

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

**ANNUAL FINANCIAL REPORT
Year Ended April 30, 2014**

**AND
INDEPENDENT AUDITOR'S REPORT**



City of O'Fallon
St. Clair County, Illinois

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2014

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City of O'Fallon
St. Clair County, Illinois

April 30, 2014

CITY OFFICIALS

MAYOR
Gary L. Graham

CLERK
Philip Goodwin

TREASURER
David Hursey

CITY COUNCIL

Rich Meile
Ed True
Jerry Mouser
John Drolet
Michael Bennett
Jim Hursey
David Cozad

Gene McCoskey
Jerry Albrecht
Kevin Hagarty
Herb Roach
Courtney Cardona
Ray Holden
Harlan Gerrish

CITY ADMINISTRATOR
Walter Denton

CHIEF FINANCIAL OFFICER
Sandy Evans



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Qualified Opinions on the Governmental Activities, the Business-Type Activities, Each Major Proprietary Fund and the Aggregate Remaining Fund Information

The City has not determined whether the annual pension costs for the Police Pension are over or underfunded 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 position for the governmental activities based on the aggregate annual pension costs in relation to annual contributions made, which would change the expenses in the governmental activities. The amount by which this departure would affect assets, liabilities, net position and expenses of the governmental activities is not reasonably determinable. The City has also excluded a portion of the Police Pension Fund disclosures to the Pension Trust Funds. 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 governmental activities, business-type activities 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.

Qualified Opinions on the Governmental Activities, the Business-Type Activities, Each Major Proprietary Fund and the Aggregate Remaining Fund Information

In our opinion, except for the omission of a portion of the Police Pension Fund disclosures as described in the “Basis for Qualified Opinions on the Governmental Activities, the Business-Type Activities, Each Major Proprietary Fund and the Aggregate Remaining Fund Information” paragraphs, 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, 2014, 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 other matters discussed in the “Basis for Qualified Opinions on the Governmental Activities, the Business-Type Activities, Each Major Proprietary Fund and the Aggregate Remaining Fund Information” paragraphs, 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, 2014, and the respective changes in net position and cash flows, where applicable, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

Unmodified Opinions

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 unit and each major governmental fund of the City of O’Fallon, Illinois as of April 30, 2014, and the respective changes in financial position, thereof, for the year then ended in accordance with U. S. generally accepted accounting principles.

Other Matters

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from the City's April 30, 2013 financial statements and, in our report dated October 17, 2013, we expressed unmodified opinions on the respective financial statements of the aggregate discretely presented component unit and each major governmental fund. We expressed qualified opinions on the governmental activities, business-type activities and each major proprietary fund for not determining the net pension obligation funding status, not recognizing the other post-employment benefits (OPEB) expense or obligation or disclosing descriptive information about OPEB and on the aggregate remaining fund information because a portion of the Police Pension Fund disclosures were omitted.

Required Supplementary Information

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 D, 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 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.

Other 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. The accompanying supplementary information and other supplementary information and the List of Officials, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

U. S. generally accepted auditing standards. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information and List of Officials, as listed in the table of contents, have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, on our consideration of the City of O'Fallon, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and 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* in considering City of O'Fallon, Illinois' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Scheffel Boyle".

Belleville, Illinois

October 21, 2014



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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, 2014, and have issued our report thereon dated October 21, 2014, which was qualified for not determining whether the net pension obligation for the Police Pension is over or underfunded, an omission of a portion of the Police Pension 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 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. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced laws and regulations insofar as they relate to accounting matters.

This report is intended solely for the information and use of the City Council 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.

Scheffel Boyle

Belleville, Illinois

October 21, 2014

The City of O'Fallon, Illinois**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)****April 30, 2014**

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, 2014.

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 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 Position 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 Position 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 (Change in Net Position) 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 proprietary fund statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The fiduciary fund statements include a Statement of Net Position and a Statement of Changes in Net Position.

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. The 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

Statement of Net Position

The City's combined net position for the year increased by \$2,378,870. The City also had a prior period adjustment for \$(549,413) which resulted in a net increase in net position of \$1,829,457. Governmental activities had an increase of \$1,865,697 and a prior period adjustment of \$(549,413) and business activities had an increase of \$513,173 with no prior period adjustment. Net position of the City's governmental activities total \$78.5 million with almost 54% of that being invested in capital assets (buildings, roads, equipment, etc.) net of related debt. The net position of the business-type activities total \$36.9 million with 80% invested in capital assets net of related debt.

Statement of Net Position
April 30, 2014

	Governmental Activities		Business-Type Activities		Primary Government Total		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS								
Other assets	\$ 44,994,141	\$ 44,526,016	\$ 8,711,650	\$ 8,113,688	\$ 53,705,791	\$ 52,639,704	\$ 5,413,548	\$ 4,965,000
Capital assets (net of accumulated depreciation)	55,665,390	56,708,113	35,832,760	37,221,592	91,498,150	93,929,705	1,160,237	1,216,160
Capital assets, non-depreciable	33,533,540	32,827,709	4,293,969	1,990,204	37,827,509	34,817,913	-	-
TOTAL ASSETS	134,193,071	134,061,838	48,838,379	47,325,484	183,031,450	181,387,322	6,573,785	6,181,160
LIABILITIES								
Other liabilities	4,005,178	3,626,939	1,358,342	2,002,009	5,363,520	5,628,948	70,216	18,327
Long-term liabilities	48,523,162	50,091,161	10,616,421	8,973,032	59,139,583	59,064,193	82,525	70,712
TOTAL LIABILITIES	52,528,340	53,718,100	11,974,763	10,975,041	64,503,103	64,693,141	152,741	89,039
DEFERRED INFLOWS OF RESOURCES								
Unearned property taxes	3,161,325	3,156,616			3,161,325	3,156,616	962,745	962,552
NET POSITION								
Net Investment in Capital Assets	42,307,728	41,097,104	29,459,176	30,280,425	71,766,904	71,377,529	1,160,237	1,216,160
Restricted	26,225,711	22,562,167	1,231,631	1,086,043	27,457,342	23,648,210	4,298,062	3,913,409
Unrestricted	9,969,967	13,527,851	6,172,809	4,983,975	16,142,776	18,511,826	-	-
TOTAL NET POSITION	\$ 78,503,406	\$ 77,187,122	\$ 36,863,616	\$ 36,350,443	\$ 115,367,022	\$ 113,537,565	\$ 5,458,299	\$ 5,129,569

Statement of Changes in Net Position

As noted, net position from governmental activities increased \$1,865,697 this year (2% growth). Total revenues increased by \$1,701,070. Expenses increased this year 12%, mainly due to higher spending in the general government category.

Statement of Changes in Net Position								
April 30, 2014								
	Governmental		Business-Type		Primary		Component	
	Activities		Activities		Government		Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
REVENUES								
Program Revenues								
Charges for services	\$ 4,747,526	\$ 4,719,703	\$ 15,393,123	\$ 15,546,937	\$ 20,140,649	\$ 20,266,640	\$ 44,082	\$ 44,868
Operating grants	1,126,618	549,544	-	-	1,126,618	549,544	29,063	29,002
Capital grants	501,051	-	-	92,000	501,051	92,000	34,339	21,928
General Revenues								
Taxes	21,695,357	21,253,867	-	-	21,695,357	21,253,867	963,662	982,774
Franchise fees	1,311,497	1,577,453	-	-	1,311,497	1,577,453	-	-
Investment income	76,046	85,023	3,268	6,065	79,314	91,088	299,505	232,785
Donations not restricted to specific activities	34,426	13,656	-	-	34,426	13,656	15,227	15,659
Gain (loss) on abandonment of fixed assets	491,556	44,913	-	-	491,556	44,913	-	-
Transfers	-	-	-	-	-	-	-	-
Miscellaneous	53,045	91,893	-	-	53,045	91,893	-	-
TOTAL REVENUES	30,037,122	28,336,052	15,396,391	15,645,002	45,433,513	43,981,054	1,385,878	1,327,016
EXPENSES								
General government	6,017,414	4,262,505	-	-	6,017,414	4,262,505	-	-
Public safety	10,416,706	9,919,266	-	-	10,416,706	9,919,266	-	-
Highways and streets	5,580,389	4,979,064	-	-	5,580,389	4,979,064	-	-
Cultural and recreation	3,739,582	3,644,946	-	-	3,739,582	3,644,946	-	-
Interest on long-term debt	2,417,334	2,403,922	-	-	2,417,334	2,403,922	-	-
Water	-	-	10,296,710	9,895,766	10,296,710	9,895,766	-	-
Sewer	-	-	4,586,508	4,185,212	4,586,508	4,185,212	-	-
Library	-	-	-	-	-	-	1,039,815	979,404
TOTAL EXPENSES	28,171,425	25,209,703	14,883,218	14,080,978	43,054,643	39,290,681	1,039,815	979,404
CHANGE IN NET POSITION	1,865,697	3,126,349	513,173	1,564,024	2,378,870	4,690,373	346,063	347,612
Net position beginning	77,187,122	76,655,391	36,350,443	34,563,819	113,537,565	111,219,210	5,129,569	2,901,957
Prior Period Adjustment	(549,413)	(2,594,618)	-	222,600	(549,413)	(2,372,018)	(17,333)	1,880,000
NET POSITION ENDING	\$ 78,503,406	\$ 77,187,122	\$ 36,863,616	\$ 36,350,443	\$ 115,367,022	\$ 113,537,565	\$ 5,458,299	\$ 5,129,569

Significant revenue changes were:

- Grant monies received are up for the skate park, pickle ball court and various road infrastructures.
- Municipal Aggregation revenue is a new revenue source adding \$125,000 in fiscal year 2014.
- Sales and Use tax increased \$209,000 (2.8%). This is attributed to an improvement in the economy.
- Sale of assets (cell tower and property on Kyle Road) generated \$630,000 in additional revenue this fiscal year.
- Money was transferred from the General Fund and EMS to Capital Improvement (\$4.325 million) for the construction of the Fire/EMS/Park Maintenance structure on Taylor Road.

As noted, expenses increased by 12% during fiscal year 2014. Significant expense changes were:

- General government expenses increased 41% over last year due in part for reimbursement of TIF eligible expenses for TIF #1, Rasp Farm, of \$1.2 million and transfer of \$3 million for the Fire/EMS/Park Maintenance structure on Taylor Road.
- Public safety experienced a 5% increase in spending with the addition of 3 new fire trucks and six new police vehicles.
- Culture and recreation expenses are up 2.5% over last year's figures.
- Construction continues on the Fire/EMS/Park Maintenance structure on Taylor Road. Fiscal year spending totals \$1.2 million or 338% over last year.

Business-type Activities

As noted, net position from business-type activities increased by \$513,173. Revenues of the City's business-type activities decreased by \$248,611 or 2%. Expenses increased by \$802,240 or 6%. Fund net position balances for the City's business-type activities are \$36.9 million for fiscal year 2014, with \$6.2 million being unrestricted.

Financial Analysis of the City's Fund Financial Statements

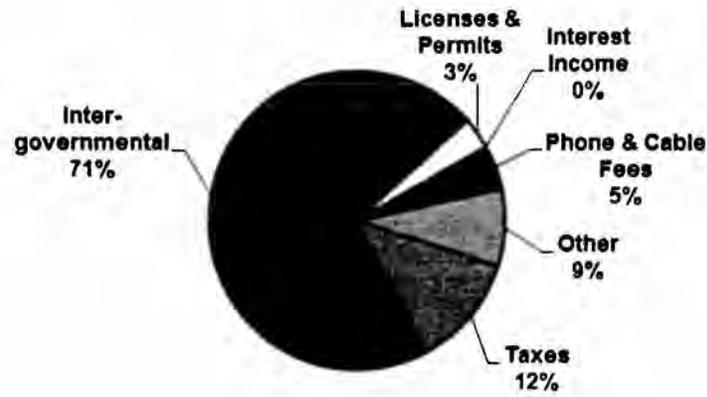
For the fiscal year ended April 30, 2014 the Governmental Funds reflect a \$279,971 increase in fund balance. The Governmental Fund's cash and investments increased by \$974,115. The Governmental Fund revenues decreased slightly by 1% (\$275,911), while the expenses decreased by 2% (\$555,251) over last year; leaving a net change in fund balance of \$279,971.

Status of Fund Balance			
Governmental Funds			
	Fiscal Year	Fiscal Year	Increase/
	5/1/13 - 4/30/14	5/1/12 - 4/30/13	(Decrease)
General	\$ 10,031,229	13,310,800	\$(3,279,571)
Park	1,319,866	1,151,790	168,076
Fire	2,635,356	2,241,388	393,968
Ambulance	3,283,879	4,330,568	(1,046,689)
Capital Improvement	4,432,653	1,511,509	2,921,144
Non-Major	14,731,950	13,608,907	1,123,043
TOTAL	\$ 36,434,933	\$ 36,154,962	\$ 279,971

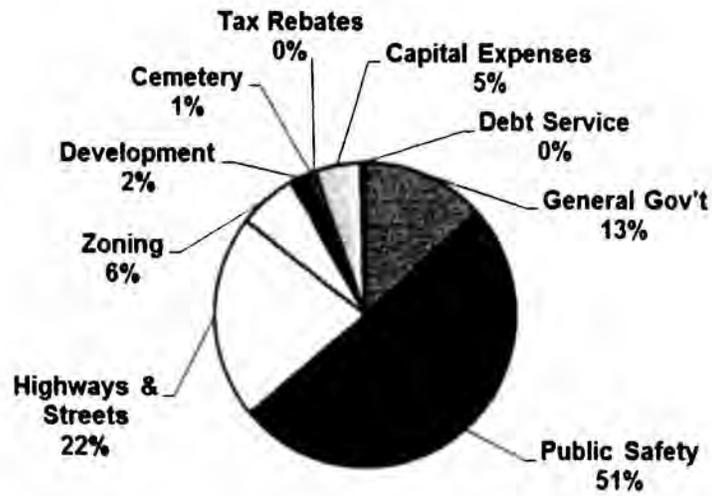
The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$1,285,559. Proceeds from the issuance of long-term debt increased the fund balance by \$92,904 and proceeds from the sale of assets increased balance by \$16,934. Planned transfers to various other funds reduced the fund balance by \$4,674,968. This includes \$3 million to the Capital Improvement fund for the Fire/EMS/Park structure on Taylor Road. The ending fund balance in the General Fund account is \$10,031,229. 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 set up for the parks system and the City pool. During the year, revenues were \$3,618,287 and expenses were \$3,174,211, before other financing uses of \$276,000 leaving a net change in fund balance of \$168,076. The City's park system is growing every year. The ending fund balance in the Park Fund is \$1,319,866.

The City has several Debt Service Funds. 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. 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. The entire proceeds of this issue were used to liquidate the bonds described above. During fiscal year 2011, the above bonds were defeased with the Series 2010 bond issue and the City removed this liability from its account.

The 2002 Bond Issue was a general obligation bond in the amount of \$14,000,000 in two equal subsections. This bond was issued to complete Prop S infrastructure projects and to complete the police station on Seven Hills Road. In 2007 the City defeased the Prop S portion of these bonds. During fiscal year 2011, the remaining portion of these bonds was defeased with the Series 2010 bond issue and the City removed this liability from its account.

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 \$245,000 of principal and paid \$207,262 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 additions to the Family Sports Park. These bonds are Build America Bonds which provide 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 General Fund operating expenses are \$466,536 more than the final budget amount and actual operating revenues are \$984,855 lower than the final budget amount. This amounts to a net loss of \$1,451,391 actual vs budget. Higher expenses are a result of \$100K in capital spending for the Police Department out of their seized fund accounts which are not included in the fiscal budget, higher spending for the Street Department for unexpected maintenance of sidewalks and stormwater (\$300K over budget). Revenues are lower than budget because a portion of the Utility Tax and Telephone Franchise revenues are reclassified to Park & Rec although they are budgeted in General Fund.

Capital Asset and Debt Administration

At the end of 2014 the City had \$129.3 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 activities had \$89.2 million and business-type activities had \$40 million invested at the end of fiscal year 2014, net of depreciation.

**Government Funds
Changes in Capital Assets
For the Year Ended April 30, 2014**

	Governmental Capital Assets 5/1/2013	Increases	Decreases	Governmental Capital Assets 4/30/2014
Capital assets not being depreciated:				
Land	\$ 30,170,770	\$ 1,126,215	\$ 184,606	\$ 31,112,379
Construction in progress	<u>2,656,939</u>	<u>1,838,758</u>	<u>2,074,536</u>	<u>2,421,161</u>
Total capital assets not being depreciated	32,827,709	2,964,973	2,259,142	33,533,540
Capital assets being depreciated:				
Land/building improvements	2,431,120	205,620	-	2,636,740
Buildings	18,868,380	150,497	-	19,018,877
Equipment	5,704,086	846,300	-	6,550,386
Vehicles	4,681,942	2,075,152	533,860	6,223,234
Parks/Sportsplex	19,158,340	-	-	19,158,340
Infrastructure	<u>114,783,678</u>	<u>-</u>	<u>-</u>	<u>114,783,678</u>
Total capital assets being depreciated	165,627,546	3,277,569	533,860	168,371,255
Less accumulated depreciation	<u>108,919,433</u>	<u>4,373,630</u>	<u>587,198</u>	<u>112,705,865</u>
Total capital assets being depreciated, net	56,708,113	(1,096,061)	(53,338)	55,665,390
Governmental funds				
Total capital assets, net	<u>\$ 89,535,822</u>	<u>\$ 1,868,912</u>	<u>\$ 2,205,804</u>	<u>\$ 89,198,930</u>

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

Governmental activities:

Fire Dept-3 new fire trucks	1,881,000
Sportspark-Pavillion	195,000
Community Park-lighting for field #1	185,000
Police Dept-6 new vehicles	155,879
Public Works-skid steer	75,000
Public Works-excavator	68,160
Rock Springs-play equipment	62,500

See note 6 for additional information on capital assets

Debt Outstanding

The City issued General Obligation Bonds in 1993, 2001, 2002, 2006, 2009 and 2010. 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. In 2011, the above bonds were defeased with the Series 2010 bond issue. 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 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, 2014 is \$4,015,000. 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 2009 bond at April 30, 2014 is \$17,340,000. 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. However, in FY13 a \$2 million portion of the 2009 Build America bond that was originally intended to finance an addition to the City library, was reallocated to Parks and EMS. The principal outstanding on this 2009A bond is \$8,985,000. In 2005 and 2007, various bonds were issued for the City's special service areas to be used for various commercial ventures. The principal amount outstanding for these bonds at April 30, 2014 is \$5,250,000. During fiscal year 2013, the remaining portion of the SSA6 & SSA7 bonds were defeased with the 2012A SSA6 (\$1,540,000) and 2012B SSA7 (\$1,360,000) bond issues and the City has removed the original liabilities off its books. Although the liabilities were removed from the City's books, activities of the outstanding defeased bonds, such as property tax revenue and bond payment, are still reflected in the City records due to the nature of the refunding arrangement. The City's capital leases and notes payable for governmental activities total \$2,371,702, a purchase agreement for land totals \$184,500, which leaves the legal debt margin remaining at \$13,277,289.

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, 2014 is \$-0-. In addition, the business-type activities have two Construction Loans (from the IEPA for sewer plant improvements) with balances of \$1,795,553 and \$3,397,530 and two additional Construction Loans (from the IEPA for water towers) one with a balance of \$714,133 and the other, \$4,600,517.

See Note 7 for additional information on long-term debt.

Economic Factors

The most recent assessed valuation for the City is \$636,736,130. The assessed valuation for the City decreased by \$10,575,356 over last year. The City's tax rate increased by 0.0136 for a current rate of \$1.001 in comparison to last year's rate of \$0.9874.

O'Fallon today is recognized as one of the fastest growing cities in southwest Illinois with a population according to the 2010 Census of 28,396. Located just five minutes from Scott Air Force Base, 20 minutes from downtown St. Louis and with three (soon to be four) 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 its high standard of 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 Menard's. O'Fallon is the Auto Mart for the St. Louis Metro Area with 19 dealers in a 2-mile area. With 12 modern hotels, O'Fallon has become a complementary location for the major tourist and sports venues in the St. Louis region. Additionally, following the completion of Phase 3 of the 200 acre Family Sports Park and construction of the City's Regency Conference Center, thousands of visitors come to O'Fallon every year to take part in all O'Fallon has to offer. O'Fallon is the heart of the new growth corridor in the St. Louis Metro East.

O'Fallon has a median family income of \$70,248 with 70% of the population working in management, professional, sales and related occupations. In O'Fallon, 95.4% of the residents have graduated from high school and 77% of residents have some college or more. For a 150-year-old city, O'Fallon has a young population with a median age of 36.4 and 27% 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, Sandy Evans at (618) 624-4500 extension 8723.

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET POSITION

April 30, 2014

(With Summarized Comparative Information for April 30, 2013)

	Governmental Activities	Business-Type Activities	2014 Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 34,917,851	\$ 5,564,413	\$ 40,482,264
Investments	604,727	-	604,727
Restricted			
Cash and cash equivalents	-	1,256,501	1,256,501
Accounts receivable, net	-	11,884	11,884
Receivables			
Property taxes	4,328,462	-	4,328,462
Other governmental entities	1,927,164	-	1,927,164
Interest receivable	312	-	312
Other	301,811	-	301,811
Water and sewer fees	-	1,421,270	1,421,270
Service fees	247,216	-	247,216
Prepaid expenses	569,982	357,582	927,564
Due from employees	11,223	-	11,223
Due from police pension	118,494	-	118,494
Due from other funds	(100,000)	100,000	-
Bond issuance costs, net of amortization	-	-	-
Deferred loss on refunding of bonds	2,004,066	-	2,004,066
Deferred discounts on bonds	62,833	-	62,833
Capital assets, nondepreciable	33,533,540	4,293,969	37,827,509
Capital assets, net of accumulated depreciation	55,665,390	35,832,760	91,498,150
Total assets	134,193,071	48,838,379	183,031,450
LIABILITIES			
Accounts payable	1,237,793	759,471	1,997,264
Accrued payroll	346,585	66,621	413,206
Unearned revenue			
Fees	123,299	-	123,299
Other	26,981	-	26,981
Deferred credits, net	483,788	-	483,788
Accrued interest payable	619,595	-	619,595
Pension contributions payable	1,167,137	-	1,167,137

(continued on next page)

EXHIBIT A

2013 <u>Total Primary Government</u>	2014 <u>Component Unit</u>	2013 <u>Component Unit</u>
\$ 39,106,306	\$ 1,740,560	\$ 1,589,382
562,435	2,682,155	2,367,995
1,124,089	-	-
13,912	-	-
4,300,415	962,745	962,552
1,805,521	-	-
329	8,426	7,746
385,633	1,066	1,235
1,393,614	-	-
144,479	-	-
1,014,129	18,596	18,757
17,234	-	-
-	-	-
-	-	-
550,482	-	17,333
2,153,459	-	-
67,667	-	-
34,817,913	-	-
<u>93,929,705</u>	<u>1,160,237</u>	<u>1,216,160</u>
<u>181,387,322</u>	<u>6,573,785</u>	<u>6,181,160</u>
2,343,186	19,371	6,031
300,358	15,494	12,296
125,025	-	-
-	35,351	-
527,581	-	-
655,459	-	-
1,143,799	-	-

STATEMENT OF NET POSITION
 (continued)
 April 30, 2014
 (With Summarized Comparative Information for April 30, 2013)

	Governmental Activities	Business-Type Activities	2014 Total Primary Government
LIABILITIES (continued)			
Deposits - customers	-	3,419	3,419
Payable from restricted assets			
Long-term debt - portion due within one year	-	492,077	492,077
Accounts payable	-	-	-
Accrued interest	-	36,754	36,754
Notes payable, bonds payable and compensated absences			
Long-term debt - portion due within one year	2,490,250	280,278	2,770,528
Equipment notes payable - portion due after one year	1,975,952	-	1,975,952
Compensated absences - portion due after one year	1,631,960	600,945	2,232,905
Notes payable - portion due after one year	-	9,735,198	9,735,198
Bonds payable - portion due after one year	42,425,000	-	42,425,000
Total liabilities	<u>52,528,340</u>	<u>11,974,763</u>	<u>64,503,103</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property taxes	<u>3,161,325</u>	<u>-</u>	<u>3,161,325</u>
NET POSITION			
Net investment in capital assets	42,307,728	29,459,176	71,766,904
Restricted	26,225,711	1,231,631	27,457,342
Unrestricted	<u>9,969,967</u>	<u>6,172,809</u>	<u>16,142,776</u>
TOTAL NET POSITION	<u><u>\$ 78,503,406</u></u>	<u><u>\$ 36,863,616</u></u>	<u><u>\$ 115,367,022</u></u>

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

EXHIBIT A
Page 2

<u>2013</u> Total Primary Government	2014 Component Unit	2013 Component Unit
3,419	-	-
478,163	-	-
2,000	-	-
49,958	-	-
3,572,373	-	-
619,745	-	-
2,172,267	82,525	70,712
7,804,808	-	-
44,895,000	-	-
<u>64,693,141</u>	<u>152,741</u>	<u>89,039</u>
<u>3,156,616</u>	<u>962,745</u>	<u>962,552</u>
71,377,529	1,160,237	1,216,160
23,648,210	4,298,062	3,913,409
18,511,826	-	-
<u>\$ 113,537,565</u>	<u>\$ 5,458,299</u>	<u>\$ 5,129,569</u>

STATEMENT OF ACTIVITIES

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 6,017,414	\$ 1,756,094	\$ -	\$ 501,051
Public safety	10,416,706	1,031,809	166,427	-
Highways and streets	5,580,389	143,806	638,932	-
Culture and recreation	3,739,582	1,815,817	144,000	-
Interest on long-term debt	2,417,334	-	177,259	-
Total governmental activities	<u>28,171,425</u>	<u>4,747,526</u>	<u>1,126,618</u>	<u>501,051</u>
Business-type activities				
Water	10,296,710	10,000,891	-	-
Sewer	4,586,508	5,392,232	-	-
Total business-type activities	<u>14,883,218</u>	<u>15,393,123</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>43,054,643</u>	<u>20,140,649</u>	<u>1,126,618</u>	<u>501,051</u>
COMPONENT UNIT				
Library	<u>1,039,815</u>	<u>44,082</u>	<u>29,063</u>	<u>34,339</u>
	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, 2014
(With Summarized Comparative Information for Year Ended April 30, 2013)

Net (Expenses) Revenues and Changes in Net Position		Primary Government		2014	2013
Governmental Activities	Business-Type Activities	2014 Total	2013 Total	Component Unit	Component Unit
\$ (3,760,269)	\$ -	\$ (3,760,269)	\$ (2,422,193)	\$ -	\$ -
(9,218,470)	-	(9,218,470)	(8,784,949)	-	-
(4,797,651)	-	(4,797,651)	(4,630,598)	-	-
(1,779,765)	-	(1,779,765)	(1,859,208)	-	-
(2,240,075)	-	(2,240,075)	(2,243,508)	-	-
<u>(21,796,230)</u>	<u>-</u>	<u>(21,796,230)</u>	<u>(19,940,456)</u>	<u>-</u>	<u>-</u>
-	(295,819)	(295,819)	606,903	-	-
-	805,724	805,724	951,056	-	-
-	509,905	509,905	1,557,959	-	-
<u>(21,796,230)</u>	<u>509,905</u>	<u>(21,286,325)</u>	<u>(18,382,497)</u>	<u>-</u>	<u>-</u>
-	-	-	-	(932,331)	(883,606)
5,558,321	-	5,558,321	5,760,484	957,203	976,611
24,192	-	24,192	23,082	6,459	6,163
864,801	-	864,801	703,863	-	-
9,326,065	-	9,326,065	9,043,754	-	-
1,732,857	-	1,732,857	1,623,582	-	-
2,711,772	-	2,711,772	2,680,913	-	-
662,903	-	662,903	644,581	-	-
379,545	-	379,545	343,670	-	-
434,901	-	434,901	429,938	-	-

(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 on disposition of fixed assets			
Miscellaneous			
		Total general revenues	
		Change in net position	
		NET POSITION - BEGINNING	
		Prior period adjustment	
		NET POSITION - ENDING	

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

STATEMENT OF ACTIVITIES
(continued)
Year Ended April 30, 2014
(With Summarized Comparative Information for Year Ended April 30, 2013)

Net (Expenses) Revenues and Changes in Net Position		Primary Government		2014 Component Unit	2013 Component Unit
Governmental Activities	Business-Type Activities	2014 Total	2013 Total		
1,311,497	-	1,311,497	1,577,453	-	-
76,046	3,268	79,314	91,088	299,505	232,785
34,426	-	34,426	13,656	15,227	15,659
491,556	-	491,556	44,913	-	-
53,045	-	53,045	91,893	-	-
<u>23,661,927</u>	<u>3,268</u>	<u>23,665,195</u>	<u>23,072,870</u>	<u>1,278,394</u>	<u>1,231,218</u>
1,865,697	513,173	2,378,870	4,690,373	346,063	347,612
77,187,122	36,350,443	113,537,565	111,219,210	5,129,569	2,901,957
(549,413)	-	(549,413)	(2,372,018)	(17,333)	1,880,000
<u>\$ 78,503,406</u>	<u>\$ 36,863,616</u>	<u>\$ 115,367,022</u>	<u>\$ 113,537,565</u>	<u>\$ 5,458,299</u>	<u>\$ 5,129,569</u>

	<u>General</u>	<u>Park</u>
ASSETS		
Cash	\$ 8,575,148	\$ 1,630,160
Investments	-	-
Prepaid expenses	325,399	26,309
Receivables		
Property taxes	248,327	578,156
Other governmental entities	1,624,912	50,294
Interest receivable	-	-
Other	207,245	-
Ambulance fees	-	-
Due from employees	11,223	-
Due from Police Pension	118,494	-
Due from other funds	199,223	-
TOTAL ASSETS	<u>\$ 11,309,971</u>	<u>\$ 2,284,919</u>
LIABILITIES		
Accounts payable	\$ 244,625	\$ 234,093
Accrued payroll	229,620	29,505
Unearned revenue		
Fees	-	123,299
Other	26,981	-
Due to other funds	100,000	-
Total liabilities	<u>601,226</u>	<u>386,897</u>

City of O'Fallon
St. Clair County, Illinois

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2014

(With Summarized Comparative Information for April 30, 2013)

				2014	2013
				Total	Total
Fire	Ambulance	Capital Improvement	Other Governmental Funds	Governmental Funds	Governmental Funds
\$ 2,574,017	\$ 3,007,674	\$ 4,977,548	\$ 14,153,304	\$ 34,917,851	\$ 33,986,028
-	-	-	604,727	604,727	562,435
80,300	137,974	-	-	569,982	645,403
1,167,137	1,155,039	-	1,179,803	4,328,462	4,300,415
33,315	31,016	-	187,627	1,927,164	1,805,521
-	-	-	312	312	329
-	-	-	94,566	301,811	293,633
-	247,216	-	-	247,216	144,479
-	-	-	-	11,223	17,234
-	-	-	-	118,494	-
-	-	-	-	199,223	100,010
<u>\$ 3,854,769</u>	<u>\$ 4,578,919</u>	<u>\$ 4,977,548</u>	<u>\$ 16,220,339</u>	<u>\$ 43,226,465</u>	<u>\$ 41,855,487</u>
\$ 44,384	\$ 61,408	\$ 544,895	\$ 108,388	\$ 1,237,793	\$ 939,660
7,892	78,593	-	975	346,585	235,415
-	-	-	-	123,299	125,025
-	-	-	-	26,981	-
-	-	-	199,223	299,223	100,010
<u>52,276</u>	<u>140,001</u>	<u>544,895</u>	<u>308,586</u>	<u>2,033,881</u>	<u>1,400,110</u>

(continued on next page)

	<u>General</u>	<u>Park</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue		
Property taxes	248,327	578,156
Income taxes	429,189	-
	<u>677,516</u>	<u>578,156</u>
FUND BALANCE		
Nonspendable	336,622	26,309
Restricted	-	1,293,557
Unassigned	9,694,607	-
	<u>10,031,229</u>	<u>1,319,866</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,309,971</u>	<u>\$ 2,284,919</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

April 30, 2014

(With Summarized Comparative Information for April 30, 2013)

				2014	2013
Fire	Ambulance	Capital Improvement	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
1,167,137	1,155,039	-	1,179,803	4,328,462	4,300,415
-	-	-	-	429,189	-
1,167,137	1,155,039	-	1,179,803	4,757,651	4,300,415
80,300	137,974	-	-	581,205	662,637
2,555,056	3,145,905	4,432,653	14,798,540	26,225,711	22,562,167
-	-	-	(66,590)	9,628,017	12,930,158
2,635,356	3,283,879	4,432,653	14,731,950	36,434,933	36,154,962
<u>\$ 3,854,769</u>	<u>\$ 4,578,919</u>	<u>\$ 4,977,548</u>	<u>\$ 16,220,339</u>	<u>\$ 43,226,465</u>	<u>\$ 41,855,487</u>

EXHIBIT D

City of O'Fallon
St. Clair County, Illinois

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

April 30, 2014

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS (EXHIBIT C)	\$ 36,434,933
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$201,904,795, net of accumulated depreciation of \$112,705,865, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	89,198,930
Deferred gains and losses on refunded bonds, bond premiums and bond discounts are to be amortized over the life of the bonds and are not reported in the governmental funds.	
Bond premiums of \$761,651, net of accumulated amortization of \$285,755	(475,896)
Bond discounts of \$72,500, net of accumulated amortization of \$9,667	62,833
Gain on refunded bonds of \$23,675, net of accumulated amortization of \$15,783	(7,892)
Loss on refunded bonds of \$2,695,225, net of accumulated amortization of \$691,159	2,004,066
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 unearned revenue.	429,189
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Long-term liabilities	(48,523,162)
Accrued interest payable	(619,595)
NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)	<u>\$ 78,503,406</u>

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

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

REVENUES	<u>General</u>	<u>Park</u>
Taxes		
Property	\$ 245,945	\$ 574,283
Utility	831,304	901,553
Food and beverage	662,903	-
Rural fire district	-	-
Intergovernmental receipts		
Replacement tax	-	-
Motor fuel taxes	-	-
State sales tax	7,578,439	16,530
State income tax	2,282,583	-
Road and bridge tax	273,677	-
Grants	112,121	144,000
MEGSI	54,306	-
Other	-	-
Licenses and permits	497,722	-
Subdivision fees	40,136	-
Police reports	10,418	-
Combined dispatch	102,000	-
Municipal aggregation fees	125,004	-
Fines and fees	287,210	-
Service fees	-	103,676
Recreation fees	-	898,487
Room tax	-	-
Interest income	6,239	146
Phone and cable television fees	684,909	626,588
Rentals	12,991	118,174
Miscellaneous revenues and reimbursements	8,018	7,325
Concession income	-	206,354
Donations	13,255	21,171
Annex fees	-	-
Park extraction fees	-	-
Build America bond rebates	-	-
Cemetery revenue	23,525	-
Insurance refunds and claims	2,795	-
Fee in lieu of taxes	599,130	-
Contributions from developer	-	-
	<hr/>	<hr/>
Total revenues	14,454,630	3,618,287

City of O'Fallon
St. Clair County, Illinois

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

Year Ended April 30, 2014
(With Summarized Comparative Information for Year Ended April 30, 2013)

				2014 <u>Total</u>	2013 <u>Total</u>
<u>Fire</u>	<u>Ambulance</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
\$ 1,160,154	\$ 1,148,566	\$ -	\$ 2,155,696	\$ 5,284,644	\$ 5,491,702
-	-	-	-	1,732,857	1,623,582
-	-	-	-	662,903	644,581
-	379,545	-	-	379,545	343,670
-	-	-	24,192	24,192	23,082
-	-	-	864,801	864,801	703,863
-	-	-	1,731,096	9,326,065	9,043,754
-	-	-	-	2,282,583	3,281,011
-	-	-	-	273,677	268,782
-	-	-	638,932	895,053	356,389
-	-	-	-	54,306	32,741
434,901	-	-	-	434,901	429,938
3,587	-	-	-	501,309	662,645
-	-	-	2,500	42,636	35,775
-	-	-	-	10,418	11,571
-	-	-	-	102,000	100,000
-	-	-	-	125,004	-
-	-	-	-	287,210	320,021
-	815,715	-	-	919,391	878,832
-	-	-	-	898,487	829,961
-	-	-	690,888	690,888	695,511
-	51	291	69,319	76,046	85,023
-	-	-	-	1,311,497	1,577,453
-	-	-	-	131,165	148,941
3,630	795	100	30,382	50,250	69,223
-	-	-	-	206,354	191,416
-	-	-	-	34,426	13,656
-	-	-	143,806	143,806	153,250
-	-	-	20,088	20,088	18,850
-	-	-	177,259	177,259	160,414
-	-	-	4,825	28,350	28,100
-	-	-	-	2,795	22,670
-	-	-	41,290	640,420	644,830
-	-	-	501,051	501,051	-
<u>1,602,272</u>	<u>2,344,672</u>	<u>391</u>	<u>7,096,125</u>	<u>29,116,377</u>	<u>28,891,237</u>

(continued on next page)

	<u>General</u>	<u>Park</u>
EXPENDITURES		
Current		
General government	1,733,838	-
Public safety	6,671,372	-
Fire	-	-
Highways and streets	2,856,870	-
Zoning	830,096	-
Development	261,856	-
Cemetery	96,423	-
Culture and recreation	-	2,572,522
Tax increment financing	-	-
Tourism	-	-
Tax rebates	9,650	-
Capital expenditures	643,005	549,284
Debt service		
Bond issuance costs	-	-
Principal retirement	62,380	50,373
Interest and fiscal charges	3,581	2,032
	<u>13,169,071</u>	<u>3,174,211</u>
Total expenditures		
Excess (deficiency) of revenues over expenditures	<u>1,285,559</u>	<u>444,076</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of notes	92,904	-
Proceeds from bond issue	-	-
Proceeds from sale of assets	16,934	-
Premium (discount) on sale of bonds	-	-
Transfer from other funds	-	-
Transfer (to) other funds	(4,674,968)	(276,000)
	<u>(4,565,130)</u>	<u>(276,000)</u>
Total other financing sources (uses)		
Net change in fund balance	(3,279,571)	168,076
FUND BALANCE, BEGINNING OF YEAR	<u>13,310,800</u>	<u>1,151,790</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 10,031,229</u></u>	<u><u>\$ 1,319,866</u></u>

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

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

Year Ended April 30, 2014

(With Summarized Comparative Information for Year Ended April 30, 2013)

				2014	2013
			Other	Total	Total
Fire	Ambulance	Capital Improvement	Governmental Funds	Governmental Funds	Governmental Funds
-	-	339	1,253,539	2,987,716	2,690,115
-	1,945,405	-	-	8,616,777	8,257,887
979,778	-	-	-	979,778	909,312
-	-	-	852,300	3,709,170	3,129,672
-	-	-	-	830,096	811,199
-	-	-	1,242,796	1,504,652	299,553
-	-	-	4,266	100,689	84,009
-	-	-	-	2,572,522	2,476,986
-	-	-	102,683	102,683	19,323
-	-	-	49,414	49,414	50,464
-	-	-	-	9,650	8,640
1,283,137	48,960	1,279,408	364,212	4,168,006	5,321,423
-	-	-	-	-	63,362
270,808	5,648	184,500	2,425,000	2,998,709	5,000,679
70,370	178	-	2,266,603	2,342,764	2,405,253
<u>2,604,093</u>	<u>2,000,191</u>	<u>1,464,247</u>	<u>8,560,813</u>	<u>30,972,626</u>	<u>31,527,877</u>
<u>(1,001,821)</u>	<u>344,481</u>	<u>(1,463,856)</u>	<u>(1,464,688)</u>	<u>(1,856,249)</u>	<u>(2,636,640)</u>
1,358,289	-	-	-	1,451,193	801,182
-	-	-	-	-	2,900,000
37,500	-	-	630,593	685,027	53,930
-	-	-	-	-	(72,500)
-	-	4,385,000	3,243,090	7,628,090	3,846,635
-	(1,391,170)	-	(1,285,952)	(7,628,090)	(3,846,635)
<u>1,395,789</u>	<u>(1,391,170)</u>	<u>4,385,000</u>	<u>2,587,731</u>	<u>2,136,220</u>	<u>3,682,612</u>
393,968	(1,046,689)	2,921,144	1,123,043	279,971	1,045,972
<u>2,241,388</u>	<u>4,330,568</u>	<u>1,511,509</u>	<u>13,608,907</u>	<u>36,154,962</u>	<u>35,108,990</u>
<u>\$ 2,635,356</u>	<u>\$ 3,283,879</u>	<u>\$ 4,432,653</u>	<u>\$ 14,731,950</u>	<u>\$ 36,434,933</u>	<u>\$ 36,154,962</u>

EXHIBIT F

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, 2014

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS (EXHIBIT E)	\$ 279,971
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.	4,168,006
Income taxes received more than sixty days after the end of the fiscal year are reported as unearned revenue in the governmental funds. However, in the government-wide financial statements this is treated as revenue.	429,189
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.	(685,027)
Governmental funds report the proceeds from sale of property as revenue. This is the amount of gain from disposition of fixed assets.	491,556
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.	2,998,709
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 position.	(1,451,193)
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 position.	20,483
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	(4,311,427)

(continued on next page)

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

(continued)

Year Ended April 30, 2014

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):

Governmental funds report the effect of 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 (110,434)

The changes in accrued interest payable provide or use current financial
resources in the statement of activities but are not reported in
the governmental funds.

35,864

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)

\$ 1,865,697

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

EXHIBIT G

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

April 30, 2014

(With Summarized Comparative Information for April 30, 2013)

	Business-Type Activities			
	Water Funds	Sewer Funds	2014	2013
			Total Proprietary Funds	Total Proprietary Funds
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,567,772	\$ 1,996,641	\$ 5,564,413	\$ 5,120,278
Prepaid expenses	157,853	199,729	357,582	368,726
Receivables				
Customers	907,797	555,326	1,463,123	1,433,239
Less allowance for doubtful accounts	(27,383)	(14,470)	(41,853)	(39,625)
Other	-	-	-	92,000
Due from other funds	130,000	-	130,000	-
Total current assets	4,736,039	2,737,226	7,473,265	6,974,618
RESTRICTED ASSETS				
Cash and cash equivalents	406,659	849,842	1,256,501	1,124,089
Accounts receivable	10,479	1,405	11,884	13,912
Total restricted assets	417,138	851,247	1,268,385	1,138,001
NONCURRENT ASSETS				
Capital assets				
Cost	41,225,656	30,984,685	72,210,341	69,124,081
Accumulated depreciation	18,475,757	13,607,855	32,083,612	29,912,285
Total noncurrent assets	22,749,899	17,376,830	40,126,729	39,211,796
OTHER ASSETS				
Due from other funds	130,000	-	130,000	-
Unamortized bond issuance costs	-	-	-	1,069
Total other assets	130,000	-	130,000	1,069
Total assets	28,033,076	20,965,303	48,998,379	47,325,484
CURRENT LIABILITIES				
Accounts payable	424,652	334,819	759,471	1,403,526

(continued on next page)

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(continued)
April 30, 2014
(With Summarized Comparative Information for April 30, 2013)

	Business-Type Activities			
	Water Funds	Sewer Funds	2014 Total Proprietary Funds	2013 Total Proprietary Funds
CURRENT LIABILITIES (continued)				
Accrued payroll	41,834	24,787	66,621	64,943
Due to other funds	-	80,000	80,000	-
Customer deposits	3,419	-	3,419	3,419
Current portion of long-term debt	280,278	-	280,278	648,400
Total current liabilities	<u>750,183</u>	<u>439,606</u>	<u>1,189,789</u>	<u>2,120,288</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accounts payable	-	-	-	2,000
Current portion of long-term debt	-	492,077	492,077	478,163
Accrued interest	23,961	12,793	36,754	49,958
Total liabilities payable from restricted assets	<u>23,961</u>	<u>504,870</u>	<u>528,831</u>	<u>530,121</u>
NONCURRENT LIABILITIES				
Compensated absences	436,552	164,393	600,945	519,824
Due to other funds	-	80,000	80,000	-
Notes payable	5,034,372	4,700,826	9,735,198	7,804,808
Total noncurrent liabilities	<u>5,470,924</u>	<u>4,945,219</u>	<u>10,416,143</u>	<u>8,324,632</u>
Total liabilities	<u>6,245,068</u>	<u>5,889,695</u>	<u>12,134,763</u>	<u>10,975,041</u>
NET POSITION				
Net investment in capital assets	17,435,249	12,023,927	29,459,176	30,280,425
Restricted for				
Construction	348,808	469,519	818,327	689,136
Debt service	44,369	368,935	413,304	396,907
Unrestricted	<u>3,959,582</u>	<u>2,213,227</u>	<u>6,172,809</u>	<u>4,983,975</u>
TOTAL NET POSITION	<u>\$ 21,788,008</u>	<u>\$ 15,075,608</u>	<u>\$ 36,863,616</u>	<u>\$ 36,350,443</u>

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

EXHIBIT H

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

Year Ended April 30, 2014

(With Summarized Comparative Information for Year Ended April 30, 2013)

	Business-Type Activities			
	Water Funds	Sewer Funds	2014	2013
				Total Proprietary Funds
OPERATING REVENUES				
Charges for services				
Sales	\$ 9,265,036	\$ 4,845,536	\$ 14,110,572	\$ 14,031,898
Tap-on fees	338,750	90,730	429,480	640,268
Service charges and fees	278,193	453,500	731,693	748,172
Sprinklers and hydrants	106,681	-	106,681	109,558
Miscellaneous refunds and rebates	12,231	2,466	14,697	17,041
Total operating revenues	<u>10,000,891</u>	<u>5,392,232</u>	<u>15,393,123</u>	<u>15,546,937</u>
OPERATING EXPENSES				
Personnel services	2,089,408	1,199,288	3,288,696	3,029,721
Contractual services	5,825,732	1,663,363	7,489,095	7,539,951
Commodities	395,856	686,208	1,082,064	526,495
Miscellaneous	4,200	2,363	6,563	1,012
Fee in lieu of taxes	452,978	187,442	640,420	644,830
Depreciation and amortization	1,383,665	788,731	2,172,396	2,087,528
Total operating expenses	<u>10,151,839</u>	<u>4,527,395</u>	<u>14,679,234</u>	<u>13,829,537</u>
Operating income (loss)	<u>(150,948)</u>	<u>864,837</u>	<u>713,889</u>	<u>1,717,400</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(144,871)	(59,113)	(203,984)	(251,441)
Interest income	3,044	224	3,268	6,065
Grant income	-	-	-	92,000
Total nonoperating revenues (expenses)	<u>(141,827)</u>	<u>(58,889)</u>	<u>(200,716)</u>	<u>(153,376)</u>
Change in net position	<u>(292,775)</u>	<u>805,948</u>	<u>513,173</u>	<u>1,564,024</u>
TOTAL NET POSITION, BEGINNING OF YEAR	22,080,783	14,269,660	36,350,443	34,563,819
Prior period adjustment	-	-	-	222,600
TOTAL NET POSITION, END OF YEAR	<u>\$21,788,008</u>	<u>\$15,075,608</u>	<u>\$36,863,616</u>	<u>\$36,350,443</u>

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

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended April 30, 2014

(With Summarized Comparative Information for Year Ended April 30, 2013)

	Business-Type Activities			
	Water Funds	Sewer Funds	2014 Total Proprietary Funds	2013 Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$9,259,703	\$4,821,483	\$14,081,186	\$14,317,708
Receipts from miscellaneous revenues	735,855	546,696	1,282,551	1,515,039
Payments to suppliers	(6,690,820)	(3,160,800)	(9,851,620)	(7,309,896)
Payments to and for employees	(2,018,935)	(1,186,962)	(3,205,897)	(3,692,471)
Net cash provided by operating activities	<u>1,285,803</u>	<u>1,020,417</u>	<u>2,306,220</u>	<u>4,830,380</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in compensated absences	<u>61,232</u>	<u>19,889</u>	<u>81,121</u>	<u>(7,369)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on notes	(294,073)	(478,163)	(772,236)	(730,826)
Acquisition and construction of capital assets	(515,408)	(2,800,852)	(3,316,260)	(4,284,618)
Disposition of capital assets	130,000	-	130,000	-
Principal payments on bonds	(375,000)	-	(375,000)	(360,000)
Proceeds from notes	-	2,723,418	2,723,418	673,932
Interest paid on debt	(144,871)	(59,113)	(203,984)	(251,441)
Net cash (used) by capital and related financing activities	<u>(1,199,352)</u>	<u>(614,710)</u>	<u>(1,814,062)</u>	<u>(4,952,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>3,044</u>	<u>224</u>	<u>3,268</u>	<u>6,065</u>
Net increase (decrease) in cash and cash equivalents	<u>150,727</u>	<u>425,820</u>	<u>576,547</u>	<u>(123,877)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,823,704</u>	<u>2,420,663</u>	<u>6,244,367</u>	<u>6,368,244</u>

(continued on next page)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)
Year Ended April 30, 2014
(With Summarized Comparative Information for Year Ended April 30, 2013)

	Business-Type Activities			
	Water Funds	Sewer Funds	2014	2013
			Total Proprietary Funds	Total Proprietary Funds
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,974,431	\$ 2,846,483	\$ 6,820,914	\$ 6,244,367
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (150,948)	\$ 864,837	\$ 713,889	\$ 1,717,400
Adjustments to reconcile income from operations to net cash provided (used) by operating activities				
Depreciation expense	1,382,596	788,731	2,171,327	2,085,433
Amortization expense	1,069	-	1,069	2,095
Bad debt allowance	722	1,506	2,228	8,351
Change in assets and liabilities				
(Increase) decrease in current assets				
Receivables	(5,333)	69,477	64,144	285,810
Prepaid expenses	15,371	(4,227)	11,144	(172,140)
Increase (decrease) in current liabilities				
Accounts payable	43,146	(689,201)	(646,055)	890,463
Accrued payroll	9,241	(7,563)	1,678	17,920
Accrued interest	(10,061)	(3,143)	(13,204)	(4,952)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,285,803</u>	<u>\$ 1,020,417</u>	<u>\$ 2,306,220</u>	<u>\$ 4,830,380</u>
ACCOUNTED FOR AS FOLLOWS				
Unrestricted cash and cash equivalents			\$ 5,564,413	\$ 5,120,278
Restricted cash and cash equivalents			1,256,501	1,124,089
TOTAL AS ABOVE			<u>\$ 6,820,914</u>	<u>\$ 6,244,367</u>
NONCASH ACTIVITIES				
Acquisition of property through interfund borrowing	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ -</u>
Disposition of property through interfund borrowing	<u>\$ (260,000)</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ -</u>

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

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

April 30, 2014

(With Summarized Comparative Information for April 30, 2013)

	Pension Trust Funds	2014 Fiduciary Total	2013 Fiduciary Total
ASSETS			
Cash	\$ 441,043	\$ 441,043	\$ 314,984
Investments	21,848,870	21,848,870	19,346,973
Receivables, less allowance for uncollectible amounts			
Interest receivable	78,591	78,591	65,726
Member buyback	-	-	1,540
Contribution from City of O'Fallon	1,167,137	1,167,137	1,143,799
Due from other governmental entities	910	910	1,054
Due from brokers for securities sold	781,176	781,176	-
Total assets	<u>24,317,727</u>	<u>24,317,727</u>	<u>20,874,076</u>
LIABILITIES			
Due to General Fund	118,494	118,494	-
Due to brokers for securities purchased	825,000	825,000	-
Total liabilities	<u>943,494</u>	<u>943,494</u>	<u>-</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 23,374,233</u>	<u>\$ 23,374,233</u>	<u>\$ 20,874,076</u>

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

EXHIBIT K

City of O'Fallon
St. Clair County, Illinois

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

Year Ended April 30, 2014
(With Summarized Comparative Information for Year Ended April 30, 2013)

	<u>2014</u>	<u>2013</u>
	Pension Trust Funds	Pension Trust Funds
ADDITIONS		
Contributions		
Plan members	\$ 322,252	\$ 313,336
Other plan	76,438	-
Employer	1,160,959	1,141,625
Total contributions	<u>1,559,649</u>	<u>1,454,961</u>
Intergovernmental revenue - replacement taxes	<u>5,515</u>	<u>5,263</u>
Investment income		
Net appreciation in fair value of investments	714,809	903,368
Realized gain on sale of investments	199,236	201,199
Investment income	957,095	870,283
	<u>1,871,140</u>	<u>1,974,850</u>
Less investment fees	<u>(30,330)</u>	<u>(28,460)</u>
Net investment income	<u>1,840,810</u>	<u>1,946,390</u>
Total additions	<u>3,405,974</u>	<u>3,406,614</u>
DEDUCTIONS		
Benefits	770,555	633,450
Refunds	109,175	-
Administration services	26,087	15,604
Total deductions	<u>905,817</u>	<u>649,054</u>
Change in net position	2,500,157	2,757,560
Net position held in trust for pension benefits		
Net position, beginning of year	<u>20,874,076</u>	<u>18,116,516</u>
NET POSITION, END OF YEAR	<u><u>\$ 23,374,233</u></u>	<u><u>\$ 20,874,076</u></u>

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, 2014

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City of O'Fallon
St. Clair County, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2014

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 Statement No. 14, *The Financial Reporting Entity*, and updated in GASB Statement No. 61, is financial accountability. Financial accountability is defined as either 1) 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 or 2) the component unit is fiscally dependent on the primary government and there are potential financial benefits or burdens 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, 2014

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 position 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 inter-governmental 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 Park Special Revenue Fund is used to account for the financial transactions and proceeds of parks and recreation programs and services for the City including the Park Sports Complex.

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 Capital Improvement Capital Projects Fund is used to account for large capital purchases and construction projects.

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, 2014

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).

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. These assets are held under the terms of a formal trust agreement as a pension fund.

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.

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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

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.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The City reports unearned revenue on its financial statements. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 or deferred inflow of resources for unearned 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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

F. Cash, Cash Equivalents and Investments (continued)

date of acquisition. 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 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 \$41,853 and \$39,625 for 2014 and 2013, respectively, in the following funds. This comprises the balances on accounts outstanding over a certain period.

	<u>2014</u>	<u>2013</u>
Water Funds	\$ 27,383	\$ 26,661
Sewer Funds	<u>14,470</u>	<u>12,964</u>
Total	<u>\$ 41,853</u>	<u>\$ 39,625</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 2012 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, 2014

Note 1: Summary of Significant Accounting Policies (continued)

J. Property Taxes (continued)

ASSESSED VALUATION	2013		2012	
	\$ 636,736,130		\$ 647,311,486	
	2013		2012	
	Maximum	Actual	Actual	
Tax rates				
General	N/A	0.0390	0.0382	
Fire Protection	N/A	0.1833	0.1802	
Ambulance	N/A	0.1814	0.1784	
Library	N/A	0.1512	0.1487	
Park and Recreation	N/A	0.0908	0.0892	
Police Pension	N/A	0.1724	0.1767	
Municipal Retirement	N/A	0.0602	0.0595	
Social Security	N/A	0.1227	0.1165	
		1.0010	0.9874	

The City is home rule so maximum rates are not applicable.

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 \$33,425,670. Each area has a maximum rate of 0.3500 and the actual rate for all areas combined is 0.5831. The total extension for all areas combined is \$15,213.

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 included as part of the capitalized value of the assets constructed.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

K. Capital Assets (continued)

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 are deferred and amortized over the life of the bonds. Bond issuance costs are expensed in the year incurred and reported as debt service expenditures.

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. Net Position/Fund Balance

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

N. Net Position/Fund Balance (continued)

Net Position (continued)

assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments and assignments of fund balance represent tentative board and management plans that are subject to change.

O. Restricted Net Position

Restricted net position for governmental activities is equivalent to restricted fund balances in the governmental funds. Note 4 outlines the detail of these restrictions.

Certain net positions 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	\$ 348,808	\$ 469,519	\$ 818,327
Debt service	44,369	368,935	413,304
Total restricted net position	<u>\$ 393,177</u>	<u>\$ 838,454</u>	<u>\$ 1,231,631</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.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

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 October 21, 2014, the date on which the financial statements were available to be issued.

S. Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation.

T. New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the City has reviewed for application to their accounting and reporting.

For the year ended April 30, 2014, the City has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, which requires the reclassification of some assets and liabilities to deferred outflows and inflows of resources. In addition, GASB Statement No. 65 requires the removal of bond issuance costs from assets, when applicable, in the government-wide and proprietary fund financial statements as a change in accounting standards.

U. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category. In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

U. Deferred Outflows and Inflows of Resources (continued)

two types of this item, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category in the governmental funds. There is income tax revenue which is collected more than 60 days after year-end. Accordingly, this item, unearned income tax revenue, is reported only in the governmental funds balance sheet. The statement of net position and governmental funds report unearned revenues from property taxes as these revenues are intended for use in the subsequent year. These amounts are unearned and recognized as an inflow of resources in the period that the amounts are budgeted for use.

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, 2014:

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 15, 2013 through March 31, 2013.
3. A public hearing on the proposed budget was held on April 15, 2013.
4. Formal adoption of the budget was on April 15, 2013.

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 \$16,216,538 and bank balances totaled \$16,833,325. Of the bank balances, \$755,937 was insured by the Federal Deposit Insurance Corporation (FDIC), \$15,508,928 was covered by pledged collateral, which was held in the City's name and \$568,460 was uncollateralized. The carrying amount of the component unit's deposits totaled \$1,003,954. Bank balances are included in the bank balance noted above due to commingled bank accounts.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 3: Deposits and Investments (continued)

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. All investments below subject to custodial credit risk fall under Category 2.

<u>Investment Type</u>	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U. S. Government Securities	\$ 5,592,627	\$ 6,036,987	\$ 110,233	\$ 108,232
Corporate Bonds	1,988,365	1,971,814	360,974	331,078
Municipal Bonds	817,802	823,242	256,558	295,809
	<u>8,398,794</u>	<u>8,832,043</u>	<u>727,765</u>	<u>735,119</u>
Investments not subject to custodial credit risk				
External Investment Pools				
Illinois Funds	25,273,630	25,273,630	736,606	736,606
Illinois Metropolitan Investment Fund	1,538,555	1,538,555	-	-
Mutual Funds	9,370,319	12,772,639	1,555,562	1,947,036
	<u>\$44,581,298</u>	<u>\$48,416,867</u>	<u>\$3,019,933</u>	<u>\$3,418,761</u>

Reconciliation to financial statements:

Primary Government

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Exhibit A			
Cash and cash equivalents	\$ 14,248,703	\$ 26,233,561	\$ 40,482,264
Investments	-	604,727	604,727
Restricted cash	1,061,086	195,415	1,256,501
Exhibit J			
Cash	57,834	383,209	441,043
Investments	848,915	20,999,955	21,848,870
Above Carrying Amounts	<u>\$ 16,216,538</u>	<u>\$ 48,416,867</u>	<u>\$ 64,633,405</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 3: Deposits and Investments (continued)

Component Unit

Exhibit A			
Cash	\$ 1,003,954	\$ 736,606	\$ 1,740,560
Investments	<u>-</u>	<u>2,682,155</u>	<u>2,682,155</u>
Above Carrying Amounts	<u>\$ 1,003,954</u>	<u>\$ 3,418,761</u>	<u>\$ 4,422,715</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, 2014 the City's investment in the Illinois Funds and Illinois Metropolitan Investment external investment pools were rated AAAM and AAAM by Standard & Poor's, respectively. The City's investments in corporate bonds, municipal bonds and mutual bond funds are rated as follows:

	<u>Moody's</u>	<u>S & P</u>
Corporate Bonds		
Anheuser Busch	A2	A
Walmart Stores	AA2	AA
John Deere	A2	A
Int'l Business Machs Corp	AA3	AA-
Apple Inc	AA1	AA+
Berkshire Hathaway	Aa2	AA
General Electric	Aa3	AA+
Microsoft Corp	Aaa	AAA
The Hershey Company	A1	A
Municipal Bonds		
Illinois State Pension Bonds	A3	A-
Chicago, Illinois Project Refunding	BAA1	A+
Northbrook, Illinois Refunding	AAA	AAA
Libertyville, Illinois Refunding	AA2	No rating
Mutual Bond Funds		
American Capital World Bond Fund	Aaa	No rating
Dodge & Cox Income Fund	Aa2	No rating
Vanguard High-Yield Corporate Fund Admiral	Ba3	No rating
Vanguard Intermediate Term Investment Grade Admiral	No rating	No rating
Vanguard Short-Term Investment Grade	Aaa	No rating
Vanguard Short-Term Bond Index Signal Shares	Aaa	No rating

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

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	\$ 6,036,987	\$ 250,440	\$ 1,840,862	\$ 2,114,243	\$ 1,831,442
Corporate bonds	1,971,814	-	667,041	1,304,773	-
Municipal bonds	823,242	-	823,242	-	-
Illinois Funds	25,273,630	25,273,630	-	-	-
Illinois Metropolitan Investment Fund	1,538,555	1,538,555	-	-	-
Mutual Funds	12,772,639	12,772,639	-	-	-
	<u>\$ 48,416,867</u>	<u>\$ 39,835,264</u>	<u>\$ 3,331,145</u>	<u>\$ 3,419,016</u>	<u>\$ 1,831,442</u>

Note 4: Fund Balances - Governmental Funds

As of April 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - consists of fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision making authority. The City has no committed fund balances as of April 30, 2014.

Assigned - consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the City's Board or their designee. The City has no assigned fund balances as of April 30, 2014.

Unassigned - fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the fund.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 4: Fund Balances - Governmental Funds (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned - in order as needed.

As of April 30, 2014, fund balances are comprised of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
Major Funds			
General	\$ 336,622	\$ -	\$ 9,694,607
Park	26,309	1,293,557	-
Fire	80,300	2,555,056	-
Ambulance	137,974	3,145,905	-
Capital Improvements	-	4,432,653	-
Other Governmental Funds			
Cemetery	-	652,460	-
IMRF - Retirement contributions	-	17,125	-
Motor Fuel Tax - Highways and streets	-	4,607,344	-
Social Security - Payroll tax expenses	-	179,195	-
Special Service Areas (SR) - Maintenance and repairs	-	188,420	-
Tax Increment Financing Projects	-	-	(64,445)
Hotel/Motel - Tourism	-	928,415	-
2002 Bond Issue (CP)	-	424,288	-
Convention Center	-	1,380,851	-
Park Sports Complex	-	373,188	-
Park Land Fund	-	900,188	-
Prop S Infrastructure - Capital outlay	-	3,169,644	-
Strategic Plan - Capital outlay	-	630,593	-
1997 Bond Issue	-	-	(375)
2002 Bond Issue (DS)	-	287,192	-
Special Service Areas (DS)	-	510,284	-
Subaru	-	-	(1,770)
Newbold (DS)	-	295,901	-
Harley Davidson (DS)	-	253,452	-
Build America	-	-	-
Total all funds	<u>\$ 581,205</u>	<u>\$ 26,225,711</u>	<u>\$ 9,628,017</u>

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 5: Employee Retirement Systems

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

A. Police 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, 2014 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	20
Current employees	<u>50</u>
TOTAL	<u><u>70</u></u>

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

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 5: Employee Retirement Systems (continued)

A. Police Pension Fund (continued)

Defined Benefit Pension Plan (continued)

1. Plan Description (continued)

determined by an enrolled actuary. For the year ended April 30, 2014, the City's contribution as a percentage of covered payroll was 45.62%.

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 position for the Police Pension Plan.

3. Annual Pension Cost

Employer contributions have been determined as follows:

Actuarial Valuation Date	<u>Police Pension</u> 5/1/2013
Funding Method	Projected Unit Credit
Asset Valuation Method	Investment gains and losses are recognized over 5-year period
Amortization Method	Normal cost plus adjustment
Amortization Period	2040 for 90% funding
Significant Actuarial Assumptions	
a. Rate of Return on Present and Future Assets	6.75% Compounded Annually

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 5: Employee Retirement Systems (continued)

A. Police Pension Fund (continued)

Defined Benefit Pension Plan (continued)

3. Annual Pension Cost (continued)

	<u>Police Pension</u>
Significant Actuarial Assumptions (continued)	
b. Projected Salary Increase - Attributable to Inflation	4.50%
c. Additional Increases - Tier 2 Cost of Living	1.25%

B. Pension Plan - Illinois Municipal Retirement Fund

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.

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's annual required contribution rate for calendar year 2013 was 11.62%. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The City's required contribution for calendar year 2013 was \$721,039.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 5: Employee Retirement Systems (continued)

B. Pension Plan - Illinois Municipal Retirement Fund (continued)

Annual Pension Cost (continued)

Trend Information

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/13	\$ 721,039	100%	\$ 54,611
12/31/12	664,531	100%	53,524
12/31/11	621,416	100%	52,403

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% 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 20% corridor between the actuarial and market value of assets. The regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the regular plan was 77.93% funded. The actuarial accrued liability for benefits was \$13,003,839 and the actuarial value of assets was \$10,133,539, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,870,300. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$6,205,155 and the ratio of the UAAL to the covered payroll was 46%.

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.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 6: Capital Assets

Capital asset activity for the year ended April 30, 2014 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	\$ 30,170,770	\$ 1,126,215	\$ 184,606	\$ 31,112,379
Construction in progress	2,656,939	1,838,758	2,074,536	2,421,161
Total capital assets not being depreciated	<u>32,827,709</u>	<u>2,964,973</u>	<u>2,259,142</u>	<u>33,533,540</u>
Capital assets being depreciated				
Land/building improvements	2,431,120	205,620	-	2,636,740
Buildings	18,868,380	150,497	-	19,018,877
Equipment	5,704,086	846,300	-	6,550,386
Vehicles	4,681,942	2,075,152	533,860	6,223,234
Parks/Sportsplex	19,158,340	-	-	19,158,340
Infrastructure	114,783,678	-	-	114,783,678
Total capital assets being depreciated	<u>165,627,546</u>	<u>3,277,569</u>	<u>533,860</u>	<u>168,371,255</u>
Less accumulated depreciation for				
Land/building improvements	1,201,203	169,433	-	1,370,636
Buildings	5,059,143	559,329	-	5,618,472
Equipment	3,734,918	537,810	-	4,272,728
Vehicles	2,855,578	432,493	524,995	2,763,076
Parks/Sportsplex	941,221	962,065	-	1,903,286
Infrastructure	95,127,370	1,712,500	62,203	96,777,667
Total accumulated depreciation	<u>108,919,433</u>	<u>4,373,630</u>	<u>587,198</u>	<u>112,705,865</u>
Total capital assets being depreciated, net	<u>56,708,113</u>	<u>(1,096,061)</u>	<u>(53,338)</u>	<u>55,665,390</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 89,535,822</u>	<u>\$ 1,868,912</u>	<u>\$ 2,205,804</u>	<u>\$ 89,198,930</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 6: Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in process	\$ 1,363,749	\$ 2,393,765	\$ -	\$ 3,757,514
Land	626,455	144,000	234,000	536,455
Total capital assets not being depreciated	1,990,204	2,537,765	234,000	4,293,969
Capital assets being depreciated				
Buildings	2,250,313	116,580	156,000	2,210,893
Building improvements	35,625	-	-	35,625
Equipment	8,555,004	387,395	-	8,942,399
Utility systems	56,292,935	434,520	-	56,727,455
Total capital assets being depreciated	67,133,877	938,495	156,000	67,916,372
Less accumulated depreciation for				
Buildings	609,528	62,345	-	671,873
Building improvements	32,184	8,738	-	40,922
Equipment	5,549,754	717,471	-	6,267,225
Utility systems	23,720,819	1,382,773	-	25,103,592
Total accumulated depreciation	29,912,285	2,171,327	-	32,083,612
Total capital assets being depreciated, net	37,221,592	(1,232,832)	156,000	35,832,760
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 39,211,796	\$ 1,304,933	\$ 390,000	\$ 40,126,729
PRIMARY GOVERNMENT				
CAPITAL ASSETS, NET	\$ 128,747,618	\$ 3,173,845	\$ 2,595,804	\$ 129,325,659

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NOTES TO FINANCIAL STATEMENTS
 (continued)
 April 30, 2014

Note 6: Capital Assets (continued)

Depreciation expense is charged to functions/programs as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 460,638
Public safety	841,877
Highways and streets, including depreciation of general infrastructure assets	1,864,165
Cultural and recreational	<u>1,144,747</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 4,311,427</u>
BUSINESS-TYPE ACTIVITIES	
Water Funds	\$ 1,382,596
Sewer Funds	<u>788,731</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 2,171,327</u>

Note 7: 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, 2014 and the related fund where this debt is recorded on the accompanying financial statements.

Description and Purpose	Balance May 1, 2013	New Debt Issued	Debt Retired	Balance April 30, 2014	Due Within One Year
Primary Government					
GOVERNMENTAL ACTIVITIES					
Debt Service Funds					
Bonds payable SSA 1	\$ 1,445,000	\$ -	\$ 75,000	\$ 1,370,000	\$ 80,000
Bonds payable SSA 2	305,000	-	20,000	285,000	20,000
Bonds payable SSA 4	965,000	-	50,000	915,000	55,000
Bonds payable SSA 5	580,000	-	580,000	-	-
Bonds payable 2006	4,260,000	-	245,000	4,015,000	255,000
Bonds payable 2009	17,715,000	-	375,000	17,340,000	390,000
Bonds payable 2009A	9,070,000	-	85,000	8,985,000	90,000
Bonds payable 2010	9,605,000	-	860,000	8,745,000	875,000

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

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

Description and Purpose	Balance May 1, 2013	New Debt Issued	Debt Retired	Balance April 30, 2014	Due Within One Year
Primary Government (continued)					
GOVERNMENTAL ACTIVITIES (continued)					
Debt Service Funds (continued)					
Bonds payable 2012A SSA 6	1,495,000	-	75,000	1,420,000	80,000
Bonds payable 2012B SSA 7	1,320,000	-	60,000	1,260,000	65,000
Total debt service funds	46,760,000	-	2,425,000	44,335,000	1,910,000
Other Funds - Capital Assets					
Fire truck	206,397	-	87,820	118,577	92,543
Rescue pumper	278,217	-	42,472	235,745	44,382
Police car	5,905	-	5,905	-	-
Buscom recorder system	11,296	-	11,296	-	-
Venita Dr land	369,000	-	184,500	184,500	184,500
Police car	9,095	-	7,759	1,336	1,336
Pickup truck	8,470	-	5,917	2,553	2,553
Pickup truck	8,945	-	6,249	2,696	2,696
Transit vehicle	13,581	-	7,326	6,255	6,255
Planning and zoning vehicle	14,931	-	6,061	8,870	6,227
Lawn mower	40,461	-	16,430	24,031	16,870
Core aerator	18,265	-	7,417	10,848	7,615
Tractor/loader	27,351	-	19,200	8,151	8,151
Police car	26,054	-	9,874	16,180	10,140
Fire truck	640,750	1,358,289	140,517	1,858,522	166,447
3 Police cars	-	92,904	14,966	77,938	30,535
Total other funds - capital assets	1,678,718	1,451,193	573,709	2,556,202	580,250
Other Funds - Compensated Absences	1,652,443	-	20,483	1,631,960	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 50,091,161	\$ 1,451,193	\$ 3,019,192	\$ 48,523,162	\$ 2,490,250

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

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

Description and Purpose	Balance May 1, 2013	New Debt Issued	Debt Retired	Balance April 30, 2014	Due Within One Year
Primary Government (continued)					
BUSINESS-TYPE ACTIVITIES					
Water Fund					
Bonds Payable	\$ 375,000	\$ -	\$ 375,000	\$ -	\$ -
Water Funds - Capital Assets					
Water construction note	776,933	-	62,800	714,133	43,186
Water tank note	4,831,790	-	231,273	4,600,517	237,092
Total water funds - capital assets	5,608,723	-	294,073	5,314,650	280,278
Total water funds	5,983,723	-	669,073	5,314,650	280,278
Sewer Funds - Capital Assets					
Construction loan	2,273,716	-	478,163	1,795,553	492,077
Construction loan	673,932	2,723,418	-	3,397,350	-
Total sewer funds - capital assets	2,947,648	2,723,418	478,163	5,192,903	492,077
Water/Sewer Funds - Compensated Absences	519,824	81,121	-	600,945	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 9,451,195	\$ 2,804,539	\$ 1,147,236	\$ 11,108,498	\$ 772,355
TOTAL PRIMARY GOVERNMENT LONG-TERM LIABILITIES	\$ 59,542,356	\$ 4,255,732	\$ 4,166,428	\$ 59,631,660	\$ 3,262,605
COMPONENT UNIT					
Compensated absences	\$ 70,712	\$ 11,813	\$ -	\$ 82,525	\$ -
TOTAL COMPONENT UNIT	\$ 70,712	\$ 11,813	\$ -	\$ 82,525	\$ -

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of April 30, 2014 are as follows:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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			
	Governmental Activities		Business-Type Activities	
	General		Revenue Bonds	
	Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,910,000	\$ 1,858,786	\$ -	\$ -
2016	1,965,000	1,802,565	-	-
2017	2,030,000	1,742,127	-	-
2018	2,120,000	1,669,307	-	-
2019	2,190,000	1,591,905	-	-
2020	2,270,000	1,508,304	-	-
2021	2,370,000	1,421,615	-	-
2022	2,460,000	1,327,860	-	-
2023	1,960,000	1,228,954	-	-
2024	2,060,000	1,145,233	-	-
2025	1,615,000	1,056,405	-	-
2026	1,650,000	981,892	-	-
2027	1,440,000	906,174	-	-
2028	1,380,000	846,911	-	-
2029	1,315,000	787,587	-	-
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>\$ 44,335,000</u>	<u>\$ 24,033,887</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

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

Debt Service Requirements to Maturity (continued)

1. 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 7A-5 below. These bonds were issued through the Illinois Development Finance Authority at rates from 3.2% to 5.25% due January 1, 2024.

During fiscal year 2011 the remaining portion of these bonds was defeased with the Series 2010 bond issue and the City has removed this liability from its accounts. The outstanding portion of the defeased bonds was \$5,170,000. From the 2010 bond issue, \$5,538,287 was transferred to an irrevocable trust to purchase U. S. government securities for future debt service on the refunded portion. The market value of these assets held in trust is \$-0- at April 30, 2012 as the escrow was fully paid during fiscal year 2012. This refunding resulted in a net present value loss of \$368,287. See Note 7A-7 for further details on the 2010 issue.

2. The City issued various bonds during 2005 for some of its special service areas. All of the bonds have a due date of June and December 1 for interest payments 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 were used for various commercial ventures near a major interstate within the City.

Fiscal Year Ending	SSA 1		SSA 2		SSA 4	
	Principal	Interest	Principal	Interest	Principal	Interest
April 30, 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

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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)

Fiscal Year Ending April 30,	SSA 1		SSA 2		SSA 4	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$1,370,000</u>	<u>\$640,325</u>	<u>\$285,000</u>	<u>\$119,625</u>	<u>\$915,000</u>	<u>\$427,665</u>

3. The City issued various bonds in fiscal year 2007 for some of its special service areas. All of the bonds have a due date of June and December 1 for interest payments 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%

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

During fiscal year ending April 30, 2013, the remaining portion of the SSA 6 and SSA 7 bonds were defeased with the 2012A Special Service Area Number 6 (\$1,540,000) and 2012B Special Service Area Number 7 (\$1,360,000) bond issues and the City has removed the original liabilities from its books. This refunding resulted in a net present value loss of \$91,888. Below are the revised debt service to maturity for SSA 6 and SSA 7. SSA 5 bonds were paid off during 2014 with proceeds from a developer.

Fiscal Year Ending April 30,	SSA 6 (refunding issue)		SSA 7 (refunding issue)	
	Principal	Interest	Principal	Interest
2015	\$ 80,000	\$ 39,850	\$ 65,000	\$ 35,625
2016	85,000	37,850	70,000	34,000

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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 6 (refunding issue)		SSA 7 (refunding issue)	
	Principal	Interest	Principal	Interest
2017	90,000	35,725	70,000	32,250
2018	95,000	33,475	75,000	30,500
2019	100,000	31,100	75,000	28,625
2020	100,000	28,600	80,000	26,750
2021	105,000	26,100	85,000	24,750
2022	115,000	22,950	90,000	22,200
2023	120,000	19,500	95,000	19,500
2024	130,000	15,900	100,000	16,650
2025	140,000	12,000	105,000	13,650
2026	145,000	7,800	110,000	10,500
2027	115,000	3,450	120,000	7,200
2028	-	-	120,000	3,600
	<u>\$1,420,000</u>	<u>\$ 314,300</u>	<u>\$1,260,000</u>	<u>\$ 305,800</u>

4. The City issued \$20,100,000 in general obligation bonds Series 2006 to defease a portion of the 2002 bond issue for roads and to 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:

Fiscal Year Ending April 30,	Principal	Interest	Total
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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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)

Fiscal Year Ending April 30,	Principal	Interest	Total
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>\$4,015,000</u>	<u>\$1,412,612</u>	<u>\$5,427,612</u>

Included in this bond issue above was an advance refunding of \$5,375,000, which was used for 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 was \$3,046,850 which has since been paid off from escrow. In 2010, the City defeased a portion of the 2006 issue. See Note 7A-5 below. The debt service to maturity indicated above is for the remaining portion of the 2006 issue.

5. 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 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
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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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,	Interest Rate	Principal	Interest	Total
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>\$17,340,000</u>	<u>\$11,749,385</u>	<u>\$29,089,385</u>

Included in this bond issue was an advance refunding of \$13,395,000, which was used for a portion of the 2006 issue. The City used \$15,511,735 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 2006 issue is considered defeased and the City has removed the liability from its books. The outstanding portion of the defeased bonds was \$12,754,650 and the market value of the assets held in trust at April 30, 2014 is \$11,396,122.

6. 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. These bonds were being paid from governmental funds and the component unit but the City approved in 2012 to pay all debt from governmental funds. The following is the future debt service maturity schedule:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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)

Fiscal Year Ending April 30,	Interest Rate	Principal	Interest	Total
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
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>\$ 8,985,000</u>	<u>\$ 7,568,750</u>	<u>\$ 16,553,750</u>

7. The City issued \$10,675,000 in general obligation bonds Series 2010 during fiscal year 2011 to defease prior 2001 and 2002 issues. The bonds have interest rates ranging from 2.00% to 3.65%. The following is the future debt service to maturity schedule:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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
2015	2.250%	\$ 875,000	\$ 269,585	\$ 1,144,585
2016	2.500%	895,000	249,898	1,144,898
2017	3.000%	915,000	227,523	1,142,523
2018	3.000%	945,000	200,073	1,145,073
2019	3.250%	975,000	171,723	1,146,723
2020	3.250%	1,005,000	140,035	1,145,035
2021	3.300%	1,035,000	107,372	1,142,372
2022	3.400%	1,070,000	73,217	1,143,217
2023	3.500%	505,000	36,837	541,837
2024	3.650%	525,000	19,162	544,162
		<u>\$ 8,745,000</u>	<u>\$ 1,495,425</u>	<u>\$ 10,240,425</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 at rates from 1.25% to 3.50% and are due December 1, 2013. These bonds were completely liquidated in fiscal year 2014.

B. Loans and Notes Payable

The annual debt service requirements to maturity for loans and notes as of April 30, 2014 are as follows:

Fiscal Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Notes Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 580,250	\$ 89,450	\$ 772,355	\$ 179,467
2016	295,758	75,225	793,723	158,099
2017	1,583,676	46,392	815,687	136,135
2018	96,518	4,340	577,916	113,559
2019	-	-	309,562	101,841

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: 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
2020	-	-	317,350	94,053
2021	-	-	325,333	86,070
2022	-	-	333,517	77,886
2023	-	-	341,908	69,495
2024	-	-	350,509	60,894
2025	-	-	359,326	52,077
2026	-	-	368,365	43,037
2027	-	-	377,632	33,771
2028	-	-	387,132	24,271
2029	-	-	335,721	14,912
2030	-	-	344,167	6,466
	<u>\$ 2,556,202</u>	<u>\$ 215,407</u>	<u>\$ 7,110,203</u>	<u>\$ 1,252,033</u>

Governmental Activities

1. 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
2015	\$ 92,543	\$ 4,020	\$ 96,563
2016	26,034	237	26,271
	<u>\$ 118,577</u>	<u>\$ 4,257</u>	<u>\$ 122,834</u>

2. During 2009 the City borrowed \$380,922 for a down payment on a rescue pumper fire vehicle. Repayment consists of annual payments of \$54,987 at an annual interest rate of 4.50%, with a maturity date of December 19, 2017, according to the following future debt service schedule:

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 44,382	\$ 10,605	\$ 54,987
2016	46,379	8,608	54,987
2017	48,466	6,521	54,987
2018	96,518	4,340	100,858
	<u>\$ 235,745</u>	<u>\$ 30,074</u>	<u>\$ 265,819</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

3. During 2011 the City borrowed \$22,537 for the purchase of a police car. This note was completely liquidated in fiscal year 2014.
4. During 2011 the City borrowed \$32,000 for the purchase of a recorder system. This note was completely liquidated in fiscal year 2014.
5. During 2011 the City entered into a purchase agreement to purchase 84.6 acres of land near Venita Drive. The total purchase agreement was for \$2,538,000. The remaining future debt service is as follows:

Fiscal Year Ending April 30, <u>2015</u>	<u>Principal</u> <u>\$ 184,500</u>
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6. During 2012 the City borrowed \$22,218 for the purchase of a police car. Repayment consists of 36 monthly payments of \$672 at an annual interest rate of 5.655%. The following is the future debt service to maturity.

Fiscal Year Ending April 30, <u>2015</u>	<u>Principal</u> <u>\$ 1,336</u>	<u>Interest</u> <u>\$ 9</u>	<u>Total</u> <u>\$ 1,345</u>
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7. During 2012 the City borrowed \$17,263 for the purchase of a pickup truck. Repayment consists of 36 monthly payments of \$517 at an annual interest rate of 4.951%. The following is the future debt service to maturity.

Fiscal Year Ending April 30, <u>2015</u>	<u>Principal</u> <u>\$ 2,553</u>	<u>Interest</u> <u>\$ 32</u>	<u>Total</u> <u>\$ 2,585</u>
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8. During 2012 the City borrowed \$18,230 for the purchase of a pickup truck. Repayment consists of 36 monthly payments of \$546 at an annual interest rate of 4.951%. The following is the future debt service to maturity.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

8. (continued)

Fiscal Year Ending April 30,	Principal	Interest	Total
<u>2015</u>	<u>\$ 2,696</u>	<u>\$ 34</u>	<u>\$ 2,730</u>

9. During 2012 the City borrowed \$21,890 for the purchase of a transit vehicle. Repayment consists of 36 monthly payments of \$633 at an annual interest rate of 2.645%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
<u>2015</u>	<u>\$ 6,255</u>	<u>\$ 77</u>	<u>\$ 6,332</u>

10. During 2013 the City borrowed \$18,400 for the purchase of a vehicle. Repayment consists of 36 monthly payments of \$532 at an annual interest rate of 2.65%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 6,227	\$ 157	\$ 6,384
2016	2,643	17	2,660
	<u>\$ 8,870</u>	<u>\$ 174</u>	<u>\$ 9,044</u>

11. During 2013 the City borrowed \$49,850 for the purchase of a mower. Repayment consists of 36 monthly payments of \$1,442 at an annual interest rate of 2.70%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 16,870	\$ 434	\$ 17,304
2016	7,161	48	7,209
	<u>\$ 24,031</u>	<u>\$ 482</u>	<u>\$ 24,513</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

(continued)

April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

12. During 2013 the City borrowed \$22,503 for the purchase of an aerator. Repayment consists of 36 monthly payments of \$651 at an annual interest rate of 2.70%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 7,615	\$ 197	\$ 7,812
2016	3,233	22	3,255
	<u>\$ 10,848</u>	<u>\$ 219</u>	<u>\$ 11,067</u>

13. During 2013 the City borrowed \$38,322 for the purchase of a tractor/loader. Repayment consists of 24 monthly payments of \$1,641 at an annual interest rate of 2.70%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 8,151	\$ 54	\$ 8,205

14. During 2013 the City borrowed \$30,097 for the purchase of a police car. Repayment consists of 36 monthly payments of \$871 at an annual interest rate of 2.70%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 10,140	\$ 306	\$ 10,446
2016	6,040	54	6,094
	<u>\$ 16,180</u>	<u>\$ 360</u>	<u>\$ 16,540</u>

15. During 2013 the City borrowed \$642,010 for the partial purchase of a fire truck. During 2014, the fire truck was completed as well as the addition of two additional trucks. The previous loan was modified to add the additional debt service. Repayment consists of 35 monthly payments of \$19,851 at an annual interest rate of 3.90% with a balloon payment at the end. The following is the debt service schedule to maturity.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Governmental Activities (continued)

15. (continued)

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 166,447	\$ 71,763	\$ 238,210
2016	172,884	65,326	238,210
2017	1,519,191	39,742	1,558,933
	<u>\$ 1,858,522</u>	<u>\$ 176,831</u>	<u>\$ 2,035,353</u>

16. During 2014 the City borrowed \$92,904 for the purchase of 3 police cars. Repayment consists of 36 monthly payments of \$2,691 at an annual interest rate of 2.75%. The following is the debt service schedule to maturity.

Fiscal Year Ending April 30,	Principal	Interest	Total
2015	\$ 30,535	\$ 1,762	\$ 32,297
2016	31,384	913	32,297
2017	16,019	129	16,148
	<u>\$ 77,938</u>	<u>\$ 2,804</u>	<u>\$ 80,742</u>

Business-Type Activities

17. 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 with semi-annual payments of \$270,210 beginning August 1, 1998.

Additionally, the City received new loan monies during 2014 and 2013 for \$2,723,418 and \$673,932, respectively. This particular loan is still in process so no debt service schedule is available.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Business-Type Activities (continued)

18. Construction Loan - Water

The City received loan proceeds from the Illinois Environmental Protection Agency (IEPA) 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. Both future debt services to maturity are shown below.

19. 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 ending July 2006. Through 2008 the City had 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 17 and 18) including interest as of April 30, 2014 are as follows:

Fiscal Year Ending April 30,	Water (Tank) Construction Loan		Water Construction Loan	
	Principal	Interest	Principal	Interest
2015	\$ 237,092	\$ 113,540	\$ 43,186	\$ 17,585
2016	243,056	107,576	44,272	16,499
2017	249,170	101,462	45,386	15,385
2018	255,439	95,193	46,527	14,243
2019	261,864	88,768	47,698	13,073
2020	268,452	82,180	48,898	11,873
2021	275,205	75,427	50,128	10,643
2022	282,128	68,504	51,389	9,382
2023	289,226	61,406	52,682	8,089
2024	296,502	54,130	54,007	6,764
2025	303,960	46,672	55,366	5,405
2026	311,607	39,025	56,758	4,012
2027	319,446	31,186	58,186	2,585
2028	327,482	23,150	59,650	1,121
2029	335,721	14,912	-	-
2030	344,167	6,466	-	-
	<u>\$4,600,517</u>	<u>\$1,009,597</u>	<u>\$714,133</u>	<u>\$136,659</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 7: Long-Term Debt (continued)

B. Loans and Notes Payable (continued)

Business-Type Activities (continued)

Fiscal Year Ending April 30,	Sewer Construction Loan	
	Principal	Interest
2015	\$ 492,077	\$ 48,342
2016	506,395	34,024
2017	521,131	19,288
2018	275,950	4,123
	<u>\$1,795,553</u>	<u>\$105,777</u>

The compensated absences listed below reflect the liabilities at April 30, 2014 and 2013:

	2014	2013
Governmental Activities	\$1,631,960	\$1,652,443
Business-Type Activities	600,945	519,824
Component Unit	82,525	70,712
Total	<u>\$2,315,430</u>	<u>\$2,242,979</u>

C. Legal Debt Margin

ASSESSED VALUATION - 2013 TAX LEVY	<u>\$ 636,736,130</u>
STATUTORY DEBT LIMITATIONS	
8.625% of assessed valuation	\$ 54,918,491
Less indebtedness	
Municipal bonds outstanding (general obligation bonds)	\$ 39,085,000
Purchase agreement - land	184,500
Note payable - equipment	43,030
Note payable - vehicles	<u>2,328,672</u>
LEGAL DEBT MARGIN	<u>\$ 13,277,289</u>

Note 8: 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 2014 the City received \$-0- in governmental assets and \$-0- in proprietary assets.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 9: Interfund Receivables and Payables

The following are the interfund balances as of April 30, 2014:

	<u>Due From</u>	<u>Due To</u>
GOVERNMENTAL FUNDS		
MAJOR FUNDS		
General Fund		
Tax Increment Financing	\$ 197,078	\$ -
Water Maintenance	-	100,000
1997 Bond Issue	375	-
Subaru Debt Service	1,770	-
	<u>199,223</u>	<u>100,000</u>
Total Major Funds		
NONMAJOR FUNDS		
Tax Increment Financing		
General	-	197,078
1997 Bond Issue		
General	-	375
Subaru Debt Service		
General	-	1,770
	<u>-</u>	<u>1,770</u>
Total Nonmajor Funds	<u>-</u>	<u>199,223</u>
Total Governmental Funds	<u>199,223</u>	<u>299,223</u>
PROPRIETARY FUNDS		
Water Maintenance		
General	100,000	-
Sewer Maintenance	160,000	-
Sewer Maintenance		
Water Maintenance	-	160,000
	<u>-</u>	<u>160,000</u>
Total Proprietary Funds	<u>260,000</u>	<u>160,000</u>
TOTAL GOVERNMENTAL AND PROPRIETARY FUNDS		
	<u>\$ 459,223</u>	<u>\$ 459,223</u>

Interfund receivables and payables are the result of loans between funds. Some interfund loans are included in noncurrent liabilities as they are not expected to be paid back within one year.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 10: 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 three 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. The City recently entered into an agreement with a developer to correct ongoing flooding issues on the RASP Farm property. Terms of the agreement are for the developer to receive \$1.3 million the TIF has already generated over its life plus additional amounts generated over the remaining TIF life of 7 years. The developer plans to create a business park and eventually donate the drainage area and 15 acres of green space back to the City.

Also, the City has entered into a TIF agreement, called "Green Mount Redevelopment" with a health care entity that provides for the establishment of a separate TIF district for the construction of improvements and mine remediation. This agreement calls for the issuance of bonds to cover certain preconstruction costs and is to be partially or fully funded by the incremental property tax revenues of the project. As of April 30, 2014, no debt issuance has occurred.

During fiscal year 2013, the City also approved three (3) redevelopment agreements, called "Central Park Redevelopment", with separate entities for the reimbursement of certain construction and/or operating expenses on an annual basis from the incremental property taxes collected on each property. The terms of these agreements are not fixed, but expire when the costs incurred have been fully reimbursed.

As of April 30, 2014, the TIF had incurred cumulative costs totaling \$197,078 for the above projects that were paid through the General Fund and reflected as an interfund balance at year-end.

Note 11: Rebates

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

	Total Rebate	Balance Owed April 30, 2014	Interest Rate	Expiration Date	Specific
Auto Dealer	\$ 250,000	\$ 204,113	N/A	July 2017	50% of collections over specific amount
Auto Dealer	500,000	-	N/A	August 2012	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, 2014

Note 11: Rebates (continued)

Retailer	Total Rebate	Balance Owed April 30, 2014	Interest Rate	Expiration Date	Specific
Retailer	125,000	-	N/A	October 2017	75% rebate first 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
Hotel	N/A	N/A	N/A	February 2028	Hotel-2% of receipts/Special business tax-1% of receipts
Hotel	N/A	N/A	N/A	December 2033	Special business tax-1% of hotel receipts and 1% of food and beverage receipts

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

** New rebates during fiscal year 2010, 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 12: 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 13: Expenditures in Excess of Budget

The following funds had expenditures in excess of budgeted amounts:

	Actual Expenditures	Budgeted Expenditures
General	\$ 13,169,071	\$ 12,702,535
Park	3,174,211	3,135,495
Cemetery	4,266	-
IMRF	538,720	424,500
Tax Increment Financing	1,266,081	500,000
Park Sports Complex	1,150,189	1,150,100
Special Service Areas Debt Service	316,595	316,590
Subaru	657,886	76,540

No budgets were prepared for the Newbold Debt Service Fund and Harley Davidson Debt Service Fund for the year ended April 30, 2014.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

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 \$1 per year. 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.
- 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 increased by \$500 per month. During 2014, the City sold the tower and this agreement is no longer in effect.
- 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 rent on this agreement was \$20,400 for the first year and shall be increased by 3% each year thereafter. For 2014, the City received \$26,617.

The above mentioned property is owned by a limited liability company (LLC) 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. During 2014, the City paid the LLC \$10,337, which was 40% of the prior year receipts.

Note 15: Statistical Data

	<u>2014</u>	<u>2013</u>
Number of customers billed		
Water	18,023	17,852
Sewer	9,110	9,159

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, 2014 and for the year then ended.

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NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 16: Component Unit (continued)

	General Fund	Construction Fund	Debt Service Fund	Ohldendorf Bequest Fund	Total
ASSETS					
Cash and cash equivalents	\$ 1,682,821	\$ 41,123	\$ 16,616	\$ -	\$ 1,740,560
Investments	-	-	-	2,682,155	2,682,155
Prepaid expenses	18,596	-	-	-	18,596
Accrued interest	-	-	-	8,426	8,426
Accounts receivable	1,066	-	-	-	1,066
Property tax receivable	962,745	-	-	-	962,745
	<u>2,665,228</u>	<u>41,123</u>	<u>16,616</u>	<u>2,690,581</u>	<u>5,413,548</u>
LIABILITIES					
Unearned revenue - grant	35,351	-	-	-	35,351
Accounts payable	19,371	-	-	-	19,371
Accrued wages	15,494	-	-	-	15,494
	<u>70,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,216</u>
DEFERRED INFLOWS OF RESOURCES	<u>962,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,745</u>
EQUITY					
Fund balance - restricted	<u>\$ 1,632,267</u>	<u>\$ 41,123</u>	<u>\$ 16,616</u>	<u>\$ 2,690,581</u>	<u>\$ 4,380,587</u>
REVENUES					
Taxes	\$ 963,662	\$ -	\$ -	\$ -	\$ 963,662
Investment income	132	-	-	299,373	299,505
Grant	29,063	-	-	-	29,063
Donations	-	-	-	34,339	34,339
Others	59,309	-	-	-	59,309
	<u>1,052,166</u>	<u>-</u>	<u>-</u>	<u>333,712</u>	<u>1,385,878</u>
EXPENDITURES					
Library services	<u>953,207</u>	<u>-</u>	<u>-</u>	<u>18,872</u>	<u>972,079</u>
Excess of revenues over expenditures	98,959	-	-	314,840	413,799
Fund balance, beginning of year	<u>1,533,308</u>	<u>41,123</u>	<u>16,616</u>	<u>2,375,741</u>	<u>3,966,788</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,632,267</u></u>	<u><u>\$ 41,123</u></u>	<u><u>\$ 16,616</u></u>	<u><u>\$ 2,690,581</u></u>	<u><u>\$ 4,380,587</u></u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 17: Commitments

The City had the following contractual matters in progress at April 30, 2014:

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 11 for details.

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, 2014.

Note 19: Interfund Transfers

Interfund transfers for the year ended April 30, 2014 consisted of the following amounts:

	<u>Transfers From</u>	<u>Transfers To</u>
GOVERNMENTAL FUNDS		
<u>MAJOR FUNDS</u>		
General Fund		
1997 Bond Issue Debt Service	\$ -	\$ 599,830
2002 Bond Issue Capital Project	-	547,205
Convention Center	-	527,933
Capital Improvement	-	3,000,000
Park Fund		
Park Sports Complex	-	276,000
Ambulance Fund		
Capital Improvement	-	1,325,500
Build America	-	65,670
Capital Improvement Fund		
General	3,000,000	-
Ambulance	1,325,500	-
Park Land	59,500	-
	<u>4,385,000</u>	<u>6,342,138</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 19: Interfund Transfers (continued)

	<u>Transfers From</u>	<u>Transfers To</u>
GOVERNMENTAL FUNDS (continued)		
<u>NONMAJOR FUNDS</u>		
Prop S Infrastructure Fund		
2002 Bond Issue Capital Project Fund	-	414,655
Hotel/Motel Fund		
Park Sports Complex	-	713,292
Build America	-	98,505
1997 Bond Issue Debt Service Fund		
General	599,830	-
2002 Bond Issue Capital Project Fund		
General	414,655	-
Prop S Infrastructure	547,205	-
Convention Center Fund		
General	527,933	-
Park Sports Complex Fund		
Park	276,000	-
Hotel/Motel Fund	713,292	-
Park Land Fund		
Capital Improvements	-	59,500
Build America Fund		
Ambulance	65,670	-
Hotel/Motel	98,505	-
	<u>3,243,090</u>	<u>1,285,952</u>
Total Nonmajor Funds		
	<u>\$ 7,628,090</u>	<u>\$ 7,628,090</u>
TOTAL GOVERNMENTAL FUNDS		

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.

Note 20: Prior Period Adjustment

The April 30, 2014 governmental activities and component unit contain a prior period adjustment for \$549,413 and \$17,333, respectively, to remove bond issuance costs from the Statement of Net Position. This is a result of a change in accounting due to the implementation of GASB Statement No. 65.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
April 30, 2014

Note 20: Prior Period Adjustment (continued)

The April 30, 2013 business-type activities and proprietary fund financial statements contain a prior period adjustment to include sewer revenue, in the amount of \$222,600, that should have been included in accounts receivable balances as of April 30, 2012.

The April 30, 2013 governmental activities contain a prior period adjustment to record prior year accrued interest payable in the amount of \$714,618.

The April 30, 2013 governmental activities and component unit contain a prior period adjustment to record the change in debt obligations between governmental activities and the component unit in the amount of \$1,880,000.

Note 21: Deficit Fund Balances

The following funds had deficit fund balances at April 30, 2014:

Tax Increment Financing	\$ (64,445)
1997 Bond Issue	(375)
Subaru Debt Service	(1,770)

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

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Property taxes	\$ 246,980	\$ 246,980	\$ 245,945
Utility	1,500,000	1,500,000	831,304
Food and beverage	640,000	640,000	662,903
Intergovernmental receipts			
State sales tax	7,427,550	7,427,550	7,578,439
State income tax	2,415,000	2,415,000	2,282,583
Road and bridge tax	240,000	240,000	273,677
Federal grants	-	-	110,581
MEGSI	40,000	40,000	54,306
State and County grants	15,000	15,000	1,540
Other	-	-	-
Licenses and permits	557,150	557,150	497,722
Subdivision fees	23,000	23,000	40,136
Police reports	11,800	11,800	10,418
Combined dispatch	100,000	100,000	102,000
Municipal aggregation fees	-	-	125,004
Fines and fees	256,000	256,000	287,210
Service and administrative fees	-	-	-
Interest income	10,050	10,050	6,239
Phone and cable television fees	1,324,615	1,324,615	684,909
Rentals	7,460	7,460	12,991
Miscellaneous revenues and reimbursements	5,500	5,500	8,018
Cemetery revenue	19,750	19,750	23,525
Insurance refunds and claims	500	500	2,795
Concessions	-	-	-
Recreation program fees	-	-	-
Donations	-	-	13,255
Fee in lieu of taxes	599,130	599,130	599,130
Total revenues	15,439,485	15,439,485	14,454,630
EXPENDITURES			
Administration			
Personnel services			
Salaries	805,500	805,500	846,432

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, 2014

Park Fund		Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual
\$ 563,705	\$ 574,283	\$ 1,166,250	\$ 1,160,154	\$ 1,504,700	\$ 1,528,111
732,530	901,553	-	-	-	-
-	-	-	-	-	-
14,000	16,530	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,000	144,000	-	-	-	-
-	-	424,000	434,901	-	-
-	-	2,000	3,587	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	10,000	-	-	-
103,250	103,676	-	-	850,000	815,715
250	146	-	-	100	51
680,000	626,588	-	-	-	-
106,900	118,174	-	-	-	-
1,400	7,325	-	3,630	300	795
-	-	-	-	-	-
-	-	-	-	-	-
193,700	206,354	-	-	-	-
681,900	898,487	-	-	-	-
5,000	21,171	-	-	-	-
-	-	-	-	-	-
<u>3,132,635</u>	<u>3,618,287</u>	<u>1,602,250</u>	<u>1,602,272</u>	<u>2,355,100</u>	<u>2,344,672</u>

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	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Administration (continued)			
Personnel services (continued)			
Payroll taxes	600	600	6,950
Group insurance	202,300	202,300	237,966
Contractual services			
Maintenance and repairs	700	700	74
Insurance	31,000	31,000	20,739
Utilities and telephone	8,000	8,000	5,463
Travel and training	27,000	27,000	25,191
Legal and accounting fees	18,000	18,000	27,815
Engineering and other professional fees	210,390	210,390	237,617
Other contractual services	70,500	70,500	41,009
Commodities			
Operating and maintenance supplies	500	500	1,183
Computer and office supplies	8,500	8,500	20,886
Miscellaneous	26,850	26,850	29,136
Tax rebates	16,000	16,000	9,650
Capital purchases	5,000	105,000	99,368
Debt service			
Principal retirement	8,400	8,400	-
Police Department			
Personnel services			
Salaries	4,388,750	4,388,750	4,567,899
Payroll taxes	7,500	7,500	2,924
Group insurance	918,275	918,275	953,522
Contractual services			
Maintenance and repairs	169,680	169,680	154,839
Insurance	269,685	269,685	177,661
Utilities and telephone	132,620	132,620	133,172
Travel and training	42,100	42,100	47,167
Legal and accounting fees	20,000	20,000	32,473
Engineering and other professional fees	252,090	252,090	256,083
Other contractual services	24,530	24,530	19,822
Commodities			
Operating and maintenance supplies	54,850	54,850	71,607
Gasoline and oil	130,000	130,000	140,149
Uniforms and food	60,700	60,700	65,217
Computer and office supplies	10,150	10,150	48,780
Miscellaneous	4,100	4,100	57

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Police Department (continued)			
Capital purchases	90,300	90,300	194,691
Debt service			
Principal retirement	82,765	82,765	44,153
Interest and fiscal charges	2,115	2,115	2,365
Street Department			
Personnel services			
Salaries	871,000	871,000	789,882
Payroll taxes	5,000	5,000	2,686
Group insurance	204,010	204,010	190,972
Contractual services			
Maintenance and repairs	704,800	704,800	992,430
Insurance	163,710	163,710	134,624
Utilities and telephone	294,950	294,950	214,187
Travel and training	8,270	8,270	7,374
Legal and accounting fees	31,950	31,950	19,600
Engineering and other professional fees	202,565	202,565	294,854
Other contractual services	40,005	40,005	26,978
Commodities			
Operating and maintenance supplies	133,440	133,440	103,951
Gasoline and oil	45,855	45,855	53,195
Uniforms	6,585	6,585	2,447
Computer and office supplies	5,770	5,770	18,667
Miscellaneous	3,865	3,865	5,023
Capital purchases	137,540	137,540	291,549
Debt service			
Principal retirement	12,440	12,440	-
Facilities			
Contractual services			
Maintenance and repairs	171,000	171,000	157,430
Utilities and telephone	61,385	61,385	44,845
Travel and training	-	-	19
Engineering and other professional fees	50,000	50,000	22,531
Commodities			
Operating and maintenance supplies	5,620	5,620	8,552
Uniforms	280	280	-
Capital purchases	-	-	57,397
Planning and Zoning Department			
Personnel services			
Salaries	562,100	562,100	558,659

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Planning and Zoning Department (continued)			
Personnel services (continued)			
Payroll taxes	2,200	2,200	-
Group insurance	127,900	127,900	97,162
Contractual services			
Maintenance and repairs	5,300	5,300	3,339
Insurance	25,500	25,500	21,390
Telephone	7,000	7,000	5,983
Travel and training	16,600	16,600	8,402
Legal and accounting fees	24,500	24,500	29,383
Other professional fees	65,530	65,530	55,225
Abatements	6,000	6,000	5,610
Other contractual services	19,000	19,000	15,478
Commodities			
Operating and maintenance supplies	3,650	3,650	2,967
Gasoline and oil	9,000	9,000	9,144
Uniforms	2,250	2,250	1,909
Computer and office supplies	4,500	4,500	15,111
Miscellaneous	1,000	1,000	334
Capital purchases	-	-	-
Debt service			
Principal retirement	19,450	19,450	11,978
Interest and fiscal charges	630	630	913
Economic Development			
Personnel services			
Salaries	65,000	65,000	62,947
Group insurance	5,075	5,075	5,603
Contractual services			
Travel and training	33,215	33,215	24,226
Legal fees	5,000	5,000	1,890
Other professional fees	80,700	80,700	72,548
Other contractual services	30,260	30,260	28,294
Commodities			
Computer and office supplies	600	600	943
Miscellaneous	500	500	493
Development	75,000	75,000	64,912
Capital purchases	-	-	-
Debt service			
Principal retirement	5,270	5,270	-

EXPENDITURES (continued)	General Fund		
	Original Budget	Final Budget	Actual
Cemetery			
Personnel services			
Salaries	57,500	57,500	37,785
Payroll taxes	400	400	-
Group insurance	13,650	13,650	4,604
Contractual services			
Maintenance and repairs	18,700	18,700	15,784
Insurance	3,100	3,100	2,153
Telephone and utilities	1,960	1,960	1,709
Training	250	250	-
Other professional fees	25,000	25,000	23,892
Other contractual services	600	600	582
Commodities			
Operating and maintenance supplies	7,250	7,250	5,413
Office supplies	100	100	215
Gasoline and oil	4,500	4,500	3,232
Uniforms	500	500	-
Miscellaneous	250	250	1,054
Debt service			
Principal retirement	6,225	6,225	6,249
Interest and fiscal charges	330	330	303
Parks Department			
Personnel 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 and food	-	-	-

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Parks Department (continued)			
Recreation programs	-	-	-
Miscellaneous	-	-	-
Capital purchases	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Fire Department			
Personnel 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	-	-	-
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			
Personnel services			
Salaries	-	-	-
Payroll taxes	-	-	-
Group insurance	-	-	-
Contractual services			
Maintenance and repairs	-	-	-
Insurance	-	-	-

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, 2014

Park Fund		Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual
379,085	489,252	-	-	-	-
4,850	1,118	-	-	-	-
620,000	549,284	-	-	-	-
125,635	50,373	-	-	-	-
6,675	2,032	-	-	-	-
-	-	272,450	234,593	-	-
-	-	300	-	-	-
-	-	53,915	15,062	-	-
-	-	75,395	60,217	-	-
-	-	145,125	132,527	-	-
-	-	66,625	60,762	-	-
-	-	65,805	47,231	-	-
-	-	36,880	26,753	-	-
-	-	443,815	87,462	-	-
-	-	20,750	8,095	-	-
-	-	172,200	108,724	-	-
-	-	84,850	104,988	-	-
-	-	7,200	32,502	-	-
-	-	30,400	32,301	-	-
-	-	51,000	23,939	-	-
-	-	-	4,621	-	-
-	-	1,358,000	1,283,137	-	-
-	-	337,795	270,809	-	-
-	-	32,900	70,370	-	-
-	-	-	-	1,148,015	1,086,438
-	-	-	-	3,000	1,500
-	-	-	-	274,380	225,047
-	-	-	-	109,860	126,724
-	-	-	-	86,960	49,938

(continued on next page)

	General Fund		
	Original Budget	Final Budget	Actual
EXPENDITURES (continued)			
Ambulance (continued)			
Contractual services (continued)			
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	-	-	-
Total expenditures	<u>12,602,535</u>	<u>12,702,535</u>	<u>13,169,071</u>
Excess (deficiency) of revenues over expenditures	<u>2,836,950</u>	<u>2,736,950</u>	<u>1,285,559</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	90,300	90,300	92,904
Proceeds from sale of assets	160,000	160,000	16,934
Transfer from other funds	3,000,000	3,100,000	-
Transfer (to) other funds	<u>(6,087,250)</u>	<u>(6,087,250)</u>	<u>(4,674,968)</u>
Total other financing sources (uses)	<u>(2,836,950)</u>	<u>(2,736,950)</u>	<u>(4,565,130)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,279,571)</u>
Fund balance, beginning of year			<u>13,310,800</u>
FUND BALANCE, END OF YEAR			<u>\$ 10,031,229</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, 2014

Park Fund		Fire Fund		Ambulance Fund	
Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual
-	-	-	-	75,000	79,688
-	-	-	-	47,420	26,190
-	-	-	-	25,000	13,789
-	-	-	-	203,710	205,664
-	-	-	-	18,500	6,277
-	-	-	-	50,500	54,629
-	-	-	-	8,500	18,245
-	-	-	-	40,000	39,365
-	-	-	-	17,000	11,911
-	-	-	-	90,000	48,960
-	-	-	-	16,405	5,648
-	-	-	-	495	178
<u>3,135,495</u>	<u>3,174,211</u>	<u>3,255,405</u>	<u>2,604,093</u>	<u>2,214,745</u>	<u>2,000,191</u>
<u>(2,860)</u>	<u>444,076</u>	<u>(1,653,155)</u>	<u>(1,001,821)</u>	<u>140,355</u>	<u>344,481</u>
210,000	-	1,358,000	1,358,289	-	-
-	-	3,000	37,500	-	-
68,860	-	344,390	-	1,243,940	-
<u>(276,000)</u>	<u>(276,000)</u>	<u>(52,235)</u>	<u>-</u>	<u>(1,384,295)</u>	<u>(1,391,170)</u>
<u>2,860</u>	<u>(276,000)</u>	<u>1,653,155</u>	<u>1,395,789</u>	<u>(140,355)</u>	<u>(1,391,170)</u>
<u>\$ -</u>	<u>168,076</u>	<u>\$ -</u>	<u>393,968</u>	<u>\$ -</u>	<u>(1,046,689)</u>
	<u>1,151,790</u>		<u>2,241,388</u>		<u>4,330,568</u>
	<u>\$ 1,319,866</u>		<u>\$ 2,635,356</u>		<u>\$ 3,283,879</u>

SCHEDULE B

City of O'Fallon
St. Clair County, Illinois

IMRF TREND INFORMATION

April 30, 2014

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
12/31/13	\$ 10,133,539	\$ 13,003,839	\$ 2,870,300	77.93%	\$ 6,205,155	46.26%
12/31/12	9,141,746	12,716,254	3,574,508	71.89%	5,906,945	60.51%
12/31/11	8,781,217	12,084,740	3,303,523	72.66%	5,732,623	57.63%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$12,214,928. On a market basis, the funded ratio would be 93.93%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the City of O'Fallon. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

City of O'Fallon
St. Clair County, Illinois

**POLICE PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
POLICE PENSION TREND INFORMATION**

April 30, 2014

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	
4/30/13	\$ 20,597,835	\$ 24,995,214	82%	\$ 4,397,379	\$ 3,201,169	137%
4/30/12	18,473,548	21,820,195	85%	3,346,647	3,054,453	110%
4/30/11*	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Actuarial Year	Employer Contributions
4/30/13	\$ 1,460,224
4/30/12	1,361,985
4/30/11*	N/A

* Actuarial data not available.

SCHEDULE D

City of O'Fallon
St. Clair County, Illinois

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2014

Note 1: Expenditures in Excess of Budget

The following funds had an expenditures in excess of budgeted amounts:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 12,702,535	\$ 13,169,071
Park Fund	3,135,495	3,174,211

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, 2014

	Capital Improvement	
	Original and Final Budget	Actual
REVENUES		
Interest income	\$ -	\$ 291
Miscellaneous	-	100
Total revenues	-	391
EXPENDITURES		
Administration		
Miscellaneous	-	339
Capital purchases	50,000	-
Fire department		
Capital purchases	6,200,000	1,279,408
Debt service		
Principal retirement	185,000	184,500
Total expenditures	6,435,000	1,464,247
Excess (deficiency) of revenues over expenditures	(6,435,000)	(1,463,856)
OTHER FINANCING SOURCES		
Transfer from other funds	6,435,000	4,385,000
Net change in fund balance	\$ -	2,921,144
Fund balance, beginning of year		1,511,509
FUND BALANCE, END OF YEAR		\$ 4,432,653

	Special Revenue Funds				
	Cemetery Fund	IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Funds
ASSETS					
Cash	\$ 47,421	\$ 16,466	\$4,627,569	\$175,862	\$188,656
Investments	604,727	-	-	-	-
Receivables, less allowance for uncollectible amounts					
Property taxes	-	383,315	-	781,275	15,213
Other governmental entities	-	659	59,449	3,333	-
Other	-	-	-	-	-
Accrued interest	312	-	-	-	-
TOTAL ASSETS	<u>\$652,460</u>	<u>\$400,440</u>	<u>\$4,687,018</u>	<u>\$960,470</u>	<u>\$203,869</u>
LIABILITIES					
Accrued payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	79,674	-	236
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>79,674</u>	<u>-</u>	<u>236</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned property taxes	-	383,315	-	781,275	15,213
MUNICIPAL EQUITY					
Fund balance					
Restricted	652,460	17,125	4,607,344	179,195	188,420
Unassigned	-	-	-	-	-
Total municipal equity	<u>652,460</u>	<u>17,125</u>	<u>4,607,344</u>	<u>179,195</u>	<u>188,420</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND MUNICIPAL EQUITY	<u>\$652,460</u>	<u>\$400,440</u>	<u>\$4,687,018</u>	<u>\$960,470</u>	<u>\$203,869</u>

City of O'Fallon
St. Clair County, Illinois

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2014

Tax Increment Financing	Hotel/ Motel Fund	Capital Projects					
		2002 Bond Issue	Convention Center	Park Sports Complex	Park Land Fund	Prop S Infrastructure	Strategic Plan
\$ 148,793	\$ 845,796	\$ 424,288	\$1,380,851	\$373,188	\$ 900,188	\$ 3,046,804	\$630,593
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	124,186	-
-	94,566	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 148,793</u>	<u>\$ 940,362</u>	<u>\$ 424,288</u>	<u>\$1,380,851</u>	<u>\$373,188</u>	<u>\$ 900,188</u>	<u>\$ 3,170,990</u>	<u>\$630,593</u>
\$ -	\$ 975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,160	10,972	-	-	-	-	1,346	-
197,078	-	-	-	-	-	-	-
<u>213,238</u>	<u>11,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,346</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	928,415	424,288	1,380,851	373,188	900,188	3,169,644	630,593
(64,445)	-	-	-	-	-	-	-
<u>(64,445)</u>	<u>928,415</u>	<u>424,288</u>	<u>1,380,851</u>	<u>373,188</u>	<u>900,188</u>	<u>3,169,644</u>	<u>630,593</u>
<u>\$ 148,793</u>	<u>\$ 940,362</u>	<u>\$ 424,288</u>	<u>\$1,380,851</u>	<u>\$373,188</u>	<u>\$ 900,188</u>	<u>\$ 3,170,990</u>	<u>\$630,593</u>

Debt Service							
1997 Bond Issue	2002 Bond Issue	Special Service Areas	Subaru	Newbold	Harley Davidson	Build America	Totals
\$ -	\$ 287,192	\$ 510,284	\$ -	\$ 295,901	\$ 253,452	\$ -	\$ 14,153,304
-	-	-	-	-	-	-	604,727
-	-	-	-	-	-	-	1,179,803
-	-	-	-	-	-	-	187,627
-	-	-	-	-	-	-	94,566
-	-	-	-	-	-	-	312
<u>\$ -</u>	<u>\$ 287,192</u>	<u>\$ 510,284</u>	<u>\$ -</u>	<u>\$ 295,901</u>	<u>\$ 253,452</u>	<u>\$ -</u>	<u>\$ 16,220,339</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 975
-	-	-	-	-	-	-	108,388
375	-	-	1,770	-	-	-	199,223
<u>375</u>	<u>-</u>	<u>-</u>	<u>1,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,586</u>
-	-	-	-	-	-	-	1,179,803
-	287,192	510,284	-	295,901	253,452	-	14,798,540
(375)	-	-	(1,770)	-	-	-	(66,590)
<u>(375)</u>	<u>287,192</u>	<u>510,284</u>	<u>(1,770)</u>	<u>295,901</u>	<u>253,452</u>	<u>-</u>	<u>14,731,950</u>
<u>\$ -</u>	<u>\$ 287,192</u>	<u>\$ 510,284</u>	<u>\$ -</u>	<u>\$ 295,901</u>	<u>\$ 253,452</u>	<u>\$ -</u>	<u>\$ 16,220,339</u>

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

	Special Revenue Funds				
	Cemetery Fund	IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Fund
REVENUES					
Property taxes	\$ -	\$ 383,069	\$ -	\$ 750,042	\$ 15,177
Intergovernmental receipts					
Sales tax	-	-	-	-	-
Replacement taxes	-	3,995	-	20,197	-
Grants	-	-	392,932	-	-
Motor fuel taxes	-	-	864,801	-	-
Administrative fees and rentals	4,825	-	-	-	-
Room tax	-	-	-	-	-
Investment income	62,774	38	985	-	-
Annex fees	-	-	-	-	-
Park extraction fees	-	-	-	-	-
Subdivision fees	-	-	-	-	-
Build America bond rebates	-	-	-	-	-
Miscellaneous income	-	-	5,346	-	-
Fee in lieu of taxes	-	-	-	41,290	-
Contributions from developer	-	-	-	-	-
Total revenues	67,599	387,102	1,264,064	811,529	15,177
EXPENDITURES					
General government	4,266	538,720	-	714,819	-
Highways and streets	-	-	409,102	-	4,526
Development	-	-	-	-	-
Tax Increment Financing	-	-	-	-	-
Tourism	-	-	-	-	-
Capital expenditures	-	-	364,212	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	4,266	538,720	773,314	714,819	4,526
Excess (deficiency) of revenues over expenditures	63,333	(151,618)	490,750	96,710	10,651
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	-	-	-	-	-

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, 2014

Tax Increment Financing	Hotel/ Motel Fund	Capital Projects					
		2002 Bond Issue	Convention Center	Park Sports Complex	Park Land Fund	Prop S Infrastructure	Strategic Plan
\$ 389,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,731,096	-
-	-	-	-	-	-	246,000	-
-	-	-	-	-	-	-	-
-	690,888	-	-	-	-	-	-
18	589	-	1,900	64	1,026	671	-
-	-	-	-	-	143,806	-	-
-	-	-	-	-	20,088	-	-
-	-	-	-	-	2,500	-	-
-	-	-	-	160,571	-	-	-
-	-	-	-	-	-	25,036	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>389,379</u>	<u>691,477</u>	<u>-</u>	<u>1,900</u>	<u>160,635</u>	<u>167,420</u>	<u>2,002,803</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	438,672	-
1,163,398	79,398	-	-	-	-	-	-
102,683	-	-	-	-	-	-	-
-	49,414	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	552,480	200,260	262,260	-	-	-
-	-	410,238	327,907	887,929	-	-	-
<u>1,266,081</u>	<u>128,812</u>	<u>962,718</u>	<u>528,167</u>	<u>1,150,189</u>	<u>-</u>	<u>438,672</u>	<u>-</u>
<u>(876,702)</u>	<u>562,665</u>	<u>(962,718)</u>	<u>(526,267)</u>	<u>(989,554)</u>	<u>167,420</u>	<u>1,564,131</u>	<u>-</u>
-	-	-	-	-	-	-	630,593

(continued on next page)

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

	Special Revenue Funds				
	Cemetery Fund	IMRF Fund	Motor Fuel Tax Fund	Social Security Fund	Special Service Fund
OTHER FINANCING SOURCES					
(USES) (continued)					
Transfer from other funds	-	-	-	-	-
Transfer (to) other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	63,333	(151,618)	490,750	96,710	10,651
Fund balance (deficit), beginning of year	589,127	168,743	4,116,594	82,485	177,769
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 652,460</u>	<u>\$ 17,125</u>	<u>\$ 4,607,344</u>	<u>\$ 179,195</u>	<u>\$ 188,420</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
(continued)
Year Ended April 30, 2014

Tax Increment Financing	Hotel/ Motel Fund	Capital Projects					
		2002 Bond Issue	Convention Center	Park Sports Complex	Park Land Fund	Prop S Infrastructure	Strategic Plan
-	-	961,860	527,933	989,292	-	-	-
-	(811,797)	-	-	-	(59,500)	(414,655)	-
-	(811,797)	961,860	527,933	989,292	(59,500)	(414,655)	630,593
(876,702)	(249,132)	(858)	1,666	(262)	107,920	1,149,476	630,593
812,257	1,177,547	425,146	1,379,185	373,450	792,268	2,020,168	-
<u>\$ (64,445)</u>	<u>\$ 928,415</u>	<u>\$ 424,288</u>	<u>\$ 1,380,851</u>	<u>\$ 373,188</u>	<u>\$ 900,188</u>	<u>\$ 3,169,644</u>	<u>\$ 630,593</u>

Debt Service							
1997 Bond Issue	2002 Bond Issue	Special Service Areas	Subaru	Newbold	Harley Davidson	Build America	Totals
599,830	-	-	-	-	-	164,175	3,243,090
-	-	-	-	-	-	-	(1,285,952)
599,830	-	-	-	-	-	164,175	2,587,731
(125)	-	(759)	(81,529)	(36,753)	(30,568)	250	1,123,043
(250)	287,192	511,043	79,759	332,654	284,020	(250)	13,608,907
<u>\$ (375)</u>	<u>\$ 287,192</u>	<u>\$ 510,284</u>	<u>\$ (1,770)</u>	<u>\$ 295,901</u>	<u>\$ 253,452</u>	<u>\$ -</u>	<u>\$ 14,731,950</u>

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

	Cemetery Fund		IMRF Fund	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ 370,150	\$ 383,069
Intergovernmental receipts				
Replacement taxes	-	-	3,000	3,995
Grant revenues	-	-	-	-
Motor fuel taxes	-	-	-	-
Administrative fees and rentals	5,000	4,825	-	-
Room tax	-	-	-	-
Investment income	-	62,774	150	38
Miscellaneous	-	-	-	-
Fee in lieu of taxes	-	-	-	-
Total revenues	5,000	67,599	373,300	387,102
EXPENDITURES				
Personnel services				
Salaries	-	-	-	-
Payroll taxes	-	-	-	-
Group insurance	-	-	-	-
IMRF expense	-	-	424,500	538,720
Contractual services				
Maintenance and repairs	-	-	-	-
Legal and accounting fees	-	-	-	-
Engineering and other professional fees	-	4,266	-	-
Development projects	-	-	-	-
Capital purchases	-	-	-	-
Total expenditures	-	4,266	424,500	538,720
Excess (deficiency) of revenues over expenditures	5,000	63,333	(51,200)	(151,618)

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, 2014

Motor Fuel Tax Fund		Social Security Fund		Special Service Funds	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ 724,800	\$ 750,042	\$ 15,200	\$ 15,177
-	-	15,000	20,197	-	-
-	392,932	-	-	-	-
700,000	864,801	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,400	985	-	-	-	-
-	5,346	-	-	-	-
-	-	41,290	41,290	-	-
<u>702,400</u>	<u>1,264,064</u>	<u>781,090</u>	<u>811,529</u>	<u>15,200</u>	<u>15,177</u>
-	-	-	-	-	-
-	-	781,090	714,819	-	-
-	-	-	-	-	-
-	-	-	-	-	-
90,000	24,107	-	-	9,800	4,526
-	-	-	-	1,350	-
360,000	384,995	-	-	4,050	-
-	-	-	-	-	-
2,990,000	364,212	-	-	-	-
<u>3,440,000</u>	<u>773,314</u>	<u>781,090</u>	<u>714,819</u>	<u>15,200</u>	<u>4,526</u>
<u>(2,737,600)</u>	<u>490,750</u>	<u>-</u>	<u>96,710</u>	<u>-</u>	<u>10,651</u>

(continued on next page)

STATEMENT 4

<u>Tax Increment Financing</u>		<u>Hotel/Motel Fund</u>	
<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
\$ 350,000	\$ 389,361	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	690,000	690,888
-	18	350	589
-	-	-	-
-	-	-	-
<u>350,000</u>	<u>389,379</u>	<u>690,350</u>	<u>691,477</u>
-	-	31,800	30,681
-	-	-	-
-	-	3,480	3,075
-	-	-	-
-	-	-	-
50,500	405	-	-
105,000	102,278	27,800	15,658
344,500	1,163,398	120,000	79,398
-	-	-	-
<u>500,000</u>	<u>1,266,081</u>	<u>183,080</u>	<u>128,812</u>
<u>(150,000)</u>	<u>(876,702)</u>	<u>507,270</u>	<u>562,665</u>

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

	Cemetery Fund		IMRF Fund	
	Final Budget	Actual	Final Budget	Actual
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	-	-	51,200	-
Transfer (to) other funds	(5,000)	-	-	-
Total other financing sources (uses)	(5,000)	-	51,200	-
Net change in fund balance	\$ -	63,333	\$ -	(151,618)
Fund balance, beginning of year		589,127		168,743
FUND BALANCE, END OF YEAR		\$ 652,460		\$ 17,125

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
(continued)
Year Ended April 30, 2014

Motor Fuel Tax Fund		Social Security Fund		Special Service Funds	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
2,737,600	-	-	-	-	-
-	-	-	-	-	-
2,737,600	-	-	-	-	-
<u>\$ -</u>	490,750	<u>\$ -</u>	96,710	<u>\$ -</u>	10,651
	4,116,594		82,485		177,769
	<u>\$ 4,607,344</u>		<u>\$ 179,195</u>		<u>\$ 188,420</u>

STATEMENT 4

Page 2

<u>Tax Increment Financing</u>		<u>Hotel/Motel Fund</u>	
<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
150,000	-	294,215	-
-	-	(801,485)	(811,797)
<u>150,000</u>	<u>-</u>	<u>(507,270)</u>	<u>(811,797)</u>
<u>\$ -</u>	<u>(876,702)</u>	<u>\$ -</u>	<u>(249,132)</u>
	<u>812,257</u>		<u>1,177,547</u>
	<u>\$ (64,445)</u>		<u>\$ 928,415</u>

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

	2002 Bond Issue		Convention Center	
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Sales tax	\$ -	\$ -	\$ -	\$ -
Annex fees	-	-	-	-
Park extraction fees	-	-	-	-
Subdivision fees	-	-	-	-
Interest income	500	-	500	1,900
Grant income	-	-	-	-
Build America bond rebates	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	500	-	500	1,900
EXPENDITURES				
Administration				
Miscellaneous	-	-	-	-
Capital purchases	-	-	-	-
Street Department				
Maintenance and repairs	-	-	-	-
Engineering and other professional services	-	-	-	-
Capital purchases	-	-	-	-
Park Department				
Capital purchases	-	-	-	-
Fire Department				
Capital purchases	-	-	-	-
Debt Service				
Principal retirement	552,480	552,480	200,260	200,260
Interest and fiscal charges	410,255	410,238	328,040	327,907
Total expenditures	962,735	962,718	528,300	528,167
Excess (deficiency) of revenues over expenditures	(962,235)	(962,718)	(527,800)	(526,267)

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, 2014

Park Sports Complex		Park Land Fund		Prop S Infrastructure		Strategic Plan	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 1,667,000	\$ 1,731,096	\$ -	\$ -
-	-	125,000	143,806	-	-	-	-
-	-	15,000	20,088	-	-	-	-
-	-	15,000	2,500	-	-	-	-
1,500	64	200	1,026	1,500	671	-	-
-	-	-	-	-	246,000	-	-
160,400	160,571	-	-	-	-	-	-
-	-	-	-	25,000	25,036	-	-
<u>161,900</u>	<u>160,635</u>	<u>155,200</u>	<u>167,420</u>	<u>1,693,500</u>	<u>2,002,803</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,213,900	437,616	-	-
-	-	-	-	64,300	1,056	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
262,260	262,260	-	-	-	-	-	-
887,840	887,929	-	-	-	-	-	-
<u>1,150,100</u>	<u>1,150,189</u>	<u>-</u>	<u>-</u>	<u>1,278,200</u>	<u>438,672</u>	<u>-</u>	<u>-</u>
<u>(988,200)</u>	<u>(989,554)</u>	<u>155,200</u>	<u>167,420</u>	<u>415,300</u>	<u>1,564,131</u>	<u>-</u>	<u>-</u>

(continued on next page)

	<u>2002 Bond Issue</u>		<u>Convention Center</u>	
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfer from other funds	962,235	961,860	527,800	527,933
Transfer (to) other funds	-	-	-	-
Total other financing sources (uses)	<u>962,235</u>	<u>961,860</u>	<u>527,800</u>	<u>527,933</u>
Net change in fund balance	<u>\$ -</u>	<u>(858)</u>	<u>\$ -</u>	<u>1,666</u>
Fund balance, beginning of year		<u>425,146</u>		<u>1,379,185</u>
FUND BALANCE, END OF YEAR		<u>\$ 424,288</u>		<u>\$ 1,380,851</u>

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
(continued)
Year Ended April 30, 2014

Park Sports Complex		Park Land Fund		Prop S Infrastructure		Strategic Plan	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
-	-	-	-	-	-	-	630,593
988,200	989,292	-	-	-	-	-	-
-	-	(155,200)	(59,500)	(415,300)	(414,655)	-	-
988,200	989,292	(155,200)	(59,500)	(415,300)	(414,655)	-	630,593
\$ -	(262)	\$ -	107,920	\$ -	1,149,476	\$ -	630,593
	373,450		792,268		2,020,168		-
	<u>\$ 373,188</u>		<u>\$ 900,188</u>		<u>\$ 3,169,644</u>		<u>\$ 630,593</u>

	1997 Bond Issue		2002 Bond Issue		Special Service Areas	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
REVENUES						
Property tax	\$ -	\$ -	\$ -	\$ -	\$315,310	\$314,588
Build America bond rebates	-	-	-	-	-	-
Interest income	-	-	-	-	1,280	1,248
Contributions from developer	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,590</u>	<u>315,836</u>
EXPENDITURES						
Debt Service						
Principal retirement	465,000	465,000	-	-	145,000	145,000
Interest and fiscal charges	135,200	134,955	-	-	171,590	171,595
Total expenditures	<u>600,200</u>	<u>599,955</u>	<u>-</u>	<u>-</u>	<u>316,590</u>	<u>316,595</u>
Excess (deficiency) of revenues over expenditures	(600,200)	(599,955)	-	-	-	(759)
OTHER FINANCING SOURCES (USES)						
Transfer from other funds	600,200	599,830	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>(125)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>(759)</u>
Fund balance (deficit), beginning of year		<u>(250)</u>		<u>287,192</u>		<u>511,043</u>
FUND BALANCE (DEFICIT), END OF YEAR		<u>\$ (375)</u>		<u>\$287,192</u>		<u>\$510,284</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, 2014

Subaru		Newbold		Harley Davidson		Build America	
Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
\$ 76,100	\$ 75,300	\$ -	\$ 123,087	\$ -	\$ 105,072	\$ -	-
-	-	-	-	-	-	33,380	16,688
440	6	-	-	-	-	-	-
-	501,051	-	-	-	-	-	-
<u>76,540</u>	<u>576,357</u>	<u>-</u>	<u>123,087</u>	<u>-</u>	<u>105,072</u>	<u>33,380</u>	<u>16,688</u>
20,000	580,000	-	75,000	-	60,000	85,000	85,000
56,540	77,886	-	84,840	-	75,640	95,615	95,613
<u>76,540</u>	<u>657,886</u>	<u>-</u>	<u>159,840</u>	<u>-</u>	<u>135,640</u>	<u>180,615</u>	<u>180,613</u>
-	(81,529)	-	(36,753)	-	(30,568)	(147,235)	(163,925)
-	-	-	-	-	-	147,235	164,175
<u>\$ -</u>	<u>(81,529)</u>	<u>\$ -</u>	<u>(36,753)</u>	<u>\$ -</u>	<u>(30,568)</u>	<u>\$ -</u>	<u>250</u>
	<u>79,759</u>		<u>332,654</u>		<u>284,020</u>		<u>(250)</u>
	<u>\$ (1,770)</u>		<u>\$ 295,901</u>		<u>\$ 253,452</u>		<u>\$ -</u>

STATEMENT 7

City of O'Fallon
St. Clair County, Illinois

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC
OPPORTUNITY GRANT #12-203616
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL

Year Ended April 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Match</u>
Revenues			
Grant revenue from DCEO	<u>\$ 96,000</u>	<u>\$ 96,000</u>	<u>\$ -</u>
Expenditures			
Design/engineering	15,500	15,500	
Equipment/material/labor	74,000	74,000	-
Construction management and oversight	1,500	1,500	
Contingency	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>96,000</u>	<u>96,000</u>	<u>-</u>
Excess of revenues over expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of O'Fallon
St. Clair County, Illinois

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC
OPPORTUNITY GRANT #13-203246
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL

Year Ended April 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Match</u>
Revenues			
Grant revenue from DCEO	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>
Expenditures			
Design/engineering	22,500	22,500	-
Equipment/material/labor	45,000	45,000	-
Paving/concrete/masonry	18,965	18,965	-
Construction management and oversight	6,200	6,200	-
Excavation/site prep/demo	25,200	25,200	-
Other construction expenses	15,000	15,000	-
Contingency	17,135	17,135	-
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FUNCTION/ACTIVITY	<u>Total</u>	<u>Land</u>	<u>Construction in Progress</u>
General administration			
Administration	\$ 35,731,061	\$23,807,738	\$ -
Building	252,129	-	-
Planning and zoning	75,714	-	-
Total general administration	<u>36,058,904</u>	<u>23,807,738</u>	<u>-</u>
Recreational and education			
Park	<u>29,080,873</u>	<u>5,778,749</u>	<u>195,139</u>
Public safety			
Police	9,521,929	398,136	-
Fire	6,046,029	71,173	1,556,827
Ambulance	1,598,317	-	-
Total public safety	<u>17,166,275</u>	<u>469,309</u>	<u>1,556,827</u>
Highways and streets			
Streets	<u>119,598,743</u>	<u>1,056,583</u>	<u>669,195</u>
GOVERNMENTAL CAPITAL ASSETS	<u><u>\$ 201,904,795</u></u>	<u><u>\$ 31,112,379</u></u>	<u><u>\$ 2,421,161</u></u>

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY

As of April 30, 2014

<u>Sports Park</u>	<u>Land/Building Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Infrastructure/ Improvements</u>
\$ -	\$ 350,862	\$ 10,090,109	\$ 1,464,122	\$ 18,230	\$ -
-	17,073	221,626	11,793	1,637	-
-	-	-	-	75,714	-
-	<u>367,935</u>	<u>10,311,735</u>	<u>1,475,915</u>	<u>95,581</u>	-
<u>19,158,340</u>	<u>1,827,301</u>	<u>907,799</u>	<u>961,215</u>	<u>252,330</u>	-
-	17,742	6,951,453	1,056,122	1,098,476	-
-	49,296	377,527	895,646	3,095,560	-
-	<u>17,742</u>	<u>50,123</u>	<u>661,576</u>	<u>868,876</u>	-
-	<u>84,780</u>	<u>7,379,103</u>	<u>2,613,344</u>	<u>5,062,912</u>	-
-	<u>356,724</u>	<u>420,240</u>	<u>1,499,912</u>	<u>812,411</u>	<u>114,783,678</u>
<u>\$ 19,158,340</u>	<u>\$ 2,636,740</u>	<u>\$ 19,018,877</u>	<u>\$ 6,550,386</u>	<u>\$ 6,223,234</u>	<u>\$ 114,783,678</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, 2014

FUNCTION/ACTIVITY	Governmental Capital Assets 5/01/13	Additions	Deletions	Governmental Capital Assets 4/30/14
General administration				
Administration	\$ 35,494,415	\$ 421,252	\$ 184,606	\$ 35,731,061
Building	201,316	50,813	-	252,129
Planning and zoning	75,714	-	-	75,714
Total general administration	<u>35,771,445</u>	<u>472,065</u>	<u>184,606</u>	<u>36,058,904</u>
Recreation and education				
Park	<u>28,544,509</u>	<u>536,364</u>	<u>-</u>	<u>29,080,873</u>
Public safety				
Police	9,391,079	194,694	63,844	9,521,929
Fire	3,968,178	2,547,867	470,016	6,046,029
Ambulance	<u>1,549,357</u>	<u>48,960</u>	<u>-</u>	<u>1,598,317</u>
Total public safety	<u>14,908,614</u>	<u>2,791,521</u>	<u>533,860</u>	<u>17,166,275</u>
Highways and streets				
Streets	<u>119,230,687</u>	<u>368,056</u>	<u>-</u>	<u>119,598,743</u>
GOVERNMENTAL CAPITAL ASSETS	<u>\$ 198,455,255</u>	<u>\$ 4,168,006</u>	<u>\$ 718,466</u>	<u>\$ 201,904,795</u>

ASSESSED VALUATIONS AND
PROPERTY TAX RATES

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSESSED VALUATIONS	<u>\$636,736,130</u>	<u>\$647,311,486</u>	<u>\$656,896,915</u>	<u>\$656,365,349</u>
PROPERTY TAX RATES				
General	0.0390	0.0382	0.0426	0.0430
Fire Protection	0.1833	0.1802	0.1818	0.1738
Ambulance	0.1814	0.1784	0.2017	0.2035
Library	0.1512	0.1487	0.1500	0.1500
Park and Recreation	0.0908	0.0892	0.0900	0.0900
Bond and Interest	-	-	-	-
Police Pension	0.1724	0.1767	0.1619	0.1452
Municipal Retirement	0.0602	0.0595	0.0535	0.0527
Social Security	0.1227	0.1165	0.1009	0.0832
TOTAL PROPERTY TAX RATES	<u>1.0010</u>	<u>0.9874</u>	<u>0.9824</u>	<u>0.9414</u>

City of O'Fallon
St. Clair County, Illinois

ASSESSED VALUATIONS AND PROPERTY TAX RATES

Tax Years 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>\$658,364,306</u>	<u>\$ 656,149,272</u>	<u>\$606,824,865</u>	<u>\$537,911,627</u>	<u>\$471,138,334</u>	<u>\$418,776,219</u>
0.0365	0.0375	0.0370	0.0419	0.0456	0.0460
0.1561	0.1500	0.1356	0.1303	0.1113	0.1021
0.2003	0.1944	0.1873	0.2038	0.2277	0.2386
0.1500	0.1480	0.1448	0.1442	0.1500	0.1500
0.0900	0.0900	0.0869	0.0900	0.0900	0.0900
-	-	0.0237	0.0261	0.0305	0.0348
0.1316	0.1173	0.1045	0.1056	0.1202	0.1244
0.0521	0.0540	0.0552	0.0576	0.0680	0.0781
<u>0.0807</u>	<u>0.0820</u>	<u>0.0836</u>	<u>0.0925</u>	<u>0.1074</u>	<u>0.1192</u>
<u>0.8973</u>	<u>0.8732</u>	<u>0.8586</u>	<u>0.8920</u>	<u>0.9507</u>	<u>0.9832</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>
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
2011	28,147,355	6,164,513	31,157	-	325,618	595,617
2012	28,280,273	6,347,573	27,632	-	326,987	597,880
2013	30,218,253	6,468,313	29,245	-	343,670	644,581
2014	30,502,255	6,241,847	30,651	-	379,545	662,903

City of O'Fallon
St. Clair County, Illinois

GENERAL GOVERNMENTAL FUNDS AND COMPONENT UNIT
REVENUES BY SOURCE

Last Ten Fiscal Years

<u>Intergov- ernmental</u>	<u>Utility Tax</u>	<u>Fee in lieu of taxes</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Fees</u>	<u>Interest Received</u>
\$ 11,282,232	\$ 1,118,584	\$ -	\$ 503,755	\$ 1,371,598	\$ 163,133	\$ 240,255
11,358,564	1,301,367	-	632,551	1,352,614	139,407	631,154
12,726,463	1,184,546	-	578,784	2,204,722	130,231	1,427,464
13,566,578	1,149,925	-	495,222	1,972,922	225,614	1,092,190
12,409,665	1,327,070	-	317,557	2,354,598	249,415	334,777
11,191,318	1,172,662	-	302,434	2,516,068	310,375	483,817
13,151,472	1,429,106	-	662,683	2,808,564	282,305	601,379
13,587,611	1,462,057	585,218	495,600	2,716,362	321,011	28,430
14,145,480	1,623,582	644,830	662,645	2,919,950	320,021	317,808
14,160,449	1,732,857	640,420	501,309	3,022,873	412,214	375,551

TABLE 2

<u>Insurance Claims</u>	<u>Miscella- neous</u>	<u>Cable TV</u>	<u>Donations</u>	<u>Bond Rebates</u>
\$ 3,085	\$ 244,036	\$ 443,018	\$ 47,601	\$ -
80,761	735,219	570,576	48,255	-
41,657	621,612	492,932	60,864	-
6,418	490,457	1,148,153	417,144	-
492	279,557	1,213,695	1,400,945	-
44,800	265,121	1,267,959	28,291	-
61	340,466	1,320,132	128,262	306,020
765	193,627	1,345,239	47,189	197,092
22,670	286,348	1,577,453	51,243	160,414
2,795	265,042	1,311,497	585,043	177,259

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>
2005	\$ 28,556,163	\$ 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	21,330,486	1,579,004	5,490,865	792,180	3,488,457	762,502
2011	32,018,292	4,514,824	5,843,502	792,507	3,336,367	743,762
2012	28,752,691	3,558,955	6,039,314	900,559	5,066,411	796,169
2013	32,509,533	3,037,563	6,556,535	1,962,941	5,529,144	829,698
2014	31,944,705	3,154,131	6,866,063	3,542,323	4,360,405	830,096

(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>	<u>Economic Develop- ment</u>
\$ 74,804	\$ 4,819,437	\$ -	\$ 1,416,648	\$ 2,349,161	\$ -	\$ 465,468
84,474	3,640,007	-	1,430,276	2,697,191	2,004,665	405,348
87,565	8,584,101	-	1,642,374	2,647,930	303,388	2,658,015
84,643	3,611,343	-	1,811,043	4,467,719	97,592	1,530,252
49,029	2,141,112	-	1,872,803	4,308,378	23,475	454,526
66,993	2,718,479	-	1,663,294	3,442,824	10,981	372,459
68,632	9,227,525	-	1,715,168	4,405,388	4,674	379,108
87,235	4,988,267	-	1,722,223	4,073,017	6,001	400,114
84,009	3,484,302	-	2,198,829	7,469,294	6,222	299,553
100,689	3,121,806	-	1,994,365	5,341,473	4,526	1,504,652

TABLE 3

<u>Tourism</u>	<u>TIF</u>	<u>Library</u>
\$ 85,684	\$ 108,715	\$ 757,330
52,251	50,929	808,043
63,003	60,019	810,475
150,600	90,876	750,558
49,038	66,442	878,663
59,755	27,517	855,176
51,102	22,987	912,746
48,543	67,718	998,165
50,464	19,323	981,656
49,414	102,683	972,079

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended April 30, 2014

Federal Grantor/Pass-Through Grantor - Program Title	Federal CFDA Number	Federal Expenditures
Environmental Protection Agency		
Passed-Through Illinois Environmental Protection Agency (M) Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>\$ 553,468</u>
U. S. Department of Justice		
Equitable Sharing Program	16.922	<u>69,023</u>
U. S. Department of Justice		
Passed-Through Metropolitan Enforcement Group of Southwestern Illinois Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.803	<u>41,116</u>
Project Safe Neighborhoods (PSN)	16.609	<u>3,837</u>
U. S. Department of Transportation		
Passed-Through Illinois Department of Transportation Highway Planning and Construction	20.205	<u>54,950</u>
State and Community Highway Safety	20.600	<u>3,539</u>
Total cash federal assistance		<u><u>\$ 725,933</u></u>

(M) Major program

City of O'Fallon
St. Clair County, Illinois

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

April 30, 2014

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: Insurance

The City purchases commercial general liability, workers' compensation and property insurance to cover all risks. The City does not have any insurance provided by federal sources.

Note 3: Payments to Subrecipients

No amounts were provided to subrecipients for the year ended April 30, 2014.

Note 4: Loan or Loan Guarantees

The City had no loan or loan guarantees for the year ended April 30, 2014.



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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

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

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City of O'Fallon, Illinois' basic financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

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

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

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

did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of O'Fallon, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2014-003.

City of O'Fallon's Responses to Findings

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

Purpose of this Report

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



Belleville, Illinois

October 21, 2014



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the City of O'Fallon, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of O'Fallon, Illinois' major federal programs for the year ended April 30, 2014. The 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of O'Fallon, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of O'Fallon, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of O'Fallon, Illinois, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2014.

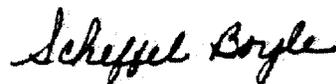
Report on Internal Control Over Compliance

Management of the City of O'Fallon, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of O'Fallon, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Belleville, Illinois

October 21, 2014

City of O'Fallon
St. Clair County, Illinois

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2014

Summary of Auditor's Results

1. We have audited the financial statements of the City of O'Fallon, Illinois as of and for the year ended April 30, 2014, and issued qualified opinions on the governmental activities, the business-type activities, each major proprietary fund and the aggregate remaining fund information, and an unmodified opinion on the aggregate discretely presented component unit and each major governmental fund. The City of O'Fallon, Illinois' 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 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Neither of the conditions is reported as a material weakness.
3. An instance of noncompliance material to the financial statements of the City of O'Fallon, Illinois, which is required to be reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, 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 for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. We have audited the compliance of the City of O'Fallon, Illinois with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended April 30, 2014, and issued our unqualified opinion thereon dated October 21, 2014.
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:

Program	CFDA No.
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. The threshold for distinguishing type A and B programs was \$300,000.
9. The 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, 2014

Financial Statement Findings

See attached Schedule of Findings and Questioned Costs

Findings and Questioned Costs

None

Prior Years Findings and Questioned Costs

None

City of O'Fallon
St. Clair County, Illinois

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended April 30, 2014

Finding Number: 2014-001

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, 2014.

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, 2014.

Context: The City does not have sufficient internal controls over their financial reporting.

Effect: The City was unable and in the future may be unable to prepare their financial statements in accordance with U. S. generally accepted accounting principles.

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, 2014

Finding Number: 2014-002

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, 2014 in accordance with U. S. generally accepted accounting principles.

Context: The City does not have sufficient internal controls over their financial reporting. The effect of the recommended audit journal entries for the year ended April 30, 2014 was to adjust for some year end accruals, reclassify revenue and expense items that were misposted, record depreciation expense and adjust various notes payable at April 30, 2014. 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, 2014 in accordance with U. S. generally accepted accounting principles and in the future may not be able to properly record all transactions.

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, 2014

Finding Number: 2014-003

- Criteria: Compared budgeted expenditures with actual expenditures to see if the City had overexpended their budget for the year ended April 30, 2014.
- Condition: After completing the audit, we noted the City overexpended their budget in the General Fund, Park Fund, Cemetery Fund, IMRF Fund, Tax Increment Financing Fund, Park Sports Complex Fund, Special Service Areas Debt Service Fund, Subaru Debt Service Fund, Newbold Debt Service Fund and Harley Davidson Debt Service Fund.
- Context: We compared all the budgets adopted for the fiscal year ended April 30, 2014 with the actual expenditures for the fiscal year ended April 30, 2014.
- Effect: The City was not in compliance by overexpending their budget for the year. By not reviewing budgets more closely, future budgets may be overexpended.
- Cause: The City's expenses exceeded expectations, and the budget as amended, did not reflect that. Also, the City's budget includes transfers in expenditures where they are reported as other financing uses in the audited financial statements.
- Recommendation: To adopt a reasonable budget that can be followed for the year, monitor spending and if necessary, amend the budget to reflect increases in expectations.
- Management response: Management plans to adopt a reasonable budget, to monitor spending and to amend the budget to more accurately reflect changes in expectations.