in general obligation bonds series 1997 A and B in a prior year. The bonds bear interest from 4.20% to 4.90% and are due on January 1 beginning in 2002

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

1. (continued)

through 2009, with interest payable on a semi-annual basis. The proceeds are being used for various infrastructure and development projects within the City. These bonds were defeased in fiscal year 2002 by the issuance of additional bonds.

The City issued \$7,640,000 in general obligation bonds in September 2001, with interest rates from 2.70% to 5.05% and annual principal payments starting in January 2003 through year 2022. The entire proceeds of this issue were used to liquidate the bonds described above. This issue had a net present value loss of \$156,224.

The following is the future debt service schedule to maturity:

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2011	4.10%	\$ 345,000	\$ 253,900	\$ 598,900
2012	4.25%	360,000	239,755	599,755
2013	4.60%	375,000	224,455	599,455
2014	4.60%	395,000	207,205	602,205
2015	4.60%	410,000	189,035	599,035
2016	4.70%	430,000	170,175	600,175
2017	4.75%	450,000	149,965	599,965
2018	4.80%	470,000	128,590	598,590
2019	4.90%	495,000	106,030	601,030
2020	4.95%	520,000	81,775	601,775
2021	5.00%	545,000	56,035	601,035
2022	5.05%	570,000	28,785	598,785
		<u>\$ 5,365,000</u>	<u>\$ 1,835,705</u>	<u>\$ 7,200,705</u>

There is \$277,200 in cash and interfund balances in the Debt Service Fund to pay the future debt service.

2. The City issued \$14,000,000 in general obligation bonds since 2002 in two equal subsections for the construction of a police station and various road improvements. In 2007 the City defeased the road improvement portion of these bonds. See Note 6A-5 below. These bonds were issued through the Illinois Development Finance Authority at rates from 3.2% to 5.25% due January 1, 2024.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

2. (continued)

The following is the remaining future debt service schedule to maturity:

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2011	4.15%	\$ 285,000	\$ 268,513	\$ 553,513
2012	4.35%	295,000	256,685	551,685
2013	4.50%	310,000	243,852	553,852
2014	4.60%	325,000	229,903	554,903
2015	4.75%	340,000	214,952	554,952
2016	4.80%	355,000	198,803	553,803
2017	4.90%	370,000	181,762	551,762
2018	4.95%	390,000	163,633	553,633
2019	5.00%	410,000	144,327	554,327
2020	5.05%	430,000	123,828	553,828
2021	5.25%	450,000	102,112	552,112
2022	5.25%	475,000	78,488	553,488
2023	5.25%	495,000	53,550	548,550
2024	(1) 5.25%	525,000	27,563	552,563
		<u>\$ 5,455,000</u>	<u>\$ 2,287,971</u>	<u>\$ 7,742,971</u>

(1) Subject to call in 2021

3. The City issued various bonds during 2005 for some of its special service areas. All of the bonds have June and December 1 for interest payment and December 1 for principal redemption beginning in December 2005. They have the following interest rate ranges:

SSA 1	5.10 to 6.50%
SSA 2	5.00 to 6.50%
SSA 4	5.10 to 6.50%

The proceeds are to be used for various commercial ventures near a major interstate within the City.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

3. (continued)

Fiscal Year Ending April 30,	SSA 1		SSA 2		SSA 4	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 65,000	\$ 101,275	\$ 15,000	\$ 21,725	\$ 45,000	\$ 67,625
2012	70,000	97,960	15,000	20,975	45,000	65,330
2013	75,000	94,390	20,000	20,225	50,000	63,035
2014	75,000	90,565	20,000	19,225	50,000	60,485
2015	80,000	86,740	20,000	18,225	55,000	57,935
2016	85,000	82,660	20,000	17,225	55,000	55,130
2017	90,000	78,325	20,000	15,925	60,000	52,325
2018	95,000	72,475	25,000	14,625	65,000	48,425
2019	100,000	66,300	25,000	13,000	70,000	44,200
2020	110,000	59,800	25,000	11,375	70,000	39,250
2021	115,000	52,650	30,000	9,750	75,000	35,100
2022	120,000	45,175	30,000	7,800	80,000	30,225
2023	130,000	37,375	30,000	5,850	85,000	25,025
2024	140,000	28,925	30,000	3,900	95,000	19,500
2025	150,000	19,825	30,000	1,950	100,000	13,725
2026	155,000	10,075	-	-	105,000	6,825
	<u>\$ 1,655,000</u>	<u>\$ 1,024,515</u>	<u>\$ 355,000</u>	<u>\$ 201,775</u>	<u>\$ 1,105,000</u>	<u>\$ 684,140</u>

4. The City issued various bonds in fiscal year 2007 for some of its special service areas. All of of the bonds have June and December 1 for interest payment and December 1 for principal redemption. They have the following interest rate ranges:

SSA 5	8.00 to 10.00%
SSA 6	8.00 to 10.00%
SSA 7	8.00 to 10.00%

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

4. (continued)

The proceeds are to be used for various commercial ventures within the City.

Fiscal Year Ending April 30,	SSA 5		SSA 6		SSA 7	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 15,000	\$ 60,500	\$ 45,000	\$ 152,600	\$ 35,000	\$ 132,600
2012	20,000	59,300	50,000	149,000	40,000	129,800
2013	20,000	57,700	50,000	145,000	40,000	126,600
2014	20,000	56,100	55,000	141,000	45,000	123,400
2015	25,000	54,500	60,000	136,600	45,000	119,800
2016	25,000	52,500	65,000	131,800	50,000	116,200
2017	25,000	50,500	70,000	126,600	55,000	112,200
2018	30,000	48,500	75,000	121,000	60,000	107,800
2019	35,000	45,500	85,000	113,500	65,000	103,000
2020	35,000	42,000	90,000	105,000	70,000	96,500
2021	40,000	38,500	100,000	96,000	80,000	89,500
2022	45,000	34,500	110,000	86,000	85,000	81,500
2023	50,000	30,000	120,000	75,000	95,000	73,000
2024	55,000	25,000	135,000	63,000	105,000	63,500
2025	60,000	19,500	150,000	49,500	115,000	53,000
2026	65,000	13,500	165,000	34,500	125,000	41,500
2027	70,000	7,000	180,000	18,000	140,000	29,000
2028	-	-	-	-	150,000	15,000
	<u>\$ 635,000</u>	<u>\$ 695,100</u>	<u>\$ 1,605,000</u>	<u>\$ 1,744,100</u>	<u>\$ 1,400,000</u>	<u>\$ 1,613,900</u>

5. The City issued \$20,100,000 in general obligation bonds Series 2006 to defease a portion of the 2002 bond issue for roads and construct a sports complex, convention center and other road improvements. The bonds have interest rates ranging from 4.25% to 5.00%. The following is the future debt service maturity schedule:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

5. (continued)

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 220,000	\$ 236,163	\$ 456,163
2012	225,000	226,813	451,813
2013	235,000	217,250	452,250
2014	245,000	207,262	452,262
2015	255,000	196,850	451,850
2016	265,000	186,012	451,012
2017	280,000	174,750	454,750
2018	295,000	160,750	455,750
2019	305,000	146,000	451,000
2020	320,000	130,750	450,750
2021	340,000	114,750	454,750
2022	355,000	97,750	452,750
2023	370,000	80,000	450,000
2024	390,000	61,500	451,500
2025	410,000	42,000	452,000
2026	430,000	21,500	451,500
	<u>\$ 4,940,000</u>	<u>\$ 2,300,100</u>	<u>\$ 7,240,100</u>

Included in this bond issue above was an advance refunding of \$5,375,000, which was a portion of the 2002 bond issue. The City used \$5,351,325 to deposit in an irrevocable trust to purchase U. S. government securities for future debt service on this refunded portion. As a result, that portion of the 2002 issue is considered defeased, and the City has removed the liability from its accounts. The outstanding portion of the defeased bonds is \$3,046,850 and the market value of the assets held in trust at April 30, 2010 is \$3,375,326. In 2010 the City defeased a portion of the 2006 issue. See Note 6A-7 below. The debt service to maturity indicated above is for the remaining portion of the 2006 issue.

6. The City issued \$18,450,000 in general obligation refunding bonds Series 2009 to defease a portion of the 2006 bond issue and to finance additions to the City park. The bonds have

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)

April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

6. (continued)

interest rates ranging from 3.00% to 5.50%. The following is the future debt service maturity schedule:

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2011	3.000%	\$ 15,000	\$ 1,312,991	\$ 1,327,991
2012	3.000%	355,000	828,808	1,183,808
2013	3.000%	365,000	818,158	1,183,158
2014	3.000%	375,000	807,208	1,182,208
2015	3.000%	390,000	795,958	1,185,958
2016	3.000%	400,000	784,258	1,184,258
2017	3.000%	410,000	772,258	1,182,258
2018	3.500%	425,000	758,933	1,183,933
2019	3.650%	440,000	744,058	1,184,058
2020	3.800%	455,000	727,998	1,182,998
2021	3.900%	475,000	710,707	1,185,707
2022	4.000%	490,000	692,182	1,182,182
2023	4.100%	510,000	672,582	1,182,582
2024	4.150%	530,000	651,672	1,181,672
2025	4.200%	555,000	629,677	1,184,677
2026	4.300%	575,000	606,367	1,181,367
2027	4.400%	1,070,000	581,642	1,651,642
2028	4.500%	1,120,000	534,562	1,654,562
2029	4.375%	1,170,000	484,162	1,654,162
2030	4.375%	1,220,000	432,975	1,652,975
2031	5.375%	1,275,000	379,600	1,654,600
2032	5.375%	1,345,000	311,069	1,656,069
2033	5.500%	1,415,000	238,775	1,653,775
2034	5.500%	1,490,000	160,950	1,650,950
2035	5.000%	1,580,000	79,000	1,659,000
		<u>\$ 18,450,000</u>	<u>\$ 15,516,550</u>	<u>\$ 33,966,550</u>

Included in this bond issue was an advance refunding of \$13,395,000, which was a portion of the 2006 issue. The City used \$15,511,735 to deposit in an irrevocable trust to purchase U. S.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

6. (continued)

government securities for future debt service on this refunded portion. As a result, that portion of the 2006 issue is considered defeased and the City has removed the liability from its books. The outstanding portion of the defeased bonds is \$12,754,650 and the market value of the assets held in trust at April 30, 2010 is \$15,054,189.

7. The City also issued \$9,295,000 in general obligation taxable bonds Series 2009A to finance an addition to the City library and additions to the City park. These were Build America bonds and have interest rates ranging from 2.50% to 6.30%. Build America Bonds provide a federal subsidy through a refundable credit payable to the City by the U. S. Treasury in an amount equal to 35% of the total coupon interest payable. A portion of the debt is reflected in the governmental activities and the remaining in the component unit as shown separately on pages 48 and 49. The following is the future debt service maturity schedule:

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2011	2.500%	\$ 55,000	\$ 580,769	\$ 635,769
2012	2.500%	85,000	363,157	448,157
2013	3.400%	85,000	361,775	446,775
2014	3.400%	85,000	359,897	444,897
2015	4.250%	90,000	358,018	448,018
2016	4.250%	90,000	355,532	445,532
2017	4.850%	95,000	353,046	448,046
2018	4.850%	100,000	350,051	450,051
2019	4.850%	100,000	346,899	446,899
2020	4.850%	105,000	343,746	448,746
2021	5.700%	110,000	340,436	450,436
2022	5.700%	110,000	336,361	446,361
2023	5.700%	115,000	332,285	447,285
2024	5.700%	120,000	328,024	448,024
2025	5.850%	125,000	323,578	448,578
2026	5.850%	130,000	318,825	448,825
2027	5.850%	135,000	313,882	448,882
2028	5.850%	140,000	308,749	448,749
2029	5.850%	145,000	303,425	448,425
2030	N/A	-	297,911	297,911

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements (continued)

Debt Service Requirements to Maturity (continued)

7. (continued)

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2031	N/A	-	297,911	297,911
2032	N/A	-	297,911	297,911
2033	N/A	-	297,911	297,911
2034	N/A	-	297,911	297,911
2035	N/A	-	297,911	297,911
2036	6.300%	1,650,000	297,911	1,947,911
2037	6.300%	1,755,000	230,344	1,985,344
2038	6.300%	1,875,000	158,477	2,033,477
2039	6.300%	1,995,000	81,695	2,076,695
		<u>\$ 9,295,000</u>	<u>\$ 9,234,348</u>	<u>\$18,529,348</u>

8. During a prior fiscal year the City issued \$3,310,000 in alternate revenue source waterworks bonds for construction and installation of new encoder water meters. These bonds were issued through Bernardi Securities at rates from 1.25% to 3.50% and are due December 1, 2013. The following is the future debt service schedule to maturity:

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
2011	3.00%	\$ 340,000	\$ 46,410	\$ 386,410
2012	3.15%	350,000	36,210	386,210
2013	3.35%	360,000	25,185	385,185
2014	3.50%	375,000	13,125	388,125
		<u>\$ 1,425,000</u>	<u>\$ 120,930</u>	<u>\$ 1,545,930</u>

B. Loans and Notes Payable

Fiscal Year Ending April 30,	Governmental Activities		Business-Type Activities	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 172,900	\$ 27,803	\$ 564,161	\$ 126,487
2012	151,088	19,965	491,587	109,603
2013	87,974	13,302	505,734	95,456

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)

April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Fiscal Year Ending April 30,	Governmental Activities		Business-Type Activities	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2014	87,820	8,743	520,289	80,901
2015	92,543	4,020	535,263	65,927
2016	26,034	237	550,667	50,523
2017	-	-	566,517	34,673
2018	-	-	322,478	18,366
2019	-	-	47,698	13,073
2020	-	-	48,898	11,873
2021	-	-	50,128	10,643
2022	-	-	51,389	9,382
2023	-	-	52,682	8,089
2024	-	-	54,007	6,764
2025	-	-	55,366	5,405
2026	-	-	56,758	4,012
2027	-	-	58,186	2,585
2028	-	-	59,650	1,121
	<u>618,359</u>	<u>\$ 74,070</u>	<u>4,591,458</u>	<u>\$ 654,883</u>

Business-type activities
principal portion of shared
notes per debt service
schedules to maturity below

(43,965)
\$ 574,394 *

43,965
\$ 4,635,423 **

* Excludes rescue pumper note since no repayment schedule is available.

** Excludes water tank note since no fixed repayment is currently in existence.

Governmental Activities

- During 2006 and 2007 the City borrowed \$750,000 for the purchase of a fire truck. Repayment consists of 120 payments of \$8,047 at an annual rate of 5.25%. The following is the future debt service to maturity:

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 75,048	\$ 21,516	\$ 96,564
2012	79,085	17,479	96,564
2013	83,338	13,225	96,563
2014	87,820	8,743	96,563
2015	92,543	4,020	96,563
2016	26,034	237	26,271
	<u>\$ 443,868</u>	<u>\$ 65,220</u>	<u>\$ 509,088</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

2. During 2008 the City borrowed \$122,486 for the purchase of six (6) police vehicles. Repayment consists of 36 monthly payments of \$3,657 at an annual interest rate of 4.74%. The following is the future debt service to maturity:

Fiscal Year Ending April 30, 2011	Principal	Interest	Total
	\$ 7,270	\$ 43	\$ 7,313

3. During 2008 the City borrowed \$21,695 for the purchase of 20 computers for the police and ambulance. Repayment consists of 36 monthly payments of \$708 at an annual interest rate of 10.82%. The following is the future debt service to maturity:

Fiscal Year Ending April 30, 2011	Principal	Interest	Total
	\$ 6,746	\$ 339	\$ 7,085

4. During 2008 the City borrowed \$39,781 for the purchase of 35 computers for the general, water and sewer funds. Repayment consists of 36 monthly payments of \$1,154 at an annual interest rate of 2.826%. This debt is shared between the general and proprietary funds, according to the following future debt service schedule:

Fiscal Year Ending April 30, 2011	Principal	Interest	Total
	\$ 9,133	\$ 97	\$ 9,230

5. During 2009 the City borrowed \$41,825 for the purchase of a tractor. Repayment consists of 36 monthly payments of \$1,244 at an annual interest rate of 4.5%, according to the following future debt service schedule:

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 13,933	\$ 998	\$ 14,931
2012	14,571	360	14,931
	\$ 28,504	\$ 1,358	\$ 29,862

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

6. During 2009 the City borrowed \$67,547 for the purchase of 3 police cars. Repayment consists of 36 monthly payments of \$2,008 at an annual rate of 4.44%, according to the following future debt service schedule:

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 22,752	\$ 1,338	\$ 24,090
2012	17,738	330	18,068
	<u>\$ 40,490</u>	<u>\$ 1,668</u>	<u>\$ 42,158</u>

7. During 2009 the City borrowed \$92,283 for the purchase of a computer server. Repayment consists of 4 annual payments of \$33,409 at an annual interest rate of 4.25%. This note is shared by the governmental and proprietary funds, according to the following future debt service schedule:

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 30,742	\$ 2,668	\$ 33,410
2012	32,050	1,360	33,410
	<u>\$ 62,792</u>	<u>\$ 4,028</u>	<u>\$ 66,820</u>

8. During 2009 the City borrowed \$380,922 for a down payment on a rescue pumper fire vehicle. Additional equipment was added to the truck purchase agreement during fiscal year 2010 resulting in \$19,252 being added to the note. The City is subject to an additional payment of \$34,756 upon delivery. Since the note is not finalized, no repayment schedule is presented.

9. During 2010 the City borrowed \$22,483 for the purchase of a 2010 Ford Interceptor. Repayment consists of 36 monthly payments of \$673 at an annual interest rate of 4.95%, according to the following future debt service schedule:

Fiscal Year Ending April 30,	Principal	Interest	Total
2011	\$ 7,276	\$ 804	\$ 8,080
2012	7,644	436	8,080
2013	4,636	77	4,713
	<u>\$ 19,556</u>	<u>\$ 1,317</u>	<u>\$ 20,873</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

9. (continued)

The following notes were completely liquidated in 2010:

	Original Loan	Repayment Amount	Frequency	Interest Rate
2 Police cars	\$ 40,860	\$ 3,660	Monthly	4.47%
Police car	20,959	4,382	Monthly	4.74%
06 Ford Explorer	36,625	2,187	Monthly	4.76%
06 Dodge Dakota	13,235	796	Monthly	5.29%

Business-Type Activities

10. Dairy Loan

The City received a loan of \$500,000 from the State of Illinois Department of Commerce and Community Affairs, which applies to improvements for the Land-O-Sun Dairy. The repayment period is for a monthly payment of \$2,778 for principal only, with no interest charged through November 2010. The City is receiving payment from the Dairy to service the debt.

11. Construction Loan - Sewer

The City received loans totaling \$8,105,534 of which \$8,018,298 was drawn down from the Illinois Environmental Protection Agency for sewer plant improvements. The loan is disbursed to the City based on drawdowns of construction. The current interest rate is 2.89% and 2.865% and accrued interest of \$123,386 has been added to the improvements costs. Repayment began when the construction period was complete. The loan is currently due on August 1, 2017 at semi-annual payments of \$270,210 beginning August 1, 1998.

12. Construction Loan - Water

The City received loan proceeds from the Illinois Environmental Protection Agency for various water towers. During 2009, one loan was drawn down for \$939,994 with semi-annual repayments of \$30,385 starting May 1, 2009 with a due date of May 1, 2028. The loan has an annual interest rate of 2.5%. Additionally, the City has received drawdowns totaling \$5,255,014 for additional water towers and improvements. Since this loan is not finalized, no repayment terms are presented.

13. Recapture Agreement

The City entered into an agreement with a developer to reimburse them for a sewer main installed up to \$184,038, depending upon the services installed over a ten year period

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Business-Type Activities (continued)

13. Recapture Agreement (continued)

ending July 2006. Through 2008 the City has the balance reflected as a liability. Management elected to have the balance reclassified to contributed equity in 2009 since no repayments were made during any prior period and they expect none in the future.

The annual requirements to amortize the above debt outstanding (numbers 10, 11 and 12) including interest as of April 30, 2010 are as follows:

Fiscal Year Ending April 30,	Dairy Loan (Principal Only)	Sewer		Water	
		Construction Loan		Construction Loan	
		Principal	Interest	Principal	Interest
2011	\$ 16,669	\$ 438,738	\$ 101,681	\$ 39,100	\$ 21,671
2012	-	451,503	88,916	40,084	20,687
2013	-	464,642	75,777	41,092	19,679
2014	-	478,163	62,256	42,126	18,645
2015	-	492,077	48,342	43,186	17,585
2016	-	506,395	34,024	44,272	16,499
2017	-	521,131	19,288	45,386	15,385
2018	-	275,951	4,123	46,527	14,243
2019	-	-	-	47,698	13,073
2020	-	-	-	48,898	11,873
2021	-	-	-	50,128	10,643
2022	-	-	-	51,389	9,382
2023	-	-	-	52,682	8,089
2024	-	-	-	54,007	6,764
2025	-	-	-	55,366	5,405
2026	-	-	-	56,758	4,012
2027	-	-	-	58,186	2,585
2028	-	-	-	59,650	1,121
	<u>\$ 16,669</u>	<u>\$ 3,628,600</u>	<u>\$ 434,407</u>	<u>\$ 876,535</u>	<u>\$ 217,341</u>

Note: Since the water tank loan in construction has no fixed repayment, this balance is not included with the water balances.

14. During 2008 the City borrowed \$200,070 for partial payment on a sewer generator. The repayment consists of 3 annual payments of \$72,789 at an annual interest rate of 4.50%. The following is the future debt service to maturity:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 6: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Business-Type Activities (continued)

14. (continued)

Fiscal Year Ending April 30, 2011	Principal	Interest	Total
	\$ 69,654	\$ 3,135	\$ 72,789

15. The compensated absences listed below reflect the liabilities at April 30, 2010 and 2009:

	2010	2009
Governmental Activities	\$ 1,423,745	\$ 1,302,703
Business-Type Activities	489,581	435,565
Component Unit	95,520	79,982
Total	\$ 2,008,846	\$ 1,818,250

C. Legal Debt Margin

ASSESSED VALUATION - 2009 TAX LEVY	\$ 658,364,306
Legal debt margin (8.625% of assessed valuation)	\$ 56,783,921
Municipal bonds outstanding (general obligation bonds)	\$ 48,240,000
Note payable - equipment	63,210
Note payable - vehicles	873,515
LEGAL DEBT MARGIN	\$ 7,607,196

Note 7: Contributed Capital and Grants

The City has received certain infrastructure donations from developers in prior fiscal years for capital purposes within its governmental activities and proprietary funds. For 2010 the City received \$-0- in governmental assets and \$-0- in proprietary assets.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 8: Interfund Receivables and Payables

The following interfund balances exist as of April 30, 2010:

	Due from	Due to
GOVERNMENTAL FUNDS		
MAJOR FUNDS		
General Fund		
1997 Bond Issue	\$ 133,900	\$ -
NONMAJOR FUNDS		
1997 Bond Issue Fund		
General Fund	-	133,900
Total Governmental Funds	<u>\$ 133,900</u>	<u>\$ 133,900</u>

Interfund receivables and payables in the governmental funds are the result of temporary loans between funds due to the use of a commingled bank account.

Note 9: Tax Increment Financing Funds

During the fiscal year ended April 30, 1996, the City began the Illinois 158 Corridor TIF District or O'Fallon TIF District #1. The Tax Increment Financing (TIF) Fund was established to account for the transactions within this TIF District. The City has two projects which this redevelopment plan supports. Williamsburg Center is an office development that the City contracted with the developer to design, engineer, manage and finance construction of drives, sidewalks, sanitary sewer extensions and other improvements. Lakepointe Center is a development including retail, office and restaurant spaces and the City contracted with the developer to design, engineer and construct drives, sidewalks, storm water control facilities and other improvements. Terms of the above agreements provided the City would pay to the developer funds it was entitled to receive, which were derived from the development project area, over a period of ten years, up to a contractually limited amount.

Note 10: Rebates

The City rebates sales taxes to local retailers based upon various agreements, summarized as follows:

	Total Rebate	Balance Owed April 30, 2010	Interest Rate	Expiration Date	Specific
Auto Dealer	\$ 250,000	\$ 207,325	N/A	July 2017	50% of collections over specific amount
Auto Dealer	300,000	10,188	N/A	September 2009	50% rebate above specific
Auto Dealer	500,000	-	N/A	August 2012	50% of collections
Auto Dealer	927,751	-	N/A	May 2011	75% of collections
Auto Dealer	235,000	-	N/A	May 2011	50% of collections
Auto Dealer*	150,000	125,552	N/A	November 2016	50% of collections

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 10: Rebates (continued)

	Total Rebate	Balance Owed April 30, 2010	Interest Rate	Expiration Date	Specific
Retailer	125,000	13,906	N/A	October 2017	75% rebate 1st year/50% thereafter
Auto Dealer**	350,000	350,000	N/A	January 2020	50% of collections
Auto Dealer**	350,000	350,000	N/A	January 2020	50% of collections

* Remaining balance not expected to be collected due to closure of the dealer.

** New rebates during the fiscal year, but as of current there has been no activity on these accounts.

The balances owed are not presented in the accompanying General Fund because they are considered to be commitments and will not be a liability unless certain events occur in the future.

Note 11: Contingent Liabilities

The City is involved in various legal actions arising in the normal course of business. In the opinion of management and legal counsel, such matters will not have a material effect on the financial position of the City.

Note 12: Expenditures in Excess of Budget

The following fund had expenditures in excess of budgeted amounts:

	Actual Expenditures	Budgeted Expenditures
Social Security	\$ 607,034	\$ 531,950
Capital Improvements	523,571	520,000

Note 13: Deficit Fund Balance

The following fund had a deficit fund balance as of April 30, 2010:

1997 Bond Issue	\$ (133,900)
-----------------	--------------

Note 14: Leases

A. The City, as lessor, entered into a long-term lease beginning January 1, 1993 with the O'Fallon Community Center, Inc. (lessee), a nonprofit corporation, to lease a building within the City park. The terms of the lease are for a \$1 per year fee. The lessee is responsible for all operating costs, except general insurance, which is provided by the City. Also the City has responsibility for all building exterior maintenance and improvements.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)

April 30, 2010

Note 14: Leases (continued)

- B. The City, as lessor, entered into an agreement in July 2001 with a long distance carrier to construct a communication tower. The initial term of the lease is ten years with the lessee having the right to extend the lease for two successive five-year terms. The current contract states the monthly rent to be \$2,040 through 2010. In 2010 the lease was amended to permit the carrier to add, modify and/or replace equipment in order to be in compliance with future federal, state or local mandates. Monthly rent was to be increased by \$500 per month.
- C. The City, as a lessor, entered into an agreement in March 2005 with a cell phone carrier to lease property for the purpose of constructing a communications structure. The initial term of the lease is ten years with the lessee having the right to extend the lease for two successive five-year terms. The monthly rent on this agreement is \$20,400 for the first year and shall be increased by 3% each year thereafter.

The above mentioned property is owned by a limited liability company with which the City entered into a separate agreement in June 2005 to acquire the property. The City must pay the limited liability company 40% of the gross receipts, or rent payments, received by the City from the lease mentioned above. Payment must be made to the limited liability company by January 30 of the year following the collection of the rent payments.

Note 15: Statistical Data

	April 30, 2010	April 30, 2009
Number of customers billed		
Water	17,319	16,890
Sewer	9,080	8,984

Note 16: Component Unit

The City recognizes the Library Special Revenue Fund along with the Library Construction Fund, Library Bond Issue Debt Service Fund and Ohlendorf Bequest Fund as a component unit. The summarized financial data of the fund financial statements is as follows as of April 30, 2010 and for the year then ended.

	General Fund	Construction Fund	Debt Service Fund	Ohlendorf Bequest Fund	Total
ASSETS					
Cash and equivalents	\$ 1,142,993	\$ 41,123	\$ 12,681	\$ -	\$ 1,196,797
Investments	-	2,000,000	-	1,976,630	3,976,630
Prepaid expenses	11,698	-	-	-	11,698
Accrued interest	-	12,837	-	5,399	18,236
Accounts receivable	30,798	-	-	-	30,798
Property tax receivable	987,546	-	-	-	987,546
	<u>2,173,035</u>	<u>2,053,960</u>	<u>12,681</u>	<u>1,982,029</u>	<u>6,221,705</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 16: Component Unit (continued)

	General Fund	Construction Fund	Debt Service Fund	Ohlendorf Bequest Fund	Total
LIABILITIES					
Deferred revenue	987,546	-	-	-	987,546
Accounts payable	22,236	-	-	-	22,236
Accrued wages	8,094	-	-	-	8,094
	<u>1,017,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017,876</u>
EQUITY					
Fund balance - restricted	<u>\$1,155,159</u>	<u>\$ 2,053,960</u>	<u>\$ 12,681</u>	<u>\$1,982,029</u>	<u>\$5,203,829</u>
REVENUES					
Taxes	\$ 965,263	\$ -	\$ -	\$ -	\$ 965,263
Interest	997	29,111	-	234,316	264,424
Grant	30,092	-	-	-	30,092
Donations	-	-	-	-	-
Other	65,524	2,020,000	-	16,274	2,101,798
	<u>1,061,876</u>	<u>2,049,111</u>	<u>-</u>	<u>250,590</u>	<u>3,361,577</u>
EXPENDITURES					
Library services	825,834	16,274	-	13,068	855,176
Debt service	-	20,000	-	-	20,000
	<u>825,834</u>	<u>36,274</u>	<u>-</u>	<u>13,068</u>	<u>875,176</u>
Excess of revenues over expenditures	236,042	2,012,837	-	237,522	2,486,401
Fund balance, beginning of year	<u>919,117</u>	<u>41,123</u>	<u>12,681</u>	<u>1,744,507</u>	<u>2,717,428</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,155,159</u>	<u>\$ 2,053,960</u>	<u>\$ 12,681</u>	<u>\$ 1,982,029</u>	<u>\$ 5,203,829</u>

Note 17: Commitments

The City had the following contractual matters in progress at April 30, 2010:

Agreements

The City has entered into various special rebate agreements with various retail entities and developers. These agreements call for the City to reimburse the entity for various costs incurred for infrastructure and construction over a specific time period based on tax collections. See Note 10 for details.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 18: Risk Management

The City of O'Fallon is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City of O'Fallon purchases commercial insurance from third parties for all risks and thus retains no significant amounts of risk. No settlements have exceeded insurance coverage for the past three years. There have been no material changes in insurance coverage limits during the year ended April 30, 2010.

Note 19: Interfund Transfers

Interfund transfers for the year ended April 30, 2010 consisted of the following amounts:

	<u>Transfers From</u>	<u>Transfers To</u>
GOVERNMENTAL FUNDS		
<u>MAJOR FUNDS</u>		
General Fund		
Motor Fuel Tax	\$ -	\$ 4,633
1997 Bond Issue Debt Service	-	468,900
Park Land	-	750,000
Park Sports Complex Fund		
Capital improvement	-	520,000
	<hr/>	<hr/>
Total Major Funds	-	1,743,533
	<hr/>	<hr/>
<u>NONMAJOR FUNDS</u>		
Motor Fuel Tax Fund		
General	4,633	-
Park Land Fund		
General	750,000	-
Capital Improvement Fund		
Park Sports Complex	520,000	-
2002 Bond Issue Capital Project Fund		
Prop S Infrastructure	345,259	-
2002 Bond Issue Debt Service	-	4,831
Prop S Infrastructure Fund		
2002 Bond Issue Capital Project	-	345,259
1997 Bond Issue Debt Service Fund		
General	468,900	-
2002 Bond Issue Debt Service Fund		
2002 Bond Issue Capital Project	4,831	-
	<hr/>	<hr/>
Total Nonmajor Funds	2,093,623	350,090
	<hr/>	<hr/>
TOTAL GOVERNMENTAL FUNDS	\$ 2,093,623	\$ 2,093,623
	<hr/>	<hr/>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2010

Note 19: Interfund Transfers (continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other fund in accordance with budgetary authorizations.

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property taxes	\$ -	\$ 245,845	\$ 243,547
Utility	-	1,046,600	1,033,635
2% Fire	-	-	-
Food and beverage	-	560,000	571,928
Intergovernmental receipts			
Replacement tax	-	125	201
State sales tax	-	6,838,370	6,534,466
State income tax	-	2,718,500	1,383,503
Road and bridge tax	-	216,300	237,467
Grants	-	35,000	76,359
MEGSI	-	50,000	35,524
Other	-	-	-
Licenses and permits	-	314,100	288,973
Subdivision fees	-	10,000	16,906
Police reports	-	10,400	11,749
Fines and fees	-	189,000	310,375
Service fees	-	-	-
Interest income	-	120,500	13,095
Phone and cable television fees	-	1,122,350	699,720
Rentals	-	8,460	8,460
Miscellaneous revenues and reimbursements	-	5,600	6,923
Refund of LOSAP contributions	-	-	-
Cemetery revenue	-	14,700	29,827
Insurance refunds and claims	-	5,000	500
Sale of assets	-	15,000	6,245
Total revenues	-	13,525,850	11,509,403
EXPENDITURES			
Administration			
Personal services			
Salaries	-	117,000	55,916
Payroll taxes	-	200	254
Group insurance	-	20,500	13,773

(continued on next page)

SCHEDULE A

Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual
\$ 1,390,970	\$ 974,164	\$ 1,499,970	\$ 1,574,377
-	-	-	-
10,000	16,729	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
300,000	489,996	-	-
-	13,461	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	711,000	885,527
-	2	7,500	2,180
-	-	-	-
-	-	-	-
-	385	-	1,300
-	12,996	-	-
-	-	-	-
-	-	-	-
-	7,830	-	-
<u>1,700,970</u>	<u>1,515,563</u>	<u>2,218,470</u>	<u>2,463,384</u>
-	-	-	-
-	-	-	-
-	-	-	-

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Administration (continued)			
Contractual services			
Maintenance and repairs	-	-	589
Insurance	-	125,750	82,772
Utilities and telephone	-	32,500	6,401
Travel and training	-	18,000	7,677
Legal and accounting fees	-	20,000	15,745
Engineering and other professional fees	-	59,185	107,787
Other contractual services	-	40,100	30,087
Commodities			
Operating and maintenance supplies	-	2,000	2,822
Computer and office supplies	-	18,000	11,672
Miscellaneous	-	37,000	28,981
Tax rebates	-	75,000	59,635
Capital purchases	-	10,000	24,440
Debt service			
Principal retirement	-	9,055	4,968
Interest and fiscal charges	-	-	173
Police Department			
Personal services			
Salaries	-	3,940,275	3,989,224
Payroll taxes	-	7,500	9,408
Group insurance	-	735,000	582,429
Contractual services			
Maintenance and repairs	-	140,215	153,391
Insurance	-	251,165	159,095
Utilities and telephone	-	136,220	119,480
Travel and training	-	34,600	35,595
Legal and accounting fees	-	35,000	42,700
Engineering and other professional fees	-	101,150	83,032
Other contractual services	-	38,405	21,891
Commodities			
Operating and maintenance supplies	-	10,750	47,272
Gasoline and oil	-	80,000	99,981
Uniforms and food	-	57,300	51,930
Computer and office supplies	-	21,150	40,022
Miscellaneous	-	1,100	4,954
Capital purchases	-	27,400	50,461

(continued on next page)

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)

Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Police Department (continued)			
Debt service			
Principal retirement	-	99,400	80,963
Interest and fiscal charges	-	4,500	4,896
Street Department			
Personal services			
Salaries	-	857,900	807,869
Payroll taxes	-	3,000	2,034
Group insurance	-	193,300	164,480
Contractual services			
Maintenance and repairs	-	418,500	289,382
Insurance	-	91,120	152,355
Utilities and telephone	-	367,300	291,999
Travel and training	-	4,500	2,132
Legal and accounting fees	-	20,000	13,498
Engineering and other professional fees	-	145,100	181,369
Other contractual services	-	18,350	7,976
Commodities			
Operating and maintenance supplies	-	190,000	80,582
Gasoline and oil	-	42,000	30,550
Uniforms	-	6,600	6,184
Computer and office supplies	-	10,000	10,263
Miscellaneous	-	5,700	11,564
Capital purchases	-	476,000	26,494
Debt service			
Principal retirement	-	18,350	11,112
Interest and fiscal charges	-	-	1,286
Facilities			
Contractual services			
Maintenance and repairs	-	86,000	86,085
Utilities and telephone	-	40,500	46,113
Engineering and other professional fees	-	42,000	362
Other contractual services	-	200	-
Commodities			
Operating and maintenance supplies	-	6,200	2,683
Gasoline and oil	-	200	-
Uniforms	-	500	-
Capital purchases	-	22,500	48,395

(continued on next page)

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Planning and Zoning Department			
Personal services			
Salaries	-	516,670	473,300
Payroll taxes	-	3,000	1,526
Group insurance	-	93,800	73,328
Contractual services			
Maintenance and repairs	-	3,500	1,779
Insurance	-	25,000	17,269
Telephone	-	8,000	6,927
Travel and training	-	16,000	8,144
Legal and accounting fees	-	43,500	44,714
Other professional fees	-	74,850	90,527
Abatements	-	7,500	2,875
Other contractual services	-	24,100	14,335
Commodities			
Operating and maintenance supplies	-	5,900	2,658
Gasoline and oil	-	8,000	5,000
Uniforms	-	2,000	1,307
Computer and office supplies	-	8,000	16,300
Miscellaneous	-	1,500	2,513
Capital purchases	-	-	-
Debt service			
Principal retirement	-	14,500	2,895
Interest and fiscal charges	-	500	80
Economic Development			
Personal services			
Salaries	-	63,295	60,980
Group insurance	-	3,850	3,589
Contractual services			
Travel and training	-	33,200	19,021
Legal fees	-	20,000	10,549
Other professional fees	-	39,100	49,726
Other contractual services	-	48,380	28,581
Commodities			
Computer and office supplies	-	600	1,547
Miscellaneous	-	500	385
Capital purchases	-	-	-
Development	-	60,000	47,113

(continued on next page)

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SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Economic Development (continued)			
Debt service			
Principal retirement	-	6,200	764
Interest and fiscal charges	-	-	27
Cemetery			
Personal services			
Salaries	-	38,560	39,773
Payroll taxes	-	250	254
Group insurance	-	7,700	8,646
Contractual services			
Maintenance and repairs	-	14,200	5,910
Insurance	-	1,500	1,884
Telephone and utilities	-	1,750	900
Training	-	250	-
Other professional fees	-	2,000	1,281
Other contractual services	-	750	150
Commodities			
Operating and maintenance supplies	-	3,450	5,544
Office supplies	-	150	133
Gasoline and oil	-	2,500	2,218
Uniforms	-	350	-
Miscellaneous	-	100	300
Capital purchases	-	5,750	-
Debt service			
Principal retirement	-	15,500	13,321
Interest and fiscal charges	-	1,125	1,607
Fire Department			
Personal services			
Salaries	-	-	-
Payroll taxes	-	-	-
Pension expense	-	-	-
Group insurance	-	-	-
Contractual services			
Maintenance and repairs	-	-	-
Insurance	-	-	-
Telephone and utilities	-	-	-
Travel and training	-	-	-
Other professional fees	-	-	-
Other contractual services	-	-	-
Fire run expenses and fees	-	-	-

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SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)

Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Fire Department (continued)			
Commodities			
Operating and maintenance supplies	-	-	-
Computer and office supplies	-	-	-
Gasoline and oil	-	-	-
Uniforms	-	-	-
Miscellaneous	-	-	-
Capital purchases	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Ambulance			
Personal services			
Salaries	-	-	-
Payroll taxes	-	-	-
Group insurance	-	-	-
Contractual services			
Maintenance and repairs	-	-	-
Insurance	-	-	-
Telephone and utilities	-	-	-
Travel and training	-	-	-
Legal and accounting fees	-	-	-
Other professional fees	-	-	-
Other contractual services	-	-	-
Commodities			
Operating and maintenance supplies	-	-	-
Computer and office supplies	-	-	-
Gasoline and oil	-	-	-
Uniforms	-	-	-
Capital purchases	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	10,598,570	9,374,863
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	-	2,927,280	2,134,540
	<hr/>	<hr/>	<hr/>

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SCHEDULE A

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Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual
100,050	54,591	-	-
5,750	26,279	-	-
28,500	17,517	-	-
69,500	32,872	-	-
-	-	-	-
816,530	80,733	-	-
115,395	109,061	-	-
49,100	42,490	-	-
-	-	1,048,000	926,997
-	-	3,000	2,289
-	-	217,075	184,731
-	-	98,100	107,929
-	-	94,300	40,875
-	-	78,000	58,216
-	-	21,650	2,806
-	-	17,500	10,436
-	-	154,300	167,071
-	-	4,000	6,011
-	-	31,000	61,980
-	-	8,500	13,962
-	-	22,000	24,691
-	-	16,800	12,095
-	-	394,645	43,205
-	-	5,500	3,667
-	-	4,100	584
<u>1,881,065</u>	<u>943,731</u>	<u>2,218,470</u>	<u>1,667,545</u>
<u>(180,095)</u>	<u>571,832</u>	<u>-</u>	<u>795,839</u>

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2010

	General Fund		
	Original Budget	Final Budget	Actual
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	-	22,483
Transfer from other funds	-	-	-
Transfer (to) other funds	-	(2,927,280)	(1,223,533)
Total other financing sources (uses)	-	(2,927,280)	(1,201,050)
Excess of revenues and other financing sources over expenditures and other financing (uses)	\$ -	\$ -	933,490
Fund balance, beginning of year			7,861,330
FUND BALANCE, END OF YEAR			\$ 8,794,820

SCHEDULE A

Page 7

Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual
-	19,252	-	-
180,095	-	-	-
-	-	-	-
180,095	19,252	-	-
<u>\$ -</u>	591,084	<u>\$ -</u>	795,839
	168,336		2,131,241
	<u>\$ 759,420</u>		<u>\$ 2,927,080</u>

City of O'Fallon
St. Clair County, Illinois

IMRF TREND INFORMATION

April 30, 2010

Illinois Municipal Retirement Fund (IMRF)
Schedule of Funding Progress

	(a)	(b)	(b-a)	(a)/(b)	(c)	((b-a)/(c))
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Unfunded as Percent of Payroll
12/31/09	\$8,953,931	\$ 11,411,798	\$2,457,867	78.46%	\$5,496,444	44.72%
12/31/08	8,449,699	10,965,426	2,515,727	77.06%	5,711,281	44.05%
12/31/07	9,786,474	10,437,732	651,258	93.76%	5,370,679	12.13%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$8,663,730. On a market basis, funded ratio would be 75.92%.

SCHEDULE C

City of O'Fallon
St. Clair County, Illinois

POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION TREND INFORMATION

April 30, 2010

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	UAAL As a Percentage of Covered Payroll (4) / (5)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio (1) / (2)	Unfunded AAL (UAAL) (2) - (1)	Covered Payroll	
4/30/07	\$ 11,151,912	\$ 14,584,195	76%	\$ 3,432,283	\$ 2,653,334	146%
4/30/08	11,841,646	15,401,745	77%	3,560,099	2,651,879	134%
4/30/09	11,048,724	18,250,279	61%	7,201,555	2,875,841	250%

Employer Contributions

Actuarial Year	Employer Contributions
4/30/07	\$ 552,225
4/30/08	559,645
4/30/09	776,338

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR CAPITAL PROJECTS FUNDS

Year Ended April 30, 2010

	Park Sports Complex		
	Original Budget	Final Budget	Actual
REVENUES			
Interest income	\$ 5,000	\$ 5,000	\$ 102,280
Accrued interest on sale of bonds	-	-	30,874
Federal grants	-	-	-
State grants	-	-	-
Franchise fees	-	-	-
Annex fees	-	-	-
Miscellaneous	-	-	-
Park extraction fees	-	-	-
Total revenues	5,000	5,000	133,154
EXPENDITURES			
Adminstration			
Capital purchases	-	-	-
Park department			
Other professional services	-	-	-
Miscellaneous	-	-	-
Capital purchases	-	-	-
Development			
Project costs	-	9,541,080	-
Capital purchases	-	-	-
Bond issuance costs	-	-	209,062
Debt service			
Principal retirement	325,710	325,710	325,710
Interest and fiscal charges	385,110	385,110	113,929
Total expenditures	710,820	10,251,900	648,701
Excess (deficiency) of revenues over expenditures	(705,820)	(10,246,900)	(515,547)

(continued on next page)

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
MAJOR CAPITAL PROJECTS FUNDS
(continued)
Year Ended April 30, 2010

	Park Sports Complex		
	Original Budget	Final Budget	Actual
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	705,820	705,820	-
Transfer (to) other funds	-	(520,000)	(520,000)
Proceeds from bond issue	-	10,061,080	25,725,000
Premium on sale of bonds	-	-	26,000
Payment to refunded bond escrow agent	-	-	(15,511,735)
Total other financing sources (uses)	705,820	10,246,900	9,719,265
Excess of revenues and other financing sources over expenditures and other financing (uses)	\$ -	\$ -	9,203,718
Fund balance, beginning of year			509,678
FUND BALANCE, END OF YEAR			\$ 9,713,396

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	Park Fund	Cemetery Fund
ASSETS		
ASSETS		
Cash	\$ 752,111	\$ 59,427
Investments	-	408,540
Prepaid expenses	12,705	-
Receivables, less allowance for uncollectible amounts		
Property taxes	592,528	-
Other governmental entities	10,000	-
Other	-	-
Accrued interest	-	261
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 1,367,344</u>	<u>\$ 468,228</u>
LIABILITIES AND MUNICIPAL EQUITY		
LIABILITIES		
Accrued payroll	\$ 12,819	\$ -
Accounts payable	19,948	-
Deferred revenue	143,326	-
Deferred taxes	592,528	-
Due to other funds	-	-
Total liabilities	<u>768,621</u>	<u>-</u>
MUNICIPAL EQUITY		
Fund balance (deficit)		
Reserved for		
Prepaid expenses	12,705	-
Unreserved		
Undesignated	586,018	468,228
Total municipal equity	<u>598,723</u>	<u>468,228</u>
TOTAL LIABILITIES AND MUNICIPAL EQUITY	<u>\$ 1,367,344</u>	<u>\$ 468,228</u>

Special Revenue Funds					
IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Funds	Tax Increment Financing	Hotel/ Motel Fund
\$ 390,475	\$ 3,683,390	\$ 89,890	\$ 150,053	\$ 1,399,748	\$ 914,857
-	-	-	-	-	-
-	-	-	-	-	-
356,833	-	553,026	15,212	-	-
-	63,819	2,364	-	-	-
468	-	-	-	-	95,206
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 747,776</u>	<u>\$ 3,747,209</u>	<u>\$ 645,280</u>	<u>\$ 165,265</u>	<u>\$ 1,399,748</u>	<u>\$ 1,010,063</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560
-	46,992	-	630	-	11,060
-	-	-	-	-	-
356,833	-	553,026	15,212	-	-
-	-	-	-	-	-
<u>356,833</u>	<u>46,992</u>	<u>553,026</u>	<u>15,842</u>	<u>-</u>	<u>11,620</u>
-	-	-	-	-	-
390,943	3,700,217	92,254	149,423	1,399,748	998,443
390,943	3,700,217	92,254	149,423	1,399,748	998,443
<u>\$ 747,776</u>	<u>\$ 3,747,209</u>	<u>\$ 645,280</u>	<u>\$ 165,265</u>	<u>\$ 1,399,748</u>	<u>\$ 1,010,063</u>

City of O'Fallon
St. Clair County, Illinois

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2010

Capital Projects						
Capital Improvements	2002 Bond Issue	Convention Center	Park Land Fund	Prop S Infrastructure	1997 Bond Issue	2002 Bond Issue
\$ 1,043,090	\$ 426,939	\$ 1,365,212	\$ 2,069,740	\$ 1,047,170	\$ -	\$ 277,200
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,043,090</u>	<u>\$ 426,939</u>	<u>\$ 1,365,212</u>	<u>\$ 2,069,740</u>	<u>\$ 1,159,692</u>	<u>\$ -</u>	<u>\$ 277,200</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56,000	-	-	-	38,554	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	133,900	-
<u>56,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,554</u>	<u>133,900</u>	<u>-</u>
-	-	-	-	-	-	-
987,090	426,939	1,365,212	2,069,740	1,121,138	(133,900)	277,200
987,090	426,939	1,365,212	2,069,740	1,121,138	(133,900)	277,200
<u>\$ 1,043,090</u>	<u>\$ 426,939</u>	<u>\$ 1,365,212</u>	<u>\$ 2,069,740</u>	<u>\$ 1,159,692</u>	<u>\$ -</u>	<u>\$ 277,200</u>

STATEMENT 2

Debt Service

Special Service Areas	Subaru	Newbold	Harley Davidson	Totals
\$ 514,147	\$ 83,064	\$ 368,375	\$ 315,104	\$ 14,949,992
-	-	-	-	408,540
-	-	-	-	12,705
-	-	-	-	1,517,599
-	-	-	-	188,705
-	-	-	-	95,674
-	-	-	-	261
-	-	-	-	-
<u>\$ 514,147</u>	<u>\$ 83,064</u>	<u>\$ 368,375</u>	<u>\$ 315,104</u>	<u>\$ 17,173,476</u>
\$ -	\$ -	\$ -	\$ -	13,379
-	-	-	-	173,184
-	-	-	-	143,326
-	-	-	-	1,517,599
-	-	-	-	133,900
-	-	-	-	1,981,388
-	-	-	-	12,705
<u>514,147</u>	<u>83,064</u>	<u>368,375</u>	<u>315,104</u>	<u>15,179,383</u>
<u>514,147</u>	<u>83,064</u>	<u>368,375</u>	<u>315,104</u>	<u>15,192,088</u>
<u>\$ 514,147</u>	<u>\$ 83,064</u>	<u>\$ 368,375</u>	<u>\$ 315,104</u>	<u>\$ 17,173,476</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

	Park Fund	Cemetery Fund
REVENUES		
Property taxes	\$ 584,501	\$ -
Utility tax	139,027	-
Intergovernmental receipts		
Sales tax	6,309	-
Replacement taxes	-	-
Grants	20,000	-
Motor fuel taxes	-	-
Administrative fees and rentals	125,160	10,485
Service fees	-	-
Room tax	-	-
Investment income	1,106	85,704
Phone and cable television fees	568,239	-
Donations	8,647	-
Insurance claims	44,300	-
Annex fees	-	-
Park extraction fees	-	-
Subdivision fees	-	-
Miscellaneous income	1,250	-
Concession income	88,905	-
Recreation program fees	695,778	-
Total revenues	2,283,222	96,189
EXPENDITURES		
General government	-	2,685
Public safety	-	-
Fire department	-	-
Highways and streets	-	-
Development	-	-
Sanitation	-	-
Culture and recreation	2,100,449	-
Tax Increment Financing	-	-
Tourism	-	-
Capital expenditures	148,974	-
Debt service		
Bond issuance costs	-	-
Principal retirement	717	-
Interest and fiscal charges	3	-
Total expenditures	2,250,143	2,685
Excess (deficiency) of revenues over expenditures	33,079	93,504

Special Revenue Funds					
IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Fund	Tax Increment Financing	Hotel/ Motel Fund
\$ 350,699	\$ -	\$ 532,543	\$ 15,196	\$ 350,384	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,310	-	16,735	-	-	-
-	11,721	-	-	-	-
-	772,593	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	623,294
290	5,304	-	-	143	688
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>354,299</u>	<u>789,618</u>	<u>549,278</u>	<u>15,196</u>	<u>350,527</u>	<u>623,982</u>
337,096	-	607,034	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	527,067	-	4,215	-	-
-	-	-	-	33,423	117,545
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	27,517	-
-	-	-	-	-	59,755
-	78,700	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>337,096</u>	<u>605,767</u>	<u>607,034</u>	<u>4,215</u>	<u>60,940</u>	<u>177,300</u>
<u>17,203</u>	<u>183,851</u>	<u>(57,756)</u>	<u>10,981</u>	<u>289,587</u>	<u>446,682</u>

City of O'Fallon
St. Clair County, Illinois

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

Year Ended April 30, 2010

Capital Projects						
Capital Improvements	2002 Bond Issue	Convention Center	Park Land Fund	Prop S Infrastructure	1997 Bond Issue	2002 Bond Issue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	1,593,288	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
118	-	2,407	2,613	1,358	-	13
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	122,500	-	-	-
-	-	-	31,315	-	-	-
-	-	-	17,500	-	-	-
100	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
218	-	2,407	173,928	1,594,646	-	13
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
54,515	-	-	-	305,375	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
469,056	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	450,835	-	-
-	-	-	-	-	-	-
-	470,580	248,710	-	-	335,000	-
-	349,603	86,996	-	-	267,800	-
523,571	820,183	335,706	-	756,210	602,800	-
(523,353)	(820,183)	(333,299)	173,928	838,436	(602,800)	13

(continued on next page)

STATEMENT 3

Debt Service				
Special Service Areas	Subaru	Newbold	Harley Davidson	Totals
\$ 315,677	\$ 76,100	\$ 194,202	\$ 163,800	\$ 2,583,102
-	-	-	-	139,027
-	-	-	-	1,599,597
-	-	-	-	20,045
-	-	-	-	31,721
-	-	-	-	772,593
-	-	-	-	135,645
-	-	-	-	-
-	-	-	-	623,294
881	114	533	564	101,836
-	-	-	-	568,239
-	-	-	-	8,647
-	-	-	-	44,300
-	-	-	-	122,500
-	-	-	-	31,315
-	-	-	-	17,500
-	-	-	-	1,350
-	-	-	-	88,905
-	-	-	-	695,778
<u>316,558</u>	<u>76,214</u>	<u>194,735</u>	<u>164,364</u>	<u>7,585,394</u>
-	-	-	-	946,815
-	-	-	-	-
-	-	-	-	-
-	-	-	-	891,172
-	-	-	-	150,968
-	-	-	-	-
-	-	-	-	2,569,505
-	-	-	-	27,517
-	-	-	-	59,755
-	-	-	-	678,509
-	-	-	-	-
120,000	15,000	40,000	30,000	1,260,007
<u>198,050</u>	<u>62,140</u>	<u>156,240</u>	<u>135,390</u>	<u>1,256,222</u>
<u>318,050</u>	<u>77,140</u>	<u>196,240</u>	<u>165,390</u>	<u>7,840,470</u>
<u>(1,492)</u>	<u>(926)</u>	<u>(1,505)</u>	<u>(1,026)</u>	<u>(255,076)</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
(continued)

	Park Fund	Cemetery Fund
OTHER FINANCING SOURCES (USES)		
Transfer from other funds	-	-
Transfer (to) other funds	-	-
Total other financing sources (uses)	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	33,079	93,504
Fund balance, beginning of year	565,644	374,724
FUND BALANCE (DEFICIT), END OF YEAR	\$ 598,723	\$ 468,228

Special Revenue Funds					
IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Fund	Tax Increment Financing	Hotel/ Motel Fund
-	4,633	-	-	-	-
-	-	-	-	-	-
-	4,633	-	-	-	-
17,203	188,484	(57,756)	10,981	289,587	446,682
373,740	3,511,733	150,010	138,442	1,110,161	551,761
<u>\$ 390,943</u>	<u>\$ 3,700,217</u>	<u>\$ 92,254</u>	<u>\$ 149,423</u>	<u>\$ 1,399,748</u>	<u>\$ 998,443</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
(continued)
Year Ended April 30, 2010

Capital Projects						
Capital Improvements	2002 Bond Issue	Convention Center	Park Land Fund	Prop S Infrastructure	1997 Bond Issue	2002 Bond Issue
520,000	345,259	-	750,000	-	468,900	4,831
-	(4,831)	-	-	(345,259)	-	-
520,000	340,428	-	750,000	(345,259)	468,900	4,831
(3,353)	(479,755)	(333,299)	923,928	493,177	(133,900)	4,844
990,443	906,694	1,698,511	1,145,812	627,961	-	272,356
<u>\$ 987,090</u>	<u>\$ 426,939</u>	<u>\$ 1,365,212</u>	<u>\$ 2,069,740</u>	<u>\$ 1,121,138</u>	<u>\$ (133,900)</u>	<u>\$ 277,200</u>

STATEMENT 3
Page 2

Debt Service				
Special Service Areas	Subaru	Newbold	Harley Davidson	Totals
-	-	-	-	2,093,623
-	-	-	-	(350,090)
-	-	-	-	1,743,533
(1,492)	(926)	(1,505)	(1,026)	1,488,457
515,639	83,990	369,880	316,130	13,703,631
<u>\$ 514,147</u>	<u>\$ 83,064</u>	<u>\$ 368,375</u>	<u>\$ 315,104</u>	<u>\$ 15,192,088</u>

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS

	Park Fund		Cemetery Fund	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Property taxes	\$ 614,660	\$ 584,501	\$ -	\$ -
Utility tax	491,310	139,027	-	-
Intergovernmental receipts				
Sales tax	5,000	6,309	-	-
Replacement taxes	-	-	-	-
Grant revenues	-	20,000	-	-
Motor fuel taxes	-	-	-	-
Administrative fees and rentals	142,050	125,160	5,600	10,485
Service fees	-	-	-	-
Room tax	-	-	-	-
Investment income	2,025	1,106	-	85,704
Phone and cable television fees	663,280	568,239	-	-
Donations	1,000	8,647	-	-
Insurance claims	-	44,300	-	-
Miscellaneous income	1,000	1,250	-	-
Concessions	113,825	88,905	-	-
Recreation program fees	625,065	695,778	-	-
Total revenues	2,659,215	2,283,222	5,600	96,189
EXPENDITURES				
Personal services				
Salaries	906,590	769,864	-	-
Payroll taxes	1,375	1,525	-	-
Group insurance	99,025	92,454	-	-
IMRF expense	-	-	-	-
Contractual services				
Maintenance and repairs	248,000	202,336	-	-
Insurance	27,000	20,912	-	-
Utilities and telephone	104,600	89,653	-	-
Travel and training	7,450	13,339	-	-
Legal and accounting fees	5,000	4,887	-	-
Engineering and other professional fees	435,275	374,796	5,600	2,685
Other contractual services	12,350	8,058	-	-
Fire run expenses and fees	-	-	-	-
Commodities				
Operating and maintenance supplies	84,515	59,794	-	-
Gasoline and oil	24,000	14,111	-	-
Uniforms and food	55,550	60,525	-	-
Computer and office supplies	7,750	7,776	-	-
Recreation programs	472,375	378,759	-	-
Fire department	-	-	-	-
TIF payments	-	-	-	-

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS

Year Ended April 30, 2010

IMRF Fund		Motor Fuel Tax Fund		Social Security Fund		Special Serv
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget
\$ 340,100	\$ 350,699	\$ -	\$ -	\$ 516,950	\$ 532,543	\$ 15,200
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,000	3,310	-	-	15,000	16,735	-
-	-	-	11,721	-	-	-
-	-	700,000	772,593	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,000	290	2,000	5,304	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
344,100	354,299	702,000	789,618	531,950	549,278	15,200
-	-	-	-	-	-	-
-	-	-	-	531,950	607,034	-
-	-	-	-	-	-	-
344,100	337,096	-	-	-	-	-
-	-	914,600	206,456	-	-	5,400
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,500
-	-	420,600	320,611	-	-	7,300
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

(continued on next page)

STATEMENT 4

[illegible]

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
(continued)

	Park Fund		Cemetery Fund	
	Final Budget	Actual	Final Budget	Actual
EXPENDITURES (continued)				
Development projects	-	-	-	-
Miscellaneous	7,160	1,660	-	-
Capital purchases	152,500	148,974	-	-
Debt service				
Principal retirement	8,600	717	-	-
Interest and fiscal charges	100	3	-	-
Total expenditures	2,659,215	2,250,143	5,600	2,685
Excess (deficiency) of revenues over expenditures	-	33,079	-	93,504
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	-	-	-	-
Transfer (to) other funds	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	\$ -	33,079	\$ -	93,504
Fund balance, beginning of year		565,644		374,724
FUND BALANCE, END OF YEAR		\$ 598,723		\$ 468,228

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2010

IMRF Fund		Motor Fuel Tax Fund		Social Security Fund		Special Serv
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	110,000	78,700	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
344,100	337,096	1,445,200	605,767	531,950	607,034	15,200
-	17,203	(743,200)	183,851	-	(57,756)	-
-	-	843,200	4,633	-	-	-
-	-	(100,000)	-	-	-	-
-	-	-	-	-	-	-
-	-	743,200	4,633	-	-	-
<u>\$ -</u>	17,203	<u>\$ -</u>	188,484	<u>\$ -</u>	(57,756)	<u>\$ -</u>
	<u>373,740</u>		<u>3,511,733</u>		<u>150,010</u>	
	<u>\$ 390,943</u>		<u>\$ 3,700,217</u>		<u>\$ 92,254</u>	

STATEMENT 4

Page 2

Ice Funds	Tax Increment Financing		Hotel/Motel Fund	
	Final Budget	Actual	Final Budget	Actual
-	309,000	33,423	112,000	117,545
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,215	351,000	60,940	182,890	177,300
10,981	-	289,587	408,110	446,682
-	-	-	297,710	-
-	-	-	(705,820)	-
-	-	-	-	-
-	-	-	(408,110)	-
10,981	<u>\$ -</u>	289,587	<u>\$ -</u>	446,682
138,442		1,110,161		551,761
<u>\$ 149,423</u>		<u>\$ 1,399,748</u>		<u>\$ 998,443</u>

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS**

	Capital Improvements		
	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Annex fees	-	-	-
Park extraction fees	-	-	-
Subdivision fees	-	-	-
Interest income	-	-	118
Accrued interest on sale of bonds	-	-	-
Miscellaneous income	-	-	100
Total revenues	-	-	218
EXPENDITURES			
Administration			
Capital purchases	-	-	-
Police department			
Maintenance and repairs	-	-	-
Other professional services	-	-	-
Street department			
Capital purchases	-	-	-
Park department			
Maintenance and repairs	-	-	5,225
Other professional services	-	520,000	463,831
Capital purchases	-	-	-
Water department			
Other professional services	-	-	54,515
Development projects			
Capital purchases	-	-	-
Debt service			
Bond issuance costs	-	-	-
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	520,000	523,571
Excess (deficiency) of revenues over expenditures	-	(520,000)	(523,353)

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS

Year Ended April 30, 2010

2002 Bond Issue		Convention Center		Park Land Fund	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	100,000	122,500
-	-	-	-	15,000	31,315
-	-	-	-	-	17,500
500	-	5,000	2,407	3,500	2,613
-	-	-	-	-	-
-	-	-	-	-	-
500	-	5,000	2,407	118,500	173,928
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
470,580	470,580	248,710	248,710	-	-
511,735	349,603	294,190	86,996	-	-
982,315	820,183	542,900	335,706	-	-
(981,815)	(820,183)	(537,900)	(333,299)	118,500	173,928

(continued on next page)

	Capital Improvements		
	Original Budget	Final Budget	Actual
OTHER FINANCING SOURCES (USES)			
Note proceeds	-	-	-
Proceeds from issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Transfer from other funds	-	520,000	520,000
Transfer (to) other funds	-	-	-
Total other financing sources (uses)	-	520,000	520,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	\$ -	\$ -	(3,353)
Fund balance, beginning of year			990,443
FUND BALANCE, END OF YEAR			\$ 987,090

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
(continued)

Year Ended April 30, 2010

2002 Bond Issue		Convention Center		Park Land Fund	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
981,815	345,259	537,900	-	-	750,000
-	(4,831)	-	-	(118,500)	-
<u>981,815</u>	<u>340,428</u>	<u>537,900</u>	<u>-</u>	<u>(118,500)</u>	<u>750,000</u>
<u>\$ -</u>	<u>(479,755)</u>	<u>\$ -</u>	<u>(333,299)</u>	<u>\$ -</u>	<u>923,928</u>
	<u>906,694</u>		<u>1,698,511</u>		<u>1,145,812</u>
	<u>\$ 426,939</u>		<u>\$ 1,365,212</u>		<u>\$ 2,069,740</u>

	Prop S Infrastructure		1997 Bond Issue	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Sales tax	1,500,000	1,593,288	-	-
Interest income	3,500	1,358	-	-
Miscellaneous income	-	-	-	-
Total revenues	<u>1,503,500</u>	<u>1,594,646</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Street department				
Maintenance and repairs	696,000	188,354	-	-
Engineering and other professional services	67,750	117,021	-	-
Capital purchases	313,225	450,835	-	-
Debt service				
Principal retirement	-	-	335,000	335,000
Interest and fiscal charges	-	-	267,800	267,800
Total expenditures	<u>1,076,975</u>	<u>756,210</u>	<u>602,800</u>	<u>602,800</u>
Excess (deficiency) of revenues over expenditures	<u>426,525</u>	<u>838,436</u>	<u>(602,800)</u>	<u>(602,800)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(426,525)	(345,259)	-	-
Transfer from other funds	-	-	602,800	468,900
Total other financing sources (uses)	<u>(426,525)</u>	<u>(345,259)</u>	<u>602,800</u>	<u>468,900</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	<u>\$ -</u>	<u>493,177</u>	<u>\$ -</u>	<u>(133,900)</u>
Fund balance, beginning of year		<u>627,961</u>		<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ 1,121,138</u>		<u>\$ (133,900)</u>

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS

Year Ended April 30, 2010

2002 Bond Issue		Special Service Areas		Subaru	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ 316,730	\$ 315,677	\$ -	\$ 76,100
-	-	-	-	-	-
-	13	1,500	881	-	114
-	-	-	-	-	-
-	13	318,230	316,558	-	76,214
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	120,000	120,000	15,000	15,000
-	-	198,230	198,050	62,200	62,140
-	-	318,230	318,050	77,200	77,140
-	13	-	(1,492)	(77,200)	(926)
-	-	-	-	-	-
-	4,831	-	-	77,200	-
-	4,831	-	-	77,200	-
<u>\$ -</u>	<u>4,844</u>	<u>\$ -</u>	<u>(1,492)</u>	<u>\$ -</u>	<u>(926)</u>
	<u>272,356</u>		<u>515,639</u>		<u>83,990</u>
	<u>\$ 277,200</u>		<u>\$ 514,147</u>		<u>\$ 83,064</u>

STATEMENT 6

Newbold		Harley Davidson	
Final Budget	Actual	Final Budget	Actual
\$ 195,800	\$ 194,202	\$ 165,000	\$ 163,800
-	-	-	-
500	533	500	564
-	-	-	-
<u>196,300</u>	<u>194,735</u>	<u>165,500</u>	<u>164,364</u>
-	-	-	-
-	-	-	-
-	-	-	-
40,000	40,000	30,000	30,000
<u>156,300</u>	<u>156,240</u>	<u>135,500</u>	<u>135,390</u>
<u>196,300</u>	<u>196,240</u>	<u>165,500</u>	<u>165,390</u>
-	(1,505)	-	(1,026)
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>(1,505)</u>	<u>\$ -</u>	<u>(1,026)</u>
	<u>369,880</u>		<u>316,130</u>
	<u>\$ 368,375</u>		<u>\$ 315,104</u>

**SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY**

FUNCTION/ACTIVITY	<u>Total</u>	<u>Land</u>	<u>Construction in Progress</u>
General administration			
Administration	\$ 30,253,365	\$ 19,838,944	\$ -
Building	59,195	-	-
Planning and zoning	39,952	-	-
	<u>30,352,512</u>	<u>19,838,944</u>	<u>-</u>
Recreational and education			
Park	<u>17,945,866</u>	<u>5,778,749</u>	<u>9,580,638</u>
Public safety			
Police	9,147,885	398,136	-
Fire	3,065,472	-	-
Ambulance	<u>1,123,073</u>	<u>-</u>	<u>-</u>
Total public safety	<u>13,336,430</u>	<u>398,136</u>	<u>-</u>
Highway and street			
Street	<u>114,955,061</u>	<u>833,654</u>	<u>-</u>
GOVERNMENTAL CAPITAL ASSETS	<u>\$ 176,589,869</u>	<u>\$ 26,849,483</u>	<u>\$ 9,580,638</u>

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY

As of April 30, 2010

<u>Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Infrastructure/ Improvements</u>
\$ 144,378	\$ 9,524,990	\$ 745,053	\$ -	\$ -
-	59,195	-	-	-
-	-	-	39,952	-
<u>144,378</u>	<u>9,584,185</u>	<u>745,053</u>	<u>39,952</u>	<u>-</u>
<u>1,071,912</u>	<u>814,968</u>	<u>553,471</u>	<u>146,128</u>	<u>-</u>
-	6,951,453	907,144	891,152	-
28,181	377,527	824,366	1,835,398	-
-	50,123	530,219	542,731	-
<u>28,181</u>	<u>7,379,103</u>	<u>2,261,729</u>	<u>3,269,281</u>	<u>-</u>
<u>238,305</u>	<u>420,240</u>	<u>1,270,095</u>	<u>736,998</u>	<u>111,455,769</u>
<u>\$ 1,482,776</u>	<u>\$ 18,198,496</u>	<u>\$ 4,830,348</u>	<u>\$ 4,192,359</u>	<u>\$ 111,455,769</u>

SCHEDULE 2

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY

Year Ended April 30, 2010

FUNCTION/ACTIVITY	Governmental Capital Assets 5/1/09	Additions	Deletions	Governmental Capital Assets 4/30/10
General administration				
Administration	\$ 30,228,925	\$ 24,440	\$ -	\$ 30,253,365
Building	10,800	48,395	-	59,195
Planning and zoning	39,952	-	-	39,952
Total general administration	30,279,677	72,835	-	30,352,512
Recreation and education				
Park	17,864,835	148,974	67,943	17,945,866
Public safety				
Police	9,097,424	50,461		9,147,885
Fire	2,984,739	80,733	-	3,065,472
Ambulance	1,079,869	43,204	-	1,123,073
Total public safety	13,162,032	174,398	-	13,336,430
Highway and street				
Street	114,399,032	556,029	-	114,955,061
GOVERNMENTAL CAPITAL ASSETS	\$ 175,705,576	\$ 952,236	\$ 67,943	\$ 176,589,869

**ASSESSED VALUATIONS AND
PROPERTY TAX RATES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSESSED VALUATIONS	<u>\$ 658,364,306</u>	<u>\$ 656,149,272</u>	<u>\$ 606,824,865</u>	<u>\$ 537,911,627</u>
PROPERTY TAX RATES				
General	0.0365	0.0375	0.0370	0.0419
Fire Protection	0.1561	0.1500	0.1356	0.1303
Ambulance	0.2003	0.1944	0.1873	0.2038
Library	0.1500	0.1480	0.1448	0.1442
Park and Recreation	0.0900	0.0900	0.0869	0.0900
Bond and Interest	-	-	0.0237	0.0261
Police Pension	0.1316	0.1173	0.1045	0.1056
Municipal Retirement	0.0521	0.0540	0.0552	0.0576
Social Security	<u>0.0807</u>	<u>0.0820</u>	<u>0.0836</u>	<u>0.0925</u>
TOTAL PROPERTY TAX RATES	<u>0.8973</u>	<u>0.8732</u>	<u>0.8586</u>	<u>0.8920</u>

TABLE 1

City of O'Fallon
St. Clair County, Illinois

ASSESSED VALUATIONS AND PROPERTY TAX RATES

Tax Years 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, and 2000

2005	2004	2003	2002	2001	2000
<u>\$ 471,138,334</u>	<u>\$ 418,776,219</u>	<u>\$ 360,747,957</u>	<u>\$ 325,797,121</u>	<u>\$ 304,306,156</u>	<u>\$ 285,702,342</u>
0.0456	0.0460	0.0454	0.0467	0.0529	0.0523
0.1113	0.1021	0.1009	0.0995	0.1008	0.1013
0.2277	0.2386	0.2500	0.2487	0.2500	0.2500
0.1500	0.1500	0.1500	0.1493	0.1500	0.1500
0.0900	0.0900	0.0900	0.0896	0.0900	0.0900
0.0305	0.0348	0.0388	0.0423	0.0450	0.0494
0.1202	0.1244	0.1294	0.1326	0.1115	0.1018
0.0680	0.0781	0.0779	0.0764	0.0818	0.0871
0.1074	0.1192	0.1355	0.1294	0.1224	0.1190
<u>0.9507</u>	<u>0.9832</u>	<u>1.0179</u>	<u>1.0145</u>	<u>1.0044</u>	<u>1.0009</u>

<u>Fiscal Year April 30,</u>	<u>Total</u>	<u>Property Taxes</u>	<u>Replace- ment Taxes</u>	<u>Foreign Fire Tax</u>	<u>Rural Fire Protection District Taxes</u>	<u>Food and Beverage Taxes</u>
2001	\$ 13,939,495	\$ 2,906,169	\$ 18,152	\$ 15,191	\$ 137,671	\$ -
2002	14,720,911	3,163,253	13,046	14,931	109,064	-
2003	16,917,591	3,405,129	15,922	15,925	114,708	-
2004	19,790,217	3,230,501	18,988	18,536	117,510	-
2005	18,983,827	3,398,777	22,181	22,870	122,702	-
2006	21,248,999	4,166,981	22,477	23,921	185,152	-
2007	24,411,818	4,419,967	31,654	25,202	164,770	300,950
2008	27,187,102	5,769,784	35,109	12,661	270,032	534,893
2009	26,526,654	5,682,398	31,018	27,661	322,099	575,707
2010	24,532,201	6,023,244	25,598	16,729	311,857	571,928

City of O'Fallon
St. Clair County, Illinois

GENERAL GOVERNMENTAL FUNDS AND COMPONENT UNIT
REVENUES BY SOURCE

Last Ten Fiscal Years

<u>Intergov-</u> <u>ernmental</u>	<u>Utility</u> <u>Tax</u>	<u>Licenses</u> <u>and</u> <u>Permits</u>	<u>Charges</u> <u>for</u> <u>Services</u>	<u>Fines and</u> <u>Forfeits</u>	<u>Interest</u> <u>Received</u>	<u>Insurance</u> <u>Claims</u>
\$ 7,196,623	\$ -	\$ 296,398	\$ 703,400	\$ 113,646	\$ 314,414	\$ 3,792
7,583,321	-	315,991	918,770	153,439	396,054	719
9,214,987	973,255	423,978	834,064	127,615	354,853	12,892
9,093,279	1,024,298	526,595	1,116,804	192,662	232,479	6,099
11,282,232	1,118,584	503,755	1,371,598	163,133	240,255	3,085
11,358,564	1,301,367	632,551	1,352,614	139,407	631,154	80,761
12,726,463	1,184,546	578,784	2,204,722	130,231	1,427,464	41,657
13,566,578	1,149,925	495,222	1,972,922	225,614	1,092,190	6,418
12,409,665	1,327,070	317,557	2,354,598	249,415	334,777	492
11,191,318	1,172,662	302,434	2,516,068	310,375	483,817	44,800

TABLE 2

Miscella- neous	Cable TV	Donations	Employee Contri- butions
\$ 1,705,841	\$ 175,636	\$ 38,027	\$ 314,535
1,494,692	205,342	51,258	301,031
1,101,405	219,862	42,183	60,813
3,699,279	439,070	74,117	-
244,036	443,018	47,601	-
735,219	570,576	48,255	-
621,612	492,932	60,864	-
490,457	1,148,153	417,144	-
279,557	1,213,695	1,400,945	-
265,121	1,267,959	28,291	-

**GENERAL GOVERNMENTAL FUNDS AND COMPONENT UNIT
EXPENDITURES BY FUNCTION**

Last Ten Fiscal Years

<u>Fiscal Year April 30,</u>	<u>Total</u>	<u>Adminis- tration</u>	<u>Police</u>	<u>Fire</u>	<u>Street</u>	<u>Zoning</u>
2001	\$ 14,175,971	\$ 2,570,060	\$ 3,843,402	\$ 377,023	\$ 2,080,795	\$ 446,356
2002	22,687,148	3,008,549	4,170,359	606,284	2,254,142	531,503
2003	14,399,600	2,636,254	4,525,860	378,039	2,546,925	640,374
2004	23,186,355	2,277,483	4,202,090	254,176	10,430,031	630,651
2005	28,556,162	1,893,667	8,479,754	497,908	6,916,796	690,791
2006	23,321,224	2,262,492	4,887,141	941,463	3,316,786	740,158
2007	30,240,063	1,978,030	5,200,281	771,632	4,601,296	831,954
2008	30,447,339	6,670,576	5,322,428	621,165	4,386,742	851,802
2009	26,746,882	4,480,444	5,601,140	1,075,249	4,895,817	850,766
2010	21,350,486	4,099,654	5,576,724	943,731	3,500,855	765,477

(1) Pool was consolidated with the park in 2005.

City of O'Fallon
St. Clair County, Illinois

GENERAL GOVERNMENTAL FUNDS AND COMPONENT UNIT
EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

<u>Cemetery</u>	<u>Park</u>	<u>Pool (1)</u>	<u>Ambulance</u>	<u>Debt Service</u>	<u>Special Service Areas</u>
\$ 77,719	\$ 377,759	\$ 260,912	\$ 925,115	\$ 337,925	\$ 3,982
69,547	399,696	95,702	925,995	7,948,013	5,005
69,986	621,193	86,175	1,122,843	709,669	8,420
69,104	649,922	80,992	1,122,460	2,265,704	7,037
74,804	4,819,437	-	1,416,648	2,349,161	-
84,474	3,640,007	-	1,430,276	2,697,191	2,004,665
87,565	8,584,101	-	1,642,374	2,647,930	303,388
84,643	3,611,343	-	1,811,043	4,467,719	97,592
49,029	2,141,112	-	1,872,803	4,308,378	23,475
81,921	3,367,900	-	1,667,545	20,000	10,981

TABLE 3

<u>Economic Develop- ment</u>	<u>Tourism</u>	<u>TIF</u>	<u>Library</u>
\$ 1,908,617	\$ 173,170	\$ 150,971	\$ 642,165
1,726,672	102,438	128,057	715,186
178,110	185,121	135,393	555,238
238,325	132,361	124,899	701,120
465,468	85,684	108,715	757,330
405,348	52,251	50,929	808,043
2,658,015	63,003	60,019	810,475
1,530,252	150,600	90,876	750,558
454,526	49,038	66,442	878,663
373,250	59,755	27,517	855,176

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended April 30, 2010

<u>Federal Grantor/Pass-Through Grantor - Program Title</u>	<u>Federal CFDA Number</u>	<u>Obligation Number</u>	<u>Federal Expenditures</u>
U. S. Department of Environmental Protection Agency Passed-through Illinois Department of Environmental Protection Agency (M) Capitalization Grants for Drinking Water State Revolving Funds (Loan)	66.468	376001979	\$ 1,303,646
U. S. Department of Transportation Passed-through Illinois Department of Transportation IMaGE Grant	20.609	OP9-4330-157	24,208
Speed Enforcement Grant	20.609	SP9-4330-158	11,952
IMaGE Grant	20.609	OP0-4330-269	6,058
Traffic Safety Grant	20.600	TR9-4330-856	4,609
Total U. S. Department of Transportation			<u>46,827</u>
U. S. Department of Justice Federal Equitable Sharing Agreement	16.unknown	IL0821600	<u>34,141</u>
Total cash federal assistance			<u><u>\$ 1,384,614</u></u>

(M) Major program

City of O'Fallon
St. Clair County, Illinois

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

April 30, 2010

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of O'Fallon, Illinois and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Note 2: Environmental Protection Agency (EPA) Capitalization Grant for Drinking Water Revolving Funds

Revenues recognized on the EPA Capitalization Grant for Drinking Water Revolving Funds are amounts that have been received by the City in the form of loan drawdowns for reimbursement of prior expenditures. They do not represent actual revenue recognized by the City. See Note 6B-12 in the basic financial statements for more information.

Note 3: Insurance

The City purchases commercial general liability, workers' compensation and property insurance through the Illinois Counties Risk Management Trust to cover all risks. The City does not have any insurance provided by federal sources.

Note 4: Payments to Subrecipients

No amounts were provided to subrecipients for the year ended April 30, 2010.



CERTIFIED PUBLIC ACCOUNTANTS

November 23, 2010

Honorable Mayor and City Council
City of O'Fallon, Illinois

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of O'Fallon, Illinois, as of and for the year ended April 30, 2010, which collectively comprise the City of O'Fallon, Illinois' basic financial statements, and have issued our report thereon dated November 23, 2010 which was qualified for not determining whether the annual pension costs for the Police-men's Pension Fund are over or under funded and omission of a portion of the Policemen's Pension Fund disclosures, not determining a cost or liability for other post-employment benefit costs and the omission of the other post-employment benefits disclosures. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of O'Fallon, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of O'Fallon, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of O'Fallon, Illinois' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any

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deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-02 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of O'Fallon, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-03.

City of O'Fallon, Illinois' response to the finding, identified in our audit, is described in the accompanying schedule of findings and questioned costs. We did not audit City of O'Fallon, Illinois' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Aldermen and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allison Knapp + Siekmann, Ltd.



CERTIFIED PUBLIC ACCOUNTANTS

November 23, 2010

Honorable Mayor and City Council
City of O'Fallon, Illinois

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of City of O'Fallon, Illinois, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2010. City of O'Fallon, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of O'Fallon, Illinois' management. Our responsibility is to express an opinion on City of O'Fallon, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of O'Fallon, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of O'Fallon, Illinois' compliance with those requirements.

In our opinion, City of O'Fallon, Illinois complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2010.

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Internal Control Over Compliance

Management of City of O'Fallon, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered City of O'Fallon, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of O'Fallon, Illinois' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of O'Fallon's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of O'Fallon's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Aldermen, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allison Knapp + Siekmann, Ltd.

City of O'Fallon
St. Clair County, Illinois

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2010

Summary of Auditor's Results

1. We have audited the financial statements of the City of O'Fallon, as of and for the year ended April 30, 2010, and issued a qualified opinion on the governmental activities, business-type activities, each major proprietary fund and the aggregate remaining fund information and an unqualified opinion on each major governmental fund and the aggregate discretely presented component unit. City of O'Fallon's policy is to prepare its financial statements under U. S. generally accepted accounting principles.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Neither of the conditions is reported as a material weakness.
3. One instance of noncompliance material to the financial statements, which is required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. We have audited the compliance of the City of O'Fallon with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended April 30, 2010, and issued our unqualified opinion thereon dated November 23, 2010.
6. Our audit did not disclose any findings which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Environmental Protection Agency	66.468

8. The threshold for distinguishing type A and B programs was \$300,000.
9. City of O'Fallon does not qualify as a low-risk auditee.

(continued on next page)

SUMMARY OF FINDINGS AND QUESTIONED COSTS
(continued)
Year Ended April 30, 2010

Findings - Financial Statement Audit

See attached Schedule of Findings and Questioned Costs.

Findings and Questioned Costs - Major Programs

None

Prior Years Findings and Questioned Costs

See attached.

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2010

Finding Number:	10-01	This finding was first reported in the fiscal year ended April 30, 2009.
Criteria:		Whether the City had the resources to prepare their financial statements in accordance with U. S. generally accepted accounting principles for the year ended April 30, 2010.
Condition:		After completing the audit, we noted that the City was not able to prepare their financial statements in accordance with U. S. generally accepted accounting principles for the year ended April 30, 2010.
Context:		The City does not have sufficient internal controls over their financial reporting.
Effect:		The City is unable to prepare their financial statements in accordance with U. S. generally accepted accounting principles for the year ended April 30, 2010.
Cause:		The City lacks the resources to research, study and apply all the new accounting statements, standards, revisions and regulations needed to prepare their year end financial statements including formatting notes and exhibits in accordance with U. S. generally accepted accounting principles.
Recommendation:		To study the cost versus benefit of providing the necessary education and training to staff or hiring a qualified vendor to prepare or review the City's year end financial statements in accordance with U. S. generally accepted accounting principles.
Management Response:		Management plans to study the cost versus benefit of providing the necessary education and training to staff or hiring a qualified vendor to prepare or review the City's year end financial statements in accordance with U. S. generally accepted accounting principles.

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2010

Finding Number: 10-02	This finding was first reported in the fiscal year ended April 30, 2009.
Criteria:	Examined whether the City's procedures ensured that transactions are properly recorded in accordance with U. S. generally accepted accounting principles.
Condition:	We noted that the City did not properly record all transactions for the year ended April 30, 2010 in accordance with U. S. generally accepted accounting principles.
Context:	The effect of the recommended audit journal entries for the year ended April 30, 2010 was to adjust for year end accruals, reclassify revenue and expense items that were misposted, record depreciation expense and adjust various notes payable balances at April 30, 2010. Journal entries were necessary to make the trial balances conform with the U. S. generally accepted accounting principles basis of accounting.
Effect:	The City did not properly record all transactions for the year ended April 30, 2010 in accordance with U. S. generally accepted accounting principles.
Cause:	The City personnel do not have the necessary training or resources to ensure that all transactions recorded are in accordance with U. S. generally accepted accounting principles.
Recommendation:	To provide the necessary training and resources for accounting employees to properly record all transactions in accordance with U. S. generally accepted accounting principles.
Management Response:	Management plans to study the cost versus benefit of providing the necessary education and training to staff or hiring a qualified vendor to ensure that the City's transactions are properly recorded in accordance with U. S. generally accepted accounting principles.

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2010

Finding Number: 10-03	This finding was first reported in the fiscal year ended April 30, 2009.
Criteria:	Compared budget expenditures with actual expenditures to see if the City had over expended their budget for the year ended April 30, 2010.
Condition:	After finishing the audit, we noted the City over expended their budget in the Social Security Fund.
Context:	After comparing the final budgets and the actual expenditures it was noted that the above fund over expended its budget.
Effect:	The City was not in compliance by over expending their budget.
Cause:	The expenses exceeded expectations in the Social Security Fund due to higher than expected payroll taxes.
Recommendation:	To adopt a budget that considers unexpected increases in costs and to monitor spending and to amend the budget as necessary.
Management Response:	Management plans to monitor the budget and spending and to amend, as necessary, in the fiscal year ending April 30, 2011.

City of O'Fallon
St. Clair County, Illinois

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended April 30, 2010

Finding Number: 09-01

Condition: Whether the City had the resources to prepare their financial statements in accordance with U. S. generally accepted accounting principles for the year ended April 30, 2009.

Current Status: This was a finding again for the current year. The City is unable to prepare or perform a detailed review of their financial statements prepared in accordance with U. S. generally accepted accounting principles.

Finding Number: 09-02

Condition: Whether the City's procedure ensured that transactions are properly recorded in accordance with U. S. generally accepted accounting principles.

Current Status: This was a finding again for the current year. The effect of the journal entries for the year ended April 30, 2010 was to adjust for year end accruals, reclassify revenue and expense items that were misposted, record depreciation expense and adjust various notes payable balances to actual balances at April 30, 2010. Journal entries were necessary to make the trial balances conform with the U. S. generally accepted accounting principles basis of accounting.

Finding Number: 09-03

Condition: After finishing the audit, we noted the City over expended their budget in the Fire Fund, Social Security Fund, Special Service Area Special Revenue Fund, Hotel Motel Fund, Capital Improvements Fund, Convention Center Fund, Prop S Infrastructure Fund and Special Service Area Debt Service Fund for the year ended April 30, 2009.

Current Status: During the current year ended April 30, 2010 the City over expended its budget in the Social Security Fund.