



Phillips, Salmi & Associates, LLC
Certified Public Accountants

CITY OF CANTON, ILLINOIS
ANNUAL FINANCIAL REPORT
For the year ended April 30, 2010

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Phillips, Salmi & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the City Council
City of Canton, Illinois

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

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

As discussed in Note 1, except for the Pension Trust Funds financial statements, the City of Canton, Illinois, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The City of Canton, Illinois, prepares its Pension Trust Funds financial statements on the accrual basis of accounting, which is the basis of accounting generally accepted in the United States of America.

In our opinion, except for the Pension Trust Funds, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canton, Illinois as of April 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1. In our opinion, the Pension Trust Funds financial statements present fairly, in all material respects, the assets, liabilities, and net assets of the City of Canton, Illinois' Pension Trust Funds as of April 30, 2010, and the respective changes in net assets, thereof, for the year ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2011, on our consideration of the City of Canton's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Canton, Illinois, has not presented the Management's discussion and analysis which is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison schedule – modified cash basis – general fund, schedule of funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police and fire pension funds (unaudited) on pages 44-49, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the schedule of funding progress – Illinois Municipal Retirement Fund (unaudited) and schedule of funding progress – police and fire pension trust funds (unaudited), which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. In our opinion, the budgetary comparison schedule – modified cash basis – general fund is fairly stated, in all material respects, in relation to the basic financial statements from which it has been derived.

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the City of Canton, Illinois' basic financial statements. The other supplementary information, as listed in the accompanying table of contents, is presented for additional analysis and is not a required part of the basic financial statements. Such information, on pages 50-62, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Phillips, Salmi & Associates, LLC

March 4, 2011

CITY OF CANTON, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
April 30, 2010

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|--------------------------|
| | Governmental Activities | Business-type Activities | Total |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,496,842 | \$ 465,746 | \$ 2,962,588 |
| Investments | 946,870 | - | 946,870 |
| Restricted assets | 1,237,424 | 11,994,795 | 13,232,219 |
| Due from other governments | 11,274 | - | 11,274 |
| Due from contractor | 1,112 | - | 1,112 |
| Internal Balances | 443,637 | (443,637) | - |
| Economic development loans receivable | 22,850 | - | 22,850 |
| Capital Assets: | | | |
| Non-depreciable | 473,244 | 16,290,574 | 16,763,818 |
| Depreciable, net | 3,529,759 | 14,609,213 | 18,138,972 |
| Total Assets | <u>\$ 9,163,012</u> | <u>\$ 42,916,691</u> | <u>\$ 52,079,703</u> |
| <u>LIABILITIES</u> | | | |
| Payroll liabilities payable | \$ 1,852 | \$ 845 | \$ 2,697 |
| Current portion of bonds and loans payable | 40,000 | 1,326,859 | 1,366,859 |
| Non-Current Liabilities: | | | |
| Bonds payable after one year | - | 21,150,000 | 21,150,000 |
| Unamortized premium on bonds payable | - | 53,902 | 53,902 |
| Loans due after one year | 4,120,000 | 2,031,679 | 6,151,679 |
| Total Liabilities | <u>4,161,852</u> | <u>24,563,285</u> | <u>28,725,137</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | - | 17,866,961 | 17,866,961 |
| Restricted for: | | | |
| System improvements | - | 9,866,316 | 9,866,316 |
| Debt service | - | 995,262 | 995,262 |
| Operations and maintenance | - | 282,537 | 282,537 |
| Repair and replacement | - | 403,240 | 403,240 |
| Garbage services | 102,273 | - | 102,273 |
| Tourism promotion | 68,725 | - | 68,725 |
| PRISM project | 9,244 | - | 9,244 |
| Fire technical rescue fund expenditures | 7,798 | - | 7,798 |
| Environmental remediation | 1,237,424 | - | 1,237,424 |
| Perpetual care and maintenance | - | 447,440 | 447,440 |
| Unrestricted (deficit) | 3,575,696 | (11,508,350) | (7,932,654) |
| Total Net Assets | <u>5,001,160</u> | <u>18,353,406</u> | <u>23,354,566</u> |
| | <u>\$ 9,163,012</u> | <u>\$ 42,916,691</u> | <u>\$ 52,079,703</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2010

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|-----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities | | | | |
| General government | \$ 2,222,165 | \$ 110,362 | \$ 2,152 | \$ - |
| Public safety | 4,679,413 | 50,204 | 28,008 | 33,450 |
| Public works | 766,839 | 136,331 | - | - |
| Community development | 984,895 | - | 351,952 | 771,271 |
| Buildings and grounds | 177,657 | - | - | - |
| Sanitation | 571,950 | 455,054 | - | - |
| Interest on long-term debt | 52,213 | - | - | - |
| Total governmental activities | 9,455,132 | 751,951 | 382,112 | 804,721 |
| Business-type activities: | | | | |
| Water and sewer utilities | 5,612,924 | 5,876,249 | - | - |
| Cemetery operations | 116,563 | 54,250 | - | - |
| Total business-type activities | 5,729,487 | 5,930,499 | - | - |
| Total primary government | \$ 15,184,619 | \$ 6,682,450 | \$ 382,112 | \$ 804,721 |

General Revenues

Local taxes
Intergovernmental
Interest and investment income
Miscellaneous
Loss on disposal of fixed assets
Transfers in (out)

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning (As restated)

Net assets - ending

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes
in Net Assets - Primary Government**

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (2,109,651) | \$ - | \$ (2,109,651) |
| (4,567,751) | - | (4,567,751) |
| (630,508) | - | (630,508) |
| 138,328 | - | 138,328 |
| (177,657) | - | (177,657) |
| (116,896) | - | (116,896) |
| (52,213) | - | (52,213) |
| <u>(7,516,348)</u> | <u>-</u> | <u>(7,516,348)</u> |
| - | 263,325 | 263,325 |
| <u>-</u> | <u>(62,313)</u> | <u>(62,313)</u> |
| - | 201,012 | 201,012 |
| <u>(7,516,348)</u> | <u>201,012</u> | <u>(7,315,336)</u> |
| 2,839,537 | - | 2,839,537 |
| 4,071,314 | - | 4,071,314 |
| 69,870 | 187,290 | 257,160 |
| 260,352 | - | 260,352 |
| (3,419) | - | (3,419) |
| (582,915) | 582,915 | - |
| <u>6,654,739</u> | <u>770,205</u> | <u>7,424,944</u> |
| (861,609) | 971,217 | 109,608 |
| <u>5,862,769</u> | <u>17,382,189</u> | <u>23,244,958</u> |
| <u>\$ 5,001,160</u> | <u>\$ 18,353,406</u> | <u>\$ 23,354,566</u> |

CITY OF CANTON, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES, AND FUND EQUITY
MODIFIED CASH BASIS - GOVERNMENTAL FUND TYPES
April 30, 2010

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 966,144 | \$ 1,530,698 | \$ 2,496,842 |
| Investments | 946,870 | - | 946,870 |
| Restricted Cash | - | 1,237,424 | 1,237,424 |
| D.C.C.A. loans receivable | - | 22,850 | 22,850 |
| Due from contractor | - | 1,112 | 1,112 |
| Due from other governments | 11,274 | - | 11,274 |
| Due from other funds | 600,060 | 661,681 | 1,261,741 |
| Total assets | <u>\$ 2,524,348</u> | <u>\$ 3,453,765</u> | <u>\$ 5,978,113</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Current liabilities: | | | |
| Due to other funds | \$ 610,949 | \$ 207,155 | \$ 818,104 |
| Payroll taxes withheld | 1,852 | - | 1,852 |
| Total current liabilities | <u>612,801</u> | <u>207,155</u> | <u>819,956</u> |
| Fund equity: | | | |
| Fund balances: | | | |
| Reserved for garbage expenditures | 102,273 | - | 102,273 |
| Reserved for tourism promotion expenditure | 68,725 | - | 68,725 |
| Reserved for police expenditures | 9,244 | - | 9,244 |
| Reserved for fire technical rescue fund expenditures | 7,798 | - | 7,798 |
| Reserved for IH site environmental remediation | - | 1,237,424 | 1,237,424 |
| Unreserved: | | | |
| Reported in: | | | |
| General Fund: | | | |
| Undesignated | 1,723,507 | - | 1,723,507 |
| Special revenue funds, undesignated | - | 1,698,843 | 1,698,843 |
| Capital project funds, undesignated | - | 310,343 | 310,343 |
| Total fund balances | <u>1,911,547</u> | <u>3,246,610</u> | <u>5,158,157</u> |
| Total liabilities & fund balances | <u>\$ 2,524,348</u> | <u>\$ 3,453,765</u> | <u>\$ 5,978,113</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,
AND FUND EQUITY - MODIFIED CASH BASIS - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
April 30, 2010

| | |
|---|----------------------------|
| Total fund balance - total governmental funds | |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because: | \$ 5,158,157 |
| Capital assets of \$7,391,129 net of accumulated depreciation of \$3,388,126 are not financial resources and, therefore, are not reported in the funds. | 4,003,003 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | <u>(4,160,000)</u> |
| Net assets of governmental activities | <u><u>\$ 5,001,160</u></u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
Year ended April 30, 2010

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| <u>REVENUES RECEIVED</u> | | | |
| Local taxes | \$ 2,199,606 | \$ 639,931 | \$ 2,839,537 |
| Intergovernmental | 4,141,229 | 1,109,926 | 5,251,155 |
| Licenses and permits | 115,197 | - | 115,197 |
| Fines | 88,544 | 13,656 | 102,200 |
| Charges for services | 500,423 | - | 500,423 |
| Interest | 48,021 | 21,849 | 69,870 |
| Franchise fees | 136,331 | - | 136,331 |
| Other | 106,876 | 58,268 | 165,144 |
| | <u>7,336,227</u> | <u>1,843,630</u> | <u>9,179,857</u> |
| <u>EXPENDITURES DISBURSED</u> | | | |
| General government | 1,571,488 | 553,062 | 2,124,550 |
| Buildings and grounds | 176,196 | - | 176,196 |
| Public safety | 4,522,161 | 21,762 | 4,543,923 |
| Public works/transportation | 640,151 | 80,281 | 720,432 |
| Sanitation | 536,573 | - | 536,573 |
| Community development | - | 981,806 | 981,806 |
| Capital outlay | 884,529 | 300,737 | 1,185,266 |
| Debt service: | | | |
| Principal | 840,000 | - | 840,000 |
| Interest | 7,180 | 45,033 | 52,213 |
| | <u>9,178,278</u> | <u>1,982,681</u> | <u>11,160,959</u> |
| Revenues received over (under) expenditures disbursed before other financing sources (uses) | (1,842,051) | (139,051) | (1,981,102) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Debt proceeds | - | 4,000,000 | 4,000,000 |
| Debt issuance costs | - | (35,000) | (35,000) |
| Operating transfers in | 805,280 | - | 805,280 |
| Operating transfers (out) | (84,139) | (1,304,056) | (1,388,195) |
| | <u>721,141</u> | <u>2,660,944</u> | <u>3,382,085</u> |
| Change in fund balance | (1,120,910) | 2,521,893 | 1,400,983 |
| FUND BALANCE, beginning | <u>3,032,457</u> | <u>724,717</u> | <u>3,757,174</u> |
| FUND BALANCE, ending | <u>\$ 1,911,547</u> | <u>\$ 3,246,610</u> | <u>\$ 5,158,157</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
April 30, 2010

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds | \$ 1,400,983 |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlay of \$1,185,266 exceeded depreciation of \$284,439 in the current period. | |
| | 900,827 |
| The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of \$4,000,000 exceeded repayments of \$840,000. | |
| | (3,160,000) |
| Governmental funds report proceeds from the sale of fixed assets as revenues. However, in the statement of activities, the cost of the assets sold is netted against the sale proceeds to reflect the gain or loss on sale of assets. This is the unrecovered book cost of fixed assets sold or scrapped. | |
| | <u>(3,419)</u> |
| Change in net assets of governmental activities | <u><u>\$ (861,609)</u></u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS -
PROPRIETARY FUNDS
April 30, 2010

| | <u>Water & Sewer</u> | <u>Cemetery</u> | <u>Total</u> |
|---|------------------------------|-------------------|----------------------|
| <u>ASSETS</u> | | | |
| Unrestricted current assets: | | | |
| Cash and cash equivalents | \$ 441,438 | \$ 24,308 | \$ 465,746 |
| Restricted current assets: | | | |
| Cash and cash equivalents | 5,124,618 | 202,440 | 5,327,058 |
| Investments | 6,422,737 | 245,000 | 6,667,737 |
| Total restricted current assets | <u>11,547,355</u> | <u>447,440</u> | <u>11,994,795</u> |
| Total current assets | <u>11,988,793</u> | <u>471,748</u> | <u>12,460,541</u> |
| Property, plant and equipment: | | | |
| Building and plant | 23,000,731 | 44,782 | 23,045,513 |
| Water and sewer extensions | 5,301,091 | - | 5,301,091 |
| Equipment and vehicles | 1,548,670 | 121,188 | 1,669,858 |
| Work in progress | 16,290,574 | - | 16,290,574 |
| | <u>46,141,066</u> | <u>165,970</u> | <u>46,307,036</u> |
| Less accumulated depreciation | (15,302,504) | (104,745) | (15,407,249) |
| Net property, plant and equipment | <u>30,838,562</u> | <u>61,225</u> | <u>30,899,787</u> |
| Total assets | <u>\$ 42,827,355</u> | <u>\$ 532,973</u> | <u>\$ 43,360,328</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Current liabilities (payable from current assets): | | | |
| Payroll taxes payable | \$ - | \$ 845 | \$ 845 |
| Due to other funds | 443,637 | - | 443,637 |
| Current portion of long-term liabilities | 1,326,859 | - | 1,326,859 |
| Total | <u>1,770,496</u> | <u>845</u> | <u>1,771,341</u> |
| Long-term liabilities: | | | |
| Illinois EPA loan payable | 2,031,679 | - | 2,031,679 |
| Revenue bonds payable | 21,150,000 | - | 21,150,000 |
| Unamortized premium on bonds payable | 53,902 | - | 53,902 |
| Total long-term liabilities, net of current portion | <u>23,235,581</u> | <u>-</u> | <u>23,235,581</u> |
| Total liabilities | <u>25,006,077</u> | <u>845</u> | <u>25,006,922</u> |
| Fund equity: | | | |
| Net assets: | | | |
| Invested in capital assets net of related debt | 17,805,736 | 61,225 | 17,866,961 |
| Restricted for: | | | |
| System improvements | 9,866,316 | - | 9,866,316 |
| Debt Service | 995,262 | - | 995,262 |
| Operation and maintenance | 282,537 | - | 282,537 |
| Repair and replacement | 403,240 | - | 403,240 |
| Perpetual care and maintenance | - | 447,440 | 447,440 |
| Unrestricted | (11,531,813) | 23,463 | (11,508,350) |
| Total fund equity | <u>17,821,278</u> | <u>532,128</u> | <u>18,353,406</u> |
| Total liabilities and fund equity | <u>\$ 42,827,355</u> | <u>\$ 532,973</u> | <u>\$ 43,360,328</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2010

| | <u>Water & Sewer Fund</u> | <u>Cemetery Fund</u> | <u>Total Enterprise Funds</u> |
|---|--|---------------------------------|--|
| <u>OPERATING REVENUES</u> | | | |
| Charges for service and sales | \$ 5,829,160 | \$ 54,250 | \$ 5,883,410 |
| Other income | 47,089 | - | 47,089 |
| Total operating revenues | <u>5,876,249</u> | <u>54,250</u> | <u>5,930,499</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Operations and maintenance | 3,597,562 | 103,889 | 3,701,451 |
| Depreciation | 814,469 | 12,674 | 827,143 |
| Total operating expenses | <u>4,412,031</u> | <u>116,563</u> | <u>4,528,594</u> |
| Operating income (loss) | <u>1,464,218</u> | <u>(62,313)</u> | <u>1,401,905</u> |
| <u>NONOPERATING REVENUE & EXPENSES</u> | | | |
| Interest income | 178,807 | 8,483 | 187,290 |
| Interest expense | (1,200,893) | - | (1,200,893) |
| | <u>(1,022,086)</u> | <u>8,483</u> | <u>(1,013,603)</u> |
| Net income (loss) before transfers | 442,132 | (53,830) | 388,302 |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Operating transfers in | <u>533,770</u> | <u>49,145</u> | <u>582,915</u> |
| Change in net assets | 975,902 | (4,685) | 971,217 |
| NET ASSETS, beginning | <u>16,845,376</u> | <u>536,813</u> | <u>17,382,189</u> |
| NET ASSETS, ending | <u><u>\$ 17,821,278</u></u> | <u><u>\$ 532,128</u></u> | <u><u>\$ 18,353,406</u></u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2010

| | <u>Water & Sewer</u> | <u>Cemetery Fund</u> | <u>Total Enterprise Funds</u> |
|---|------------------------------|--------------------------|---------------------------------------|
| <u>Cash flows from operating activities:</u> | | | |
| Cash received from customers | \$ 5,876,249 | \$ 54,250 | \$ 5,930,499 |
| Cash payments to suppliers for goods & services | (1,811,298) | (17,281) | (1,828,579) |
| Cash payments to employees for services | (1,786,264) | (86,519) | (1,872,783) |
| Net cash provided by (applied to) operating activities | <u>2,278,687</u> | <u>(49,550)</u> | <u>2,229,137</u> |
| <u>Cash flows from noncapital financing activities:</u> | | | |
| Operating transfers in | 533,770 | 49,145 | 582,915 |
| Loans from other funds | (2,290) | - | (2,290) |
| Net cash provided by noncapital financing activities | <u>531,480</u> | <u>49,145</u> | <u>580,625</u> |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| Principal paid on IL EPA loan | (142,684) | - | (142,684) |
| Principal paid on Alt. Rev. Source bonds | (1,120,000) | - | (1,120,000) |
| Interest paid | (1,200,893) | - | (1,200,893) |
| Property and equipment purchases | (7,426,923) | (13,775) | (7,440,698) |
| Net cash applied to capital and related financing activities | <u>(9,890,500)</u> | <u>(13,775)</u> | <u>(9,904,275)</u> |
| <u>Cash flows from investing activities:</u> | | | |
| Interest income received | 174,911 | 8,483 | 183,394 |
| Redemption of investments | - | 1,373 | 1,373 |
| Investment purchases | (135,085) | - | (135,085) |
| Net cash provided by investing activities | <u>39,826</u> | <u>9,856</u> | <u>49,682</u> |
| Net decrease in cash and cash equivalents | (7,040,507) | (4,324) | (7,044,831) |
| Cash and cash equivalents - beginning of year | <u>12,606,563</u> | <u>231,072</u> | <u>12,837,635</u> |
| Cash and cash equivalents - end of year | <u>\$ 5,566,056</u> | <u>\$ 226,748</u> | <u>\$ 5,792,804</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUNDS
Year ended April 30, 2010

| | Water & Sewer Fund | Cemetery Fund | Total Enterprise Funds |
|--|-----------------------------------|--------------------------|---------------------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ 1,464,218 | \$ (62,313) | \$ 1,401,905 |
| Adjustments to reconcile operating income to net cash provided (applied to) operating activities: | | | |
| Depreciation | 814,469 | 12,674 | 827,143 |
| Change in assets and liabilities: | | | |
| Increase in other liabilities | - | 89 | 89 |
| | - | 89 | 89 |
| Net cash provided (applied to) operating activities | \$ 2,278,687 | \$ (49,550) | \$ 2,229,137 |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2010

| | <u>Police Pension Trust Fund</u> | <u>Fire Pension Trust Funds</u> | <u>Total Pension Trust Funds</u> | <u>Private Purpose Trust Fund</u> |
|--|--|---|--|---|
| <u>ASSETS</u> | | | | |
| Cash and short-term investments | \$ 120,150 | \$ 169,043 | \$ 289,193 | \$ 14,685 |
| Receivables | | | | |
| Employer | 306,430 | 460,664 | 767,094 | - |
| Interest and other | 61,068 | 24,658 | 85,726 | - |
| Total receivables | <u>367,498</u> | <u>485,322</u> | <u>852,820</u> | <u>-</u> |
| Investments, at fair value | <u>11,812,065</u> | <u>5,310,024</u> | <u>17,122,089</u> | <u>-</u> |
| Total assets | <u><u>\$ 12,299,713</u></u> | <u><u>\$ 5,964,389</u></u> | <u><u>\$ 18,264,102</u></u> | <u><u>\$ 14,685</u></u> |
| <u>LIABILITIES</u> | | | | |
| Due to enterprise fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES | | | | |
| (A Schedule of funding progress for each pension plan is presented on page 48) | | | | |
| | <u><u>\$ 12,299,713</u></u> | <u><u>\$ 5,964,389</u></u> | <u><u>\$ 18,264,102</u></u> | <u><u>\$ 14,684</u></u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2010

| | Police Pension Trust Fund | Fire Pension Trust Fund | Total Pension Trust Funds | Private Purpose Trust Fund |
|---|--|--|--|---|
| <u>ADDITIONS</u> | | | | |
| Contributions | | | | |
| Employer | \$ 340,096 | \$ 510,197 | \$ 850,293 | \$ - |
| Plan member | 123,306 | 95,806 | 219,112 | - |
| Total contributions | <u>463,402</u> | <u>606,003</u> | <u>1,069,405</u> | <u>-</u> |
| Investment income | | | | |
| Net appreciation in fair value of investments | 1,695,860 | 535,199 | 2,231,059 | - |
| Interest income | 252,707 | 116,278 | 368,985 | 186 |
| Dividend income | 78,098 | 43,913 | 122,011 | - |
| | <u>2,026,665</u> | <u>695,390</u> | <u>2,722,055</u> | <u>186</u> |
| Total additions | <u>2,490,067</u> | <u>1,301,393</u> | <u>3,791,460</u> | <u>186</u> |
| <u>DEDUCTIONS</u> | | | | |
| Benefits | 566,981 | 618,153 | 1,185,134 | - |
| Administrative expense | 86,504 | 33,522 | 120,026 | - |
| Total deductions | <u>653,485</u> | <u>651,675</u> | <u>1,305,160</u> | <u>-</u> |
| NET INCREASE | 1,836,582 | 649,718 | 2,486,300 | 186 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES | | | | |
| Beginning of year | <u>10,463,131</u> | <u>5,314,671</u> | <u>15,777,802</u> | <u>14,498</u> |
| End of year | <u>\$ 12,299,713</u> | <u>\$ 5,964,389</u> | <u>\$ 18,264,102</u> | <u>\$ 14,684</u> |

See Notes to Financial Statements.

CITY OF CANTON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Canton, Illinois is a non home-rule unit and operates under a Mayor-Aldermanic Form of government. The City provides the following services to its citizens: general government, public safety (police and fire), streets, sanitation, cemetery, economic development and water and sewer utilities.

A. FINANCIAL REPORTING ENTITY AND BASIS OF PRESENTATION

1. FINANCIAL REPORTING ENTITY

Financial criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, have been reviewed to determine whether outside agencies with activities, which benefit the citizens of the City, should be included within its financial reporting entity. The criteria include, whether the City exercises significant oversight responsibility on the agencies' selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. It has been determined that no other outside agency meets the above criteria, and therefore, no other agency has been included as component unit in the City's financial statements.

The accounts of the Parlin-Ingersoll Library are excluded from the accompanying financial statements because the City does not fund the Library and the Library's board of trustees controls operations. Although the Mayor appoints the trustees, the City does not exercise any other form of control over library operations, thus the Library has not been included in these statements.

2. BASIS OF PRESENTATION – GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

3. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Major individual governmental and proprietary funds are reported in separate columns with composite columns for other non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described as follows:

Governmental Fund Types:

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund includes the City's General Fund, Liability Insurance Fund, Unemployment Compensation Fund, Worker's Compensation Fund, Firework's Fund, Tourism Fund, Fire Technical Rescue Fund, Volunteer Worker Fund, Big Toot Fund, and Prism Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, which are reported as non-major funds:

| <u>Fund</u> | <u>Brief Description</u> |
|-------------------|--|
| Motor Fuel Tax | Accounts for motor fuel taxes legally restricted for street and alley improvements. |
| Working Cash Fund | Accounts for assets legally restricted for providing short-term working cash loans to other funds. |

| | |
|----------------------------------|---|
| Civil Defense Fund | Accounts for real estate taxes legally restricted for providing Civil Defense activities to the public. |
| Illinois Municipal Retirement | Accounts for real estate taxes legally restricted for Social Security Fund providing retirement benefits to employees. |
| Tax Increment Financing District | Accounts for revenues legally restricted for community Fund development projects within designated tax increment district project areas. |
| IH Site Tax Increment District | Accounts for revenues legally restricted for development projects within the designated former International Harvester Site Tax Increment Financing project area. |
| Audit Fund | Accounts for real estate taxes legally restricted for obtaining required annual financial statement audit services. |
| Drug Prevention Fund | Accounts for fine and forfeiture revenues designated for prevention and awareness activities. |
| DUI Fund | Accounts for the fine revenues designated for capital expenditures. |
| CDAP Flex Grant Fund | Accounts for the grant revenues received for local business building exterior improvements. |
| Gambling Fund | Accounts for proceeds of pull-tab and gaming taxes designated for public safety services. |
| DCCA Loan Fund | Accounts for grant revenues legally restricted for making economic development loans to businesses and other organizations. |

Capital Projects Funds

Account for the financial resources used for the acquisition or construction of major capital facilities, property development, and environmental assessment and remediation, other than those financed by the enterprise funds. The reporting entity includes the following capital project funds which are reported as non-major funds:

| <u>Fund</u> | <u>Brief Description</u> |
|--------------------------------------|--|
| USEPA Brownfield Grant | Accounts for federal grant revenue restricted for environmental assessment and remediation projects at the former International Harvester Project Site. |
| Illinois Brownfield Grant | Accounts for federal pass-through grant revenue restricted for environmental assessment and remediation projects of the former International Harvester Project Site. |
| IT&EC Environmental Remediation Fund | Accounts for settlement proceeds restricted for remediation activities at the former International Harvester Project Site. |
| 3 rd Avenue IDOT Grant | Accounts for the 3 rd Avenue IDOT grant proceeds and expenditures. |

Proprietary Fund Types:

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

| <u>Fund</u> | <u>Brief Description</u> |
|----------------------------|--|
| Water Works and Sewer Fund | Accounts for the providing of public water and waste water treatment services as well as lake recreational activities. |
| Cemetery Fund | Accounts for the activities of operating and maintaining Greenwood Cemetery. |

Fiduciary Fund Types:

Trust and Agency Funds

Account for assets held by the City in a trustee capacity of as an agent for individuals, private organizations or other governments. These include the police and fire pension trust funds, and the private purpose trust fund. The Private Purpose trust fund includes the Orendorf Fence and Hildebrand Trust which stipulate that only income from amounts donated can be spent for cemetery maintenance expenditures. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The City does not have an agency fund.

B. MEASUREMENT FOCUS

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements.

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item “C” below. Internal activity (transactions between or within funds) are reclassified and eliminated with the government-wide statements. Reimbursements are reported as a reduction of expenses.

In the fund financial statements, the “current financial resources” measurement focus as applied to the modified cash basis of accounting:

- a. The governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. The Pension Trust Funds financial statements are prepared using economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

C. BASIS OF ACCOUNTING

Basis of accounting is a term to describe “when” transactions are recorded in the financial statements.

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

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

As a result of the use of this modified cash basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as applicable to modified cash basis reporting. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, as applicable to modified cash basis reporting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

D. CASH AND CASH EQUIVALENTS

Cash from certain City funds is invested in time deposits with an original maturity of three months or more when purchased. These accounts are classified as investments and are recorded at cost.

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Certificates of deposits are considered cash equivalents if the original maturity is three months or less.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer, is reported at a \$1 per share value, which equals the City’s fair value in the pool.

E. INVESTMENTS

Investments are comprised of non-negotiable certificates of deposit, money market mutual funds, insurance contracts, and U.S. government obligations and mutual funds, which are owned by the Pension Trust Funds and the Enterprise Fund, are reported at fair value. Fair value is based on published prices on major exchanges as of April 30, 2010.

F. CAPITAL ASSETS

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS – CAPITAL ASSETS

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004, are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful live using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to record all capital assets, except machinery, furniture and equipment for which a \$1,000 threshold is used. The range of the estimated useful lives by type of asset is as follows:

| | |
|-------------------------------------|-------------|
| Buildings | 40 years |
| Improvements other than building | 20 years |
| Machinery, furniture, and equipment | 5-12 years |
| Utility property and improvements | 15-25 years |
| Infrastructure | 40 years |

2. FUND FINANCIAL STATEMENTS – CAPITAL ASSETS

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

G. LONG-TERM DEBT

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

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

H. EQUITY CLASSIFICATION

Equity is classified as net assets in the government-wide statements, and is displayed in three components:

- a. Invest in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Government fund equity is classified as fund balance in the fund financial statements, and proprietary fund equity is classified the same as in the government-wide statements.

I. PROGRAM REVENUES

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

| | |
|--------------------|-----------------------------------|
| General Government | Fees, permits and hall rentals. |
| Public Safety | Fines and forfeitures. |
| Public Works | Charges for maintenance services. |
| Sanitation | Garbage service fees. |

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

J. OPERATING REVENUE AND EXPENSES

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

K. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity, if any, and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid from them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

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

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

L. EQUITY RESERVES

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated by the account title on the face of the combined statement of assets, liabilities and fund equity and balance sheet.

Reserves in the General Fund relate to a \$102,273 excess of garbage service fees over the garbage disbursements restricted for future garbage department capital expenditures, a \$68,725 excess of hotel/motel taxes received over disbursements restricted for future disbursements to promote local tourism, a \$9,244 reserve for the police PRISM (Partnership to Reduce Impaired Student Motorists) program that represents unexpended donations collected over expenditures to educate high school students about the hazards of drinking and driving and other police specific funding, a \$7,798 reserve for the five department technical rescue fund that represents unexpended donations collected for rescue equipment in excess of equipment purchases. The perpetual care and maintenance reserve of \$447,440 relates to monies that are required by local ordinances to be set aside for cemetery repair and maintenance. The reserve for environmental remediation of \$1,237,424 relates to unexpended settlement proceeds restricted for approved environmental remediation and redevelopment expenses at the Former International Harvester Project Site.

M. ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues collected, expenditures paid, and other changes in fund equity during the reporting period. Actual results could differ from those estimates.

NOTE 2. TAX LEVIES AND COLLECTIONS

Property taxes attach as an enforceable lien on property as of January 1: The City adopted its 2009 tax levy on December 15, 2009. The City must submit its tax levy to the county clerk on or before the last Tuesday in December. The county clerk extends the amount called for under the respective funds and within the constraints of each fund's maximum tax rate. The county treasurer normally mails property tax bills to the taxpayers during May of the following year.

The bills are due in early June and September by the county treasurer who remits the tax collected in June, July, August, September and November to the City. As of April 30, 2010, the City had received all of its 2008 levy and none of its 2009 levy.

Following is a schedule of tax rates by fund for the 2009 levy per \$100 of equalized assessed valuation:

| Fund | Rate | Maximum Allowable Rate |
|---------------------------|--------|------------------------|
| Governmental Fund Types: | | |
| Corporate | .0000 | .2500 |
| Fire Protection | .1337 | .1500 |
| Police Protection | .0642 | .0750 |
| Civil Defense | .0035 | .0500 |
| I.M.R.F. | .3342 | |
| Social Security | .1916 | |
| Liability Insurance | .0446 | |
| Audit | .0446 | |
| Unemployment Compensation | .0000 | |
| Workman's Compensation | .2050 | |
| Proprietary Fund: | | |
| Cemetery Fund | .0232 | .0250 |
| Fiduciary Fund Type: | | |
| Fire Pension | .4106 | |
| Police Pension | .2731 | |
| | 1.7283 | |

The City also receives road and bridge property taxes. However, these taxes are levied by Canton and Buckheart Townships.

NOTE 3. TAX INCREMENT FINANCING DISTRICTS

The City has two Tax Increment Financing (TIF) districts, numbered 4A and the former IH site TIF. TIF #4A includes land on the western edge of the City limits and immediately south of State Route 9. TIF #4A includes the Illinois River Correctional Center and the Enterprise Park – a total of 318 acres.

The former IH Site TIP District, adopted by the City on July 6, 2004, is located on an approximate 33 acre downtown site on the South side of Spruce Street, West of Fifth Avenue, East of Avenue A, and North of Railroad line.

The IH Site TIF District was established in connection with the redevelopment of the former International Harvester Plant Site. The IH Site TIF is scheduled to terminate December 31, 2027.

TIF district #4A receives the increase in property taxes that arise from an increase in assessed valuation over the base year assessed valuation of \$3,548,526. The IH Site TIF district receives the increase in property taxes that arise from an increase in assessed valuation over the base year assessed valuation of \$15,811,020. The tax monies collected are to be used for renovating declining areas, redeveloping blighted areas while improving the tax base of such areas. TIF district #4A is scheduled to terminate no later than December 31, 2010.

NOTE 4. CASH AND INVESTMENTS

Investment risks include: credit risk (custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. Deposit risks include: custodial credit risk and foreign currency risk.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposit policy provides that all deposits be guaranteed by the U.S. government, insured by the Federal Deposit Insurance Corporation (FDIC), or fully collateralized with securities held by the City or its agent in the City's name or by its counterparty's trust department or agent in the City's name.

The City's cash and cash equivalents at April 30, 2010 consisted of deposits with financial institutions and the Illinois Funds Money Market Fund. The Illinois Funds have a credit rating of AAAM, by an independent rating agency, indicating a strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and liquidity risks. The monies invested in the Illinois Funds by the individual participants are pooled together and invested in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements.

At April 30, 2010, all the City's deposits, excluding cash on hand, were covered by federal depository insurance, by collateral held by the financial institution's trust department or agent in the City's name, or invested in Illinois Funds Money Market Fund.

Investments

As of April 30, 2010, the City had the following investments:

| Type of Investment | Fair Value/ Carrying Amount | Average Credit Quality/ Ratings (1) | Weighted Average Years to Maturity (2) |
|--|-----------------------------------|---|--|
| Primary Government | | | |
| Certificates of deposit | \$ 7,614,607 | N/A | 0.53 |
| Fiduciary Funds | | | |
| Certificates of deposit | \$ 225,000 | N/A | 1.34 |
| U.S. Government obligations and agency securities | 7,729,863 | N/A | 6.56 |
| Annuities | 1,193,692 | N/A | N/A |
| Common stock | 1,528,261 | N/A | N/A |
| Mutual funds | 6,445,273 | N/A | N/A |
| Total Fiduciary Investments | <u>\$ 17,122,089</u> | | |

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(2) Interest rate risk is estimated using the weighted average years to maturity method.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing for the Fiduciary Fund is performed in accordance with investment policies adopted by the Board of Trustees complying with Illinois Compiled Statutes. Funds shall be invested as per Illinois Pension Code Section 3-135 and by the Public Funds Investment Act (20 ILCS 235/01).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Fund's policy provides that investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities while the Fund maintains sufficient liquidity. Investment guidelines have been established for monies invested to meet approximate market rates of return on its investments, consistent with constraints established by its safety objectives, cash flow considerations, and Illinois State laws that restrict the placement of public funds.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy provides that investments be diversified or collateralized to avoid incurring unreasonable risks regarding specific security types and/or financial institutions. Investments are insured by FDIC insurance or collateralized with securities held by the City or its agent in the City's name.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Investments representing 5% or more of total investments at April 30, 2010 are as follows:

| | |
|--|--------------|
| MidAmerica National Bank Certificates of Deposit | \$ 3,575,951 |
| Bank of Farmington Certificates of Deposit | 1,105,592 |
| Ipava State Bank Certificates of Deposit | 1,614,396 |
| CEFCU Certificates of Deposit | 1,073,668 |

NOTE 5. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the year ended April 30, 2010, is as follows:

| | Ending Balance 4/30/2009 | Additions | Deletions | Ending Balance 4/30/2010 |
|--|---|-------------------|------------------|---|
| Governmental Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 35,000 | \$ - | \$ - | \$ 35,000 |
| Work in progress | - | 438,244 | - | 438,244 |
| Depreciable Assets: | | | | |
| Buildings & Infrastructure | 2,737,639 | 558,481 | - | 3,296,120 |
| Equipment | 1,106,062 | - | - | 1,106,062 |
| Motor Vehicles | 2,382,460 | 188,541 | 55,298 | 2,515,703 |
| | <u>6,261,161</u> | <u>1,185,266</u> | <u>55,298</u> | <u>7,391,129</u> |
| Accumulated depreciation | | | | |
| Buildings & Infrastructure | 690,249 | 70,590 | - | 760,839 |
| Equipment | 595,436 | 98,850 | - | 694,286 |
| Motor Vehicles | 1,869,881 | 114,999 | 51,879 | 1,933,001 |
| | <u>3,155,566</u> | <u>284,439</u> | <u>51,879</u> | <u>3,388,126</u> |
| Governmental activities capital assets, net | <u>\$ 3,105,595</u> | <u>\$ 900,827</u> | <u>\$ 3,419</u> | <u>\$ 4,003,003</u> |

NOTE 5. CAPITAL ASSETS (Continued)

| Business-Type Activities: | Ending Balance 4/30/2009 | Additions | Deletions | Ending Balance 4/30/2010 |
|--|---|------------------|------------------|---|
| <u>Greenwood Cemetery Fund</u> | | | | |
| Mowers and equipment | \$82,615 | \$13,775 | \$ - | \$96,390 |
| Vehicle | 15,266 | - | - | 15,266 |
| Fence | 1,097 | - | - | 1,097 |
| Building | 43,685 | - | - | 43,685 |
| Land improvements | 9,532 | - | - | 9,532 |
| Accumulated depreciation | 92,071 | 12,674 | - | 104,745 |
| Greenwood Cemetery Fund Capital Assets, net | 60,124 | 1,101 | - | 61,225 |
| <u>Water & Sewer Fund</u> | | | | |
| Water plant | 7,345,525 | 880,117 | - | 8,225,642 |
| Sewer plant | 14,401,866 | 373,223 | - | 14,775,089 |
| Water extensions | 353,357 | 791,766 | - | 1,145,123 |
| Sewer extensions | 4,077,823 | 78,144 | - | 4,155,967 |
| Office equipment | 9,567 | - | 1,205 | 8,362 |
| Water equipment | 703,898 | 166,372 | - | 870,270 |
| Sewer equipment | 629,746 | 50,789 | 10,496 | 670,039 |
| Work in progress | 11,204,062 | 5,086,512 | - | 16,290,574 |
| | 38,725,844 | 7,426,923 | 11,701 | 46,141,066 |
| Accumulated depreciation | 14,499,736 | 814,469 | 11,701 | 15,302,504 |
| Water and Sewer Fund Capital Assets, net | 24,226,108 | 6,612,454 | - | 30,838,562 |
| Total business-type activity capital asset, net | \$24,286,232 | \$6,613,555 | \$ - | \$30,899,787 |
| Depreciation expenses was charged to governmental functions: | | | | |
| General Government | | | | \$ 62,615 |
| Buildings and Grounds | | | | 1,461 |
| Public Safety | | | | 135,490 |
| Public Works | | | | 46,407 |
| Community Development | | | | 3,089 |
| Sanitation | | | | 35,377 |
| Total | | | | \$ 284,439 |

NOTE 6. LONG-TERM DEBT

Governmental Activities Long-term Debt:

The City’s governmental activities long-term debt as of April 30, 2010, consisted of the following:

1.0% Rural Development Loan:

On December 31, 1991, the City borrowed \$880,000 to finance certain development costs. Principal and interest on the loan, at a rate of 1.0% per year is payable in semi-annual installments on June 30 and December 30 of each year until maturity on December 31, 2013.

The annual debt service requirements on this loan, to maturity, are as follows:

| <u>Year Ending 4/30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|-------------------|-----------------|-------------------|
| 2011 | \$ 40,000 | \$ 1,500 | \$ 41,500 |
| 2012 | 40,000 | 1,100 | 41,100 |
| 2013 | 40,000 | 700 | 40,700 |
| 2014 | 40,000 | 300 | 40,300 |
| | <u>\$ 160,000</u> | <u>\$ 3,600</u> | <u>\$ 163,600</u> |

General Obligation Debt Certificates:

On June 15, 2004, the City borrowed \$1,200,000 to finance site remediation and redevelopment costs at the former International Harvester Redevelopment Project Area. Interest on the loan is payable semi-annually on June 15 and December 15 of each year at a rate of 3.30% per year. Principal was payable at maturity on December 15, 2010.

During 2010, the City issued \$4,000,000 Debt Certificates, Series 2009. This issuance is to finance various municipal improvements and to refund the outstanding balance on the 2004 debt certificate. The Certificates carry an interest rate of 3% in which \$60,000 is due each December 1 and June 1 until maturity on December 1, 2011. The full principal amount of \$4,000,000 is due December 1, 2011.

Business-type Activities Long-term Debt:

The City’s business-type activities long-term debt as of April 30, 2010, consisted of the following:

Illinois EPA Loan:

In connection with a waterworks and sewer system maintenance project the City borrowed \$3,012,062 on an Illinois EPA Construction loan through April 20, 2010, including \$84,002 of construction period interest. The loan is payable in semi-annual installments of \$104,543 including interest at a rate of 2.93%, due February 28 and August 28 of each year. The final payment is due August 28, 2022.

The debt service requirements to maturity, on this loan, are as follows:

| Year(s) ended 4/30 | Principal | Interest | Total |
|-----------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 146,859 | \$ 62,227 | \$ 209,086 |
| 2012 | 151,156 | 57,930 | 209,086 |
| 2013 | 155,579 | 53,507 | 209,086 |
| 2014 | 160,131 | 48,955 | 209,086 |
| 2015 | 164,817 | 44,269 | 209,086 |
| 2016 | 169,639 | 39,447 | 209,086 |
| 2017 | 174,603 | 34,283 | 208,886 |
| 2018 | 179,712 | 29,374 | 209,086 |
| 2019 | 184,971 | 24,115 | 209,086 |
| 2020 | 190,383 | 18,703 | 209,086 |
| 2021 | 195,954 | 13,132 | 209,086 |
| 2022 | 201,688 | 7,398 | 209,086 |
| 2023 | 103,046 | 1,505 | 104,551 |
| | <u>\$ 2,178,538</u> | <u>\$ 434,845</u> | <u>\$ 2,613,383</u> |

General Obligation Refunding Bonds (Alternate Revenue Source):

On February 1, 2002, the City issued \$1,150,000 of General Obligation Refunding Bonds (alternate revenue source) in connection with water system improvements. These bonds are payable from water and sewer revenue in semi-annual installments ranging from \$140,000 to \$180,000, plus interest at a rate of 4.974%, on June 1 and December 1 and matured December 1, 2009.

General Obligations Bonds (Alternate Revenue Source):

On October 1, 2005 the City issued \$26,430,000 of General Obligation bonds (alternate revenue source) in connection with water and sewer system improvements. Principal on the bonds is payable in annual installments ranging from \$550,000 to \$2,145,000 due December 1. Interest on the bonds is payable semi-annually on June 1 and December 1, at rates ranging from 3.10% to 5.00%. The bonds mature on December 1, 2023. In connection with the issuance the City received \$70,000 in premiums on the bond issue. This premium is being amortized on a straight-line basis over the life of the bonds. The unamortized premium on the bond issue at April 30, 2010, was \$53,902.

The General Obligation Refunding Bonds and the General Obligation Bonds bond ordinances stipulate that monies held in the water and sewer fund shall be aggregated and restricted to separate reserve accounts in the priority indicated by the order of the following:

| <u>Account</u> | <u>Amount</u> | <u>Expenditures</u> |
|----------------------------|---|---|
| System Improvements | 2005 G.O. Alternate Bond proceeds plus interest earned on invested proceeds net of allowable project costs. | Paying of costs of Water and Sewer plant and system improvements. |
| Operations and Maintenance | Monthly amounts sufficient to pay current operations and maintenance expenses. | Paying of operations and maintenance expenses. |
| Depreciation | Monthly deposits as deemed necessary. | Cost of extraordinary repairs and placements to the existing system. |
| Surplus | All remaining money after the deposits to the Operations and Depreciation accounts. | Paying of bond principal and interest maturities, repairs and replacements and deficiencies to accounts listed above. |

The debt service requirements to maturity, on this bond, are as follows:

| <u>Year(s) ended</u> <u>4/30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|----------------------|---------------------|----------------------|
| 2011 | \$ 1,180,000 | \$ 1,088,830 | \$ 2,268,830 |
| 2012 | 1,245,000 | 1,029,830 | 2,274,830 |
| 2013 | 1,310,000 | 967,580 | 2,277,580 |
| 2014 | 1,375,000 | 902,080 | 2,277,080 |
| 2015 | 1,445,000 | 833,330 | 2,278,330 |
| 2016 | 1,515,000 | 761,080 | 2,276,080 |
| 2017 | 1,590,000 | 685,330 | 2,275,330 |
| 2018 | 1,670,000 | 620,140 | 2,290,140 |
| 2019 | 1,735,000 | 550,000 | 2,285,000 |
| 2020 | 1,805,000 | 463,250 | 2,268,250 |
| 2021 | 1,880,000 | 373,000 | 2,253,000 |
| 2022 | 1,960,000 | 279,000 | 2,239,000 |
| 2023 | 2,145,000 | 181,000 | 2,326,000 |
| 2024 | 1,475,000 | 73,750 | 1,548,750 |
| | <u>\$ 22,330,000</u> | <u>\$ 8,808,200</u> | <u>\$ 31,138,200</u> |

Changes in Long-Term Debt:

The following is a summary of the changes in each type of long-term debt during the year ended April 30, 2010:

| | Balance April 30, 2009 | Additions | Reductions | Balance April 30, 2010 | Amounts Due within One Year |
|---|---------------------------|---------------------|--------------------|---------------------------|-----------------------------------|
| Changes in governmental activities Long-Term Debt: | | | | | |
| Governmental activities: | | | | | |
| Contracts and loans payable: | | | | | |
| 2009 Debt Certificate | \$ - | \$4,000,000 | \$ - | \$ 4,000,000 | \$ - |
| Rural Development loan | 200,000 | - | 40,000 | 160,000 | 40,000 |
| IH Debt Certificate | 800,000 | - | 800,000 | - | - |
| Total long-term debt, governmental activities | <u>\$ 1,000,000</u> | <u>\$ 4,000,000</u> | <u>\$ 840,000</u> | <u>\$ 4,160,000</u> | <u>\$ 40,000</u> |
| Changes in business-type activities Long-Term Debt: | | | | | |
| IL EPA loan | \$ 2,321,222 | \$ - | \$ 142,684 | \$ 2,178,538 | \$ 146,859 |
| General obligation refunding bonds (alternate revenue source) | 180,000 | - | 180,000 | - | - |
| General obligation bonds (alternate revenue source) | 23,270,000 | - | 940,000 | 22,330,000 | 1,180,000 |
| Total long-term debt business-type activities | <u>\$ 25,771,222</u> | <u>\$ -</u> | <u>\$1,262,684</u> | <u>\$ 24,508,538</u> | <u>\$ 1,326,859</u> |

NOTE 7. DEFICIT FUND BALANCES

The following City funds have a deficit fund/equity balance as of April 30, 2010. These deficits are not a violation of any law.

| | |
|--|----------|
| Civil Defense | \$39,473 |
| Illinois Municipal Retirement/Social Security Fund | 40,426 |
| Audit Fund | 17,210 |

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Canton is a member of Illinois Municipal League Risk Management Agency, (IMLRMA) a joint risk management pool of approximately 482 cities and Cities through the State of Illinois through which property, general liability, automobile liability, law enforcement liability, crime, boiler and machinery, and workers' compensation coverage is provided in excess of specified limits for the members, acting as a single insurable unit. Settled claims resulting from these risks have not exceeded insurance coverage for each of the past three years.

NOTE 9. DEFINED BENEFIT PENSION PLANS

Illinois Municipal Retirement Fund

The City's defined benefit pension plan for regular employees, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2009 was 9.83% of covered payroll. The employer 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 supplemental retirement benefits rate is set by statute.

For December 31, 2009, the employer's **annual pension cost** of \$309,052 was equal to the employer's required and actual contributions. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% per 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 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 23 years.

TREND INFORMATION

| Date | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------|------------------------------|-------------------------------------|---------------------------|
| 12/31/09 | \$309,052 | 100% | \$- |
| 12/31/08 | 281,259 | 100 | - |
| 12/31/07 | 287,942 | 100 | - |

Funding Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 74.08% funding. The actuarial accrued liability for benefits was \$8,287,868 and the actuarial value of assets was \$6,139,966, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,147,902. The covered payroll (annual payroll of active employees covered by the plan) was \$3,143,967 and the ratio if the UAAL to the covered payroll was 68%.

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

Police Pension Fund

Plan Description:

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan and which is administered by a board of trustees appointed by the Mayor and elected by pension members. The plan issues a stand-alone financial report that is filed with the Illinois Department of Insurance. A copy of the report may be obtained from the City. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (40ILCS 5/3) and may be amended only by the Illinois legislature. The city accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2010 was \$1,440,750 out of a total payroll of \$5,555,217.

At April 30, 2010, the Police Pension Plan membership consisted of:

| | |
|--|----------------------|
| Retirees and Beneficiaries currently Receiving Benefits | 17 |
| Terminated Employees Entitles to Benefits but not yet Receiving Them | <u>0</u> |
| | 17 |
| Current Employees | <u>24</u> |
| Total | <u><u>41</u></u> |

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 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 pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% 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 pension of a police officer who is retired with 20 or more years of service after January 1, 1977 shall be increases annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaved covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The city is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City funded 99.2% of its 2010 actuarially calculated contribution of \$342,743.

Annual Pension Cost and Net Pension Obligation – The City’s annual pension cost of \$342,743 was equal to the City’s required and actual contribution. The annual required contribution for the current year was determined as part of the April 30, 2009, actuarial valuation using the entry age normal cost funding method. The actuarial assumption included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5%. Both (a) and (b) included an inflation component of 3% and post-retirement benefit increases of 3%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

The Police Pension Fund's unfunded actuarial liability is being amortized as a level percentage of projected payroll. The remaining amortization period at April 30, 2009, is 24.1699 years.

Annual Pension Cost and Net Pension Obligation – The City's annual pension cost and net pension obligation to the Police Pension Fund for the current year were as follows:

| | |
|---|-----------------------|
| Annual required contributions | \$342,743 |
| Interest on net pension obligations | - |
| Adjustments to annual required contribution | - |
| Annual pension cost | <u>342,743</u> |
| Annual contributions made | <u>340,096</u> |
| Increase in net pension obligation | 2,647 |
| Net pension obligation, beginning of year | <u>22</u> |
| Net pension obligation, end of year | <u><u>\$2,669</u></u> |

Three-Year Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------|------------------------------------|-------------------------------------|---------------------------|
| 2010 | \$342,743 | 99.2% | \$2,669 |
| 2009 | 233,297 | 99.9 | 22 |
| 2008 | 176,853 | 100.1 | - |

As of April 30, 2009, the most recent actuarial valuation date, the Police Pension Plan was 78.1% funded. The actuarial accrued liability for benefits was \$13,314,929 and the actuarial value of assets was \$10,393,481, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,921,448. The covered payroll (annual payroll of active employees covered by the plan) was \$1,440,750 and the ratio of the UAAL to the covered payroll was 202.77%.

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

Fire Pension Fund

Plan Description

Fire sworn personnel are covered by the Fire Pension Plan which is a defined benefit single-employer pension plan and which is administered by a board of trustees appointed by the Mayor and elected by pension members. The Plan issues a stand-alone financial report that is filed with the Illinois Department of Insurance. A copy of the report may be obtained from the City. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (401ILCS 5/4) and may be amended only by the Illinois legislature. The city accounts for the plan as pension trust fund. The City's payroll for employees covered by the Fire Pension Plan for the year ended April 30, 2010, was \$1,214,295 out of a total payroll of \$5,555,217. At April 30, 2010, the Fire Pension Plan membership consisted of:

| | |
|--------------------------------------|-------------|
| Retirees and Beneficiaries currently | |
| Receiving Benefits | 19 |
| Terminated Employees Entitles to | |
| Benefits but not yet Receiving Them | - |
| | <hr/> |
| | 19 |
| Current Employees | 17 |
| | <hr/> |
| | 17 |
| Total | <hr/> <hr/> |
| | 36 |

The Fire Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increases 3% annually.

Covered employees are required to contribute 9.455% of their salary to the Fire Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City funded 99.0% of its 2009 actuarially calculated contribution of \$515,255. The Fire Pension Fund's unfunded actuarial liability is being amortized as a level percentage of projected payroll. The remaining amortization period at April 30, 2010, is 24.1699 years.

Annual Pension Cost and Net Pension Obligation – The City’s annual pension cost and net pension obligation to the Firefighters’ Pension Plan for the current year were as follows:

| | |
|---|------------------------|
| Annual required contributions | \$515,255 |
| Interest on net pension obligations | - |
| Adjustments to annual required contribution | - |
| Annual pension cost | <u>515,255</u> |
| Annual contributions made | <u>510,197</u> |
| Increase in net pension obligation | 5,058 |
| Net pension obligation, beginning of year | <u>20,663</u> |
| Net pension obligation, end of year | <u><u>\$25,721</u></u> |

The annual required contribution for the current year was determined as part of the April 30, 2009, actuarial valuation using the entry age normal cost funding method. The actuarial assumption included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5%. Both (a) and (b) included an inflation component of 3% and post-retirement benefit increases of 3%. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

| Fiscal Year Ended | Three-Year Trend Information | | |
|-------------------------|---------------------------------|-------------------------------------|---------------------------|
| | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2010 | \$515,255 | 99.0% | \$25,721 |
| 2009 | 435,938 | 95.3 | 20,663 |
| 2008 | 348,629 | 100.1 | - |

As of April 30, 2009, the most recent actuarial valuation date, the Fire Pension Plan was 43.5% funded. The actuarial accrued liability for benefits was \$12,003,562 and the actuarial value of assets was \$5,217,208, resulting in an underfunded actuarial accrued liability (UAAL) of \$6,786,354. The covered payroll (annual payroll of active employees covered by the plan) was \$1,214,295 and the ratio of the UAAL to the covered payroll was 558.87%

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

Police and Fire Pension Funds

A. Summary of the Plan’s Significant Accounting Policies and Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when dues and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value on the financial statements. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at a current exchange rates. For actuarial calculation purposes investments in the U.S. Government and Agency obligations are valued at amortized cost.

NOTE 10. VACATION, SICK PAY & PERSONAL DAYS BENEFITS

Accumulated unpaid vacation, sick pay and personal day benefits for all City employees except Water & Sewer employees, that have not been accrued on the financial statements equals \$509,965.

NOTE 11. INTERFUND BALANCES AND TRANSACTIONS

The following schedule reports interfund receivables and payables:

| <u>Amount</u> | <u>Due to Other Funds</u> | <u>Due from Other Funds</u> |
|---------------|---|---|
| \$ 151 | Special Revenue Fund: D.C.C.A. | Special Revenue Fund: I.H.-TIF |
| 515,688 | Special Revenue Fund: Working Cash | General Fund |
| 95,261 | Special Revenue Fund: MFT | General Fund |
| 49,793 | General Fund | Special Revenue Fund: I.H.-TIF |
| 9,521 | General Fund | Capital Projects Fund: USEPA Brownfield Grant |
| 39,473 | General Fund | Special Revenue Fund: Civil Defense |
| 40,426 | General Fund | Special Revenue Fund: IMRF/Soc Security |
| 17,210 | General Fund | Special Revenue Fund: Audit |
| 48,830 | Special Revenue Fund: I.H.-TIF | Capital Projects Fund: USEPA Brownfield Grant |
| 1,751 | Capital Projects Fund: IT & EC Environmental Escrow | Capital Projects Fund: USEPA Brownfield Grant |
| 443,637 | General Fund | Enterprise Fund: Water and Sewer |

NOTE 12. COMMITMENT/SUBSEQUENT EVENTS

As of April 30, 2010, the City had approved and was committed to pay for the following significant projects:

- \$674,000 contract for lime slaker & accelator, contract balance \$610,378;
- \$517,122 contract for Kilroy Sewer improvements, contract balance \$517,122;
- \$612,232 contract for 3rd avenue extension, contract balance of \$245,380;
- \$647,969 contract for construction of Drow Building, contract balance of \$428,398;
- \$4,556,685 contract for construction of a radial collector well, contract balance of \$1,187,573.

Pursuant to the Brownfields Cooperative Agreement between the Illinois Environmental Protection Agency and the City, the City is required to repay a portion of the grant funds received due to the City selling a portion of the land under the agreement within 15 years of the date of the agreement. Total grant proceeds were \$425,000. The agreement specifies the City will repay a negotiated amount greater than 0% but not more than 80% of the proceeds received. Negotiations between the City and the Illinois Environmental Protection Agency are underway however no estimate of the potential liability can be reasonably estimated.

The City has evaluated subsequent events through March 4, 2011 date which the financial statements were available to be issued.

NOTE 13. CONTINGENCIES

LITIGATION

During 2006, 2007, and 2009, the City received various Violation Notices from the Illinois Environmental Protection Agency. These Violation Notices allege that the City has violated various statutes, regulations and or permits related to the Wastewater Treatment System. The alleged violations include potential National Pollutant Discharge Elimination System (NPDES) Permit violations, Sampling and Reporting Requirement violations, Water Quality Violations, Illinois EPA Sludge Disposal Permit Violations, Sanitary Sewer Overflow Violations, and Wastewater Treatment Plant Operations & Maintenance Violations. The City has responded to the alleged violations and is awaiting a determination from the IEPA as to its future actions in these matters. Also in 2006, the City was notified by the U.S. Equal Employment Opportunity Commission (EEOC) of a discrimination claim. While the EEOC has not taken significant action on the claim, the claim is still active and could result in future settlement and legal fees. Although there is more than a remote likelihood of future loss, as of April 30, 2010, the range of potential uninsured loss to the City, arising from legal fees, potential fines and/or penalties, cannot be reasonably estimated but may be significant.

NOTE 14. POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 10, the City provides post-retirement hospital, health, life, and dental insurance coverage to retired employees in accordance with personnel policy or union contract. The portion of insurance coverage paid by the City varies depending on whether the employee was union or nonunion, the personnel policy in effect at the date of retirement, and the retiree's length of service. Generally, the City pays 100% of the retiree's insurance and a portion or all of the retiree's dependent coverage until the retiree reaches age 65. At age 65, the insurance coverage is terminated and the retiree can then make application to Medicare at his own expense. Retired employees are eligible for this coverage only if they also qualify for pension benefits under the Police, Fire, or IMRF pension fund.

During the year, 29 retirees participated in the plan. The retiree group is part of the City's group insurance plan (see Note 8). The plan is financed on a pay-as-you-go basis.

As of December 31, 2010, the most recent actuarial valuation date, the City's actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for post-employment health care benefits equals \$9,755,741. The \$9,755,741 unfunded actuarial accrued liability (UAAL) is comprised of \$5,554,258 for active employees and \$4,201,483 for retirees. Because the City is on a pay-as-you-go basis and does not have a fund set aside in an irrevocable trust for post-employment health care benefits, the \$9,755,741 unfunded actuarial accrued liability (UAAL) is equal to the \$9,755,741 actuarial accrued liability (AAL) less \$0 in assets set aside in an irrevocable trust. Based on a 25-year amortization of the UAAL, the annual required contribution (ARC) needed to fully fund the UAAL equals \$808,630.

NOTE 15. BEGINNING NET ASSETS RESTATEMENT

The land known as the IH Site was recorded as an asset of the City in 2006. This value was established by means other than the purchase price as the City acquired this property at virtually no cost. Due to the significant environmental issues, at the time the City received the property, the property had no market value. This restatement reduces beginning net assets by \$1,636,018, the full carrying value of the land.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND
Year ended April 30, 2010

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE FROM FINAL BUDGET |
|--|--------------------|-------------------|-------------------|--|
| BUDGETARY FUND BALANCE, BEGINNING | \$ 3,032,457 | \$ 3,032,457 | \$ 3,032,457 | \$ - |
| <u>Resources (inflows):</u> | | | | |
| Local taxes: | | | | |
| Property taxes | 1,173,266 | 1,173,266 | \$ 1,157,864 | (15,402) |
| Utility tax | 725,000 | 725,000 | 651,769 | (73,231) |
| Telecommunications tax | 350,000 | 350,000 | 348,689 | (1,311) |
| Hotel/Motel taxes | 46,288 | 46,288 | 41,284 | (5,004) |
| Total local taxes | <u>2,294,554</u> | <u>2,294,554</u> | <u>2,199,606</u> | <u>(94,948)</u> |
| Intergovernmental: | | | | |
| Sales tax | 2,508,212 | 2,508,212 | 2,569,472 | 61,260 |
| Income tax | 1,351,917 | 1,351,917 | 987,857 | (364,060) |
| Replacement tax | 217,257 | 217,257 | 26,929 | (190,328) |
| State reimbursements & grants | 16,101 | 16,101 | 78,794 | 62,693 |
| Federal grants | 14,476 | 14,476 | 478,177 | 463,701 |
| Total intergovernmental | <u>4,107,963</u> | <u>4,107,963</u> | <u>4,141,229</u> | <u>33,266</u> |
| Other: | | | | |
| License and permits | 107,000 | 107,000 | 115,197 | 8,197 |
| Franchise fees | 140,000 | 140,000 | 136,331 | (3,669) |
| Fines and forfeitures | 70,000 | 70,000 | 88,544 | 18,544 |
| Charges for services | 457,666 | 457,666 | 500,423 | 42,757 |
| Rental receipts | - | - | - | - |
| Donations | - | - | 6,992 | 6,992 |
| Interest income | 41,028 | 41,028 | 48,021 | 6,993 |
| Miscellaneous | 62,609 | 73,149 | 99,884 | 26,735 |
| Transfer in | - | - | 805,280 | 805,280 |
| Total other | <u>878,303</u> | <u>888,843</u> | <u>1,800,672</u> | <u>911,829</u> |
| Total resources (inflows) | <u>7,280,820</u> | <u>7,291,360</u> | <u>8,141,507</u> | <u>850,147</u> |
| Amounts available for expenditure | <u>10,313,277</u> | <u>10,323,817</u> | <u>11,173,964</u> | <u>850,147</u> |

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND (Continued)
Year ended April 30, 2010

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE FROM FINAL BUDGET |
|---|--------------------|-------------------|------------------|--|
| <u>Charges to expenditures (outflows):</u> | | | | |
| General government: | | | | |
| Salaries and benefits | \$ 679,655 | \$ 679,655 | \$ 620,400 | \$ 59,255 |
| Supplies | 19,353 | 24,853 | 22,987 | 1,866 |
| Contractual services | 665,625 | 1,115,954 | 888,564 | 227,390 |
| Other charges and services | 152,500 | 165,725 | 39,537 | 126,188 |
| Capital outlay | 12,000 | 12,000 | 248,942 | (236,942) |
| Total general government | <u>1,529,133</u> | <u>1,998,187</u> | <u>1,820,430</u> | <u>177,757</u> |
| Public safety: | | | | |
| Police: | | | | |
| Salaries and benefits | 2,377,921 | 2,377,921 | 2,333,761 | 44,160 |
| Supplies | 97,873 | 97,873 | 98,919 | (1,046) |
| Contractual services | 121,240 | 121,240 | 55,331 | 65,909 |
| Capital outlay | 61,000 | 61,000 | 59,581 | 1,419 |
| Total police | <u>2,658,034</u> | <u>2,658,034</u> | <u>2,547,592</u> | <u>110,442</u> |
| Fire: | | | | |
| Salaries and benefits | 1,807,207 | 1,807,207 | 1,853,775 | (46,568) |
| Supplies | 93,883 | 93,883 | 79,143 | 14,740 |
| Contractual services | 114,010 | 114,010 | 101,232 | 12,778 |
| Capital outlay | 200,000 | 200,000 | 20,671 | 179,329 |
| Total fire | <u>2,215,100</u> | <u>2,215,100</u> | <u>2,054,821</u> | <u>160,279</u> |
| Public Works/Transportation: | | | | |
| Streets: | | | | |
| Salaries and benefits | 435,386 | 435,386 | 334,855 | 100,531 |
| Supplies | 145,600 | 145,600 | 139,425 | 6,175 |
| Contractual services | 170,550 | 170,550 | 165,871 | 4,679 |
| Capital outlay | 85,000 | 85,000 | 555,335 | (470,335) |
| Total public works/ transportation | <u>836,536</u> | <u>836,536</u> | <u>1,195,486</u> | <u>(358,950)</u> |

CITY OF CANTON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND (Continued)
Year ended April 30, 2010

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE FROM FINAL BUDGET |
|-------------------------------|--------------------|-----------------------|---------------------|--|
| Buildings and Grounds: | | | | |
| Salaries and benefits | \$ 112,441 | \$ 112,441 | \$ 136,790 | \$ (24,349) |
| Supplies | 26,875 | 26,875 | 25,538 | 1,337 |
| Contractual services | 15,500 | 15,500 | 13,868 | 1,632 |
| Capital outlay | 20,000 | 20,000 | - | 20,000 |
| Total buildings and grounds | <u>174,816</u> | <u>174,816</u> | <u>176,196</u> | <u>(1,380)</u> |
| Sanitation: | | | | |
| Salaries and benefits | 229,101 | 229,101 | 287,635 | (58,534) |
| Supplies | 54,420 | 54,420 | 57,674 | (3,254) |
| Contractual services | 235,672 | 235,672 | 191,264 | 44,408 |
| Capital outlay | - | - | - | - |
| Total sanitation | <u>519,193</u> | <u>519,193</u> | <u>536,573</u> | <u>(17,380)</u> |
| Contingency: | <u>2,000,000</u> | <u>2,000,000</u> | <u>-</u> | <u>2,000,000</u> |
| Debt Service: | | | | |
| Principal | 40,000 | 840,000 | 840,000 | - |
| Interest expense | 28,700 | 28,700 | 7,180 | 21,520 |
| Total debt service | <u>68,700</u> | <u>868,700</u> | <u>847,180</u> | <u>21,520</u> |
| Other financing uses: | | | | |
| Operating transfers out: | 53,520 | 53,520 | 84,139 | (30,619) |
| Total other financing uses | <u>53,520</u> | <u>53,520</u> | <u>84,139</u> | <u>(30,619)</u> |
| Total charges to expenditures | <u>10,055,032</u> | <u>11,324,086</u> | <u>9,262,417</u> | <u>2,061,669</u> |
| BUDGETARY FUND | | | | |
| BALANCE, ENDING | <u>\$ 258,245</u> | <u>\$ (1,000,269)</u> | <u>\$ 1,911,547</u> | <u>\$ 2,911,816</u> |

**CITY OF CANTON, ILLINOIS
 REQUIRED SUPPLEMENTAL INFORMATION
 ILLINOIS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|-----------------------------|---|
| 12/31/2009 | \$6,139,966 | \$8,287,868 | \$2,147,902 | 74.08% | \$3,143,967 | 68.32% |
| 12/31/2008 | 5,485,013 | 7,481,677 | 1,996,664 | 73.31% | 2,762,857 | 72.27% |
| 12/31/2007 | 6,435,613 | 6,731,480 | 295,867 | 95.60% | 2,666,134 | 11.10% |

On a market value basis, the actuarial value of assets as of December 31, 2009, is \$5,933,304.

On a market value basis, the funded ratio would be 71.59%.

**CITY OF CANTON, ILLINOIS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS
POLICE AND FIRE PENSION FUNDS**

POLICE PENSION FUND

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liab. (AAL) - Entry Age | (3) Funded Ratio (1)/(2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Covered Payroll | (6) UAAL as a % of Covered Payroll (4)/(5) |
|--------------------------------|--|---|-----------------------------------|---|---------------------------|--|
| 4/30/2005 | 9,422,450 | 9,776,452 | 96.38% | 354,002 | 1,022,745 | 34.61% |
| 4/30/2006 | 10,594,454 | 10,278,353 | 103.08% | - | 1,064,876 | 0.00% |
| 4/30/2007 | 11,294,163 | 11,228,892 | 100.58% | - | 1,098,365 | 0.00% |
| 4/30/2008 | 11,341,474 | 12,030,865 | 94.27% | 689,391 | 1,385,204 | 49.77% |
| 4/30/2009 | 10,393,481 | 13,314,929 | 78.06% | 2,921,448 | 1,440,750 | 202.77% |

FIRE PENSION FUND

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liab. (AAL) - Entry Age | (3) Funded Ratio (1)/(2) | (4) Unfunded AAL (UAAL) (2)-(1) | (5) Covered Payroll | (6) UAAL as a % of Covered Payroll (4)/(5) |
|--------------------------------|--|---|-----------------------------------|---|---------------------------|--|
| 4/30/2005 | 5,868,590 | 9,102,064 | 64.48% | 3,233,474 | 686,755 | 470.83% |
| 4/30/2006 | 6,319,420 | 9,517,104 | 66.40% | 3,197,684 | 765,845 | 417.54% |
| 4/30/2007 | 6,592,497 | 10,333,490 | 63.80% | 3,740,993 | 803,630 | 465.51% |
| 4/30/2008 | 6,321,383 | 11,724,904 | 53.91% | 5,403,521 | 978,652 | 552.14% |
| 4/30/2009 | 5,217,208 | 12,003,562 | 43.46% | 6,786,354 | 1,214,295 | 558.87% |

CITY OF CANTON, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
APRIL 30, 2010

NOTE 1. BUDGET ORDINANCE

ANNUAL BUDGET

In conformity with Illinois State law, the City adopts an annual cash basis budget ordinance in lieu of an appropriation ordinance during the first quarter of its fiscal year. A certified copy of the budget ordinance, along with an estimate of anticipated annual revenue for the period covering the budget ordinance, is required to be filed with the County Clerk within thirty days of its adoption. In accordance with governmental accounting standards the City's budget ordinance and related estimated revenues serve as its appropriate budget for the purpose of presenting budgetary comparison information for the fiscal year.

The City cannot legally overspend its budget ordinance. The budget ordinance must be published or posted within ten days after it is passed. The budget ordinance does not take effect until ten days after it is published or posted. The City adopted its budget ordinance on April 21, 2009.

The budget ordinance must be itemized and specific as to what will be needed. The budget ordinance sets a limit on expenditures thus actual expenditures cannot exceed the budgeted amount. Bond, special assessments and motor fuel tax funds are exempted from the budget process. If the City overspends its budget then any such expenditure shall be null and void and no money should be paid. The level of control (level at which expenditures may not exceed budget) is the Fund. The City did not exceed its budgeted expenditures.

The City may adopt an amended budget ordinance at any time during the fiscal year in an amount not in excess of any additional revenue that becomes available to the City. The City may also transfer budget items within departments if approved by 2/3 vote of the council. Finally, the budget ordinance may be amended by 2/3 vote if a situation arises that requires additional expenditures. The City amended its budget on December 15, 2009 for fiscal year ended April 30, 2010.

SUPPLEMENTARY INFORMATION

CITY OF CANTON, ILLNOIS
COMBINING STATEMENT OF ASSETS, LIABILITIES,, AND FUND BALANCES -
MODIFIED CASH BASIS -
NON-MAJOR GOVERNMENTAL FUNDS
April 30, 2010

| | Total Non-Major Special Revenue Funds | Total Non- Major Capital Project Funds | Total Non-Major Governmental Funds |
|---|---|--|--|
| <u>ASSETS</u> | | | |
| Cash | \$ 1,162,004 | \$ 368,694 | \$ 1,530,698 |
| Restricted Cash | 1,237,424 | - | 1,237,424 |
| Due from USEPA Brownfield Grant Fund | 48,830 | 1,751 | 50,581 |
| Due from General Fund | 611,100 | - | 611,100 |
| Due from contractor | 1,112 | - | 1,112 |
| DCCA loans receivable | 22,850 | - | 22,850 |
| Total assets | <u>\$ 3,083,320</u> | <u>\$ 370,445</u> | <u>\$ 3,453,765</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Due to General Fund | \$ 147,053 | \$ 9,521 | \$ 156,574 |
| Due to IH Site TIF Fund | - | 48,830 | 48,830 |
| Due to IT&EC Environmental Escrow | - | 1,751 | 1,751 |
| Total liabilities | <u>147,053</u> | <u>60,102</u> | <u>207,155</u> |
| Fund balances | <u>2,936,267</u> | <u>310,343</u> | <u>3,246,610</u> |
| Total Liabilities & Fund Balances | <u>\$ 3,083,320</u> | <u>\$ 370,445</u> | <u>\$ 3,453,765</u> |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS
Year ended April 30, 2010

| | Total Non-Major Special Revenue Funds | Total Non-Major Capital Project Funds | Total Non-Major Governmental Funds |
|--|--|--|---|
| <u>REVENUES</u> | | | |
| Local taxes: | | | |
| Property taxes | \$ 639,931 | \$ - | \$ 639,931 |
| Intergovernmental: | | | |
| Motor fuel taxes | 390,945 | - | 390,945 |
| Replacement taxes | 92,327 | - | 92,327 |
| Pull tab & jar games tax | 3,784 | - | 3,784 |
| Grant proceeds | 109,908 | 512,962 | 622,870 |
| Fines and forfeitures | 13,656 | - | 13,656 |
| Interest | 21,443 | 406 | 21,849 |
| Other | 58,268 | - | 58,268 |
| Total revenues | <u>1,330,262</u> | <u>513,368</u> | <u>1,843,630</u> |
| <u>EXPENDITURES</u> | | | |
| General governmental | 553,062 | - | 553,062 |
| Public safety | | | |
| Civil defense | 10,195 | - | 10,195 |
| Law enforcement | 11,567 | - | 11,567 |
| Capital outlay | 31,238 | - | 31,238 |
| Public works/transportation: | | | |
| Streets & sidewalks | 80,281 | - | 80,281 |
| Capital outlay | 269,499 | - | 269,499 |
| Community development: | | | |
| Other | 714,526 | 267,280 | 981,806 |
| Debt Service - Interest | 45,033 | - | 45,033 |
| Total expenditures | <u>1,715,401</u> | <u>267,280</u> | <u>1,982,681</u> |
| Revenue received over (under) expenditures | (385,139) | 246,088 | (139,051) |
| Other financing sources (uses): | | | |
| Debt proceeds | 4,000,000 | - | 4,000,000 |
| Debt issuance costs | (35,000) | - | (35,000) |
| Operating transfers in (out) | (1,031,903) | (272,153) | (1,304,056) |
| | 2,933,097 | (272,153) | 2,660,944 |
| Revenue received and other financing sources over (under) expenditures disbursed and other financing uses | 2,547,958 | (26,065) | 2,521,893 |
| Fund balance, beginning | <u>388,309</u> | <u>336,408</u> | <u>724,717</u> |
| Fund balance, ending | <u>\$ 2,936,267</u> | <u>\$ 310,343</u> | <u>\$ 3,246,610</u> |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF ASSETS, LIABILITES, AND FUND BALANCES
MODIFIED CASH BASIS - NON-MAJOR SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

| | Working Cash | Civil Defense | Illinois Municipal Retirement Fund/Social Security | Motor Fuel Tax | Tax Increment Financing District |
|--|-------------------|------------------|--|-------------------|---|
| <u>ASSETS</u> | | | | | |
| Cash | \$ 45,448 | \$ - | \$ - | \$ 473,824 | \$ 170,844 |
| Restricted Cash | - | - | - | - | - |
| Due from general fund | 515,688 | - | - | 95,261 | - |
| Due from USEPA | | | | | |
| Brownfield Grant Fund | - | - | - | - | - |
| Due from TIF Fund | - | - | - | - | - |
| Due from Environmental Operations, Inc. | - | - | - | - | - |
| Due from drug prevention fund | - | - | - | - | - |
| DCCA loans receivable | - | - | - | - | - |
| Total Assets | <u>\$ 561,136</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 569,085</u> | <u>\$ 170,844</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Due to TIF Fund | \$ - | \$ - | \$ - | \$ - | \$ 2,390 |
| Due to General Fund | - | 39,473 | 40,426 | - | - |
| Due to DUI Fund | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>39,473</u> | <u>40,426</u> | <u>-</u> | <u>2,390</u> |
| Fund Balances (deficit) | <u>561,136</u> | <u>(39,473)</u> | <u>(40,426)</u> | <u>569,085</u> | <u>168,454</u> |
| Total Liabilities & Fund Balances (deficit) | <u>\$ 561,136</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 569,085</u> | <u>\$ 170,844</u> |

| IH Site Tax Increment Financing District | Audit | Drug Prevention | DUI Fund | Gambling | CDAP Flex Grant | D.C.C.A. Loan Fund | Total Non- Major Special Revenue Funds |
|---|-------------|--------------------|-----------------|---------------|--------------------|--------------------------|---|
| \$ 389,325 | \$ - | \$ 12,424 | \$ 7,194 | \$ 893 | \$ 7,295 | 54,757 | \$ 1,162,004 |
| 1,237,424 | - | - | - | - | - | 151 | 1,237,424 |
| - | - | - | - | - | - | - | 611,100 |
| 48,830 | - | - | - | - | - | - | 48,830 |
| 2,390 | - | - | - | - | - | - | 2,390 |
| 1,112 | - | - | - | - | - | - | 1,112 |
| - | - | - | 1,759 | - | - | - | 1,759 |
| - | - | - | - | - | - | 22,850 | 22,850 |
| <u>\$ 1,679,081</u> | <u>\$ -</u> | <u>\$ 12,424</u> | <u>\$ 8,953</u> | <u>\$ 893</u> | <u>\$ 7,295</u> | <u>\$ 77,758</u> | <u>\$ 3,087,469</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,390 |
| 49,944 | 17,210 | - | - | - | - | - | 147,053 |
| - | - | 1,759 | - | - | - | - | 1,759 |
| 49,944 | 17,210 | 1,759 | - | - | - | - | 151,202 |
| 1,629,137 | (17,210) | 10,665 | 8,953 | 893 | 7,295 | 77,758 | 2,936,267 |
| <u>\$ 1,679,081</u> | <u>\$ -</u> | <u>\$ 12,424</u> | <u>\$ 8,953</u> | <u>\$ 893</u> | <u>\$ 7,295</u> | <u>\$ 77,758</u> | <u>\$ 3,087,469</u> |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - NON-MAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2010

| | SPECIAL REVENUE FUNDS | | | | |
|---|-----------------------|------------------|--|-------------------|---|
| | Working Cash | Civil Defense | Illinois Municipal Retirement Fund/Social Security | Motor Fuel Tax | Tax Increment Financing District |
| <u>REVENUES</u> | | | | | |
| Property taxes | \$ - | \$ 3,871 | \$ 431,702 | \$ - | \$ 29,899 |
| Intergovernmental: | | | | | |
| Motor fuel taxes | - | - | - | 390,945 | - |
| Replacement taxes | - | - | 92,327 | - | - |
| Pull tab & jar games tax | - | - | - | - | - |
| Grant proceeds | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - |
| Interest | - | - | - | 3,957 | 2,012 |
| Other | - | - | - | (1,249) | - |
| Total revenues | - | 3,871 | 524,029 | 393,653 | 31,911 |
| <u>EXPENDITURES</u> | | | | | |
| General government | - | - | 522,112 | - | - |
| Public safety | | | | | |
| Civil defense | - | 10,195 | - | - | - |
| Law enforcement | - | - | - | - | - |
| Capital outlay | - | 31,238 | - | - | - |
| Public works/transportation: | | | | | |
| Streets & sidewalks | - | - | - | 80,281 | - |
| Capital outlay | - | - | - | 67,419 | - |
| Community development: | | | | | |
| Other | - | - | - | - | 10,280 |
| Debt Service - Interest | - | - | - | - | - |
| Total expenditures | - | 41,433 | 522,112 | 147,700 | 10,280 |
| Revenue received over (under) expenditures | - | (37,562) | 1,917 | 245,953 | 21,631 |
| Other financing sources (uses): | | | | | |
| Debt proceeds | - | - | - | - | - |
| Debt issuance costs | - | - | - | - | - |
| Operating transfers in (out) | - | - | - | - | - |
| | - | - | - | - | - |
| Revenue received and other financing sources over (under) expenditures disbursed and other financing uses | - | (37,562) | 1,917 | 245,953 | 21,631 |
| Fund balance (deficit), beginning | 561,136 | (1,911) | (42,343) | 323,132 | 146,823 |
| Fund balance (deficit), ending | \$ 561,136 | \$ (39,473) | \$ (40,426) | \$ 569,085 | \$ 168,454 |

| IH Site Tax Increment Financing District | Audit | Drug Prevention | DUI Fund | Gambling | CDAP Flex Grant | D.C.C.A. Loan Fund | Total Non- Major Special Revenue Funds |
|---|-------------|--------------------|----------|----------|--------------------|-----------------------|---|
| \$ 174,459 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 639,931 |
| - | - | - | - | - | - | - | 390,945 |
| - | - | - | - | - | - | - | 92,327 |
| - | - | - | - | 3,784 | - | - | 3,784 |
| - | - | - | - | - | 109,908 | - | 109,908 |
| - | - | 9,085 | 4,571 | - | - | - | 13,656 |
| 14,612 | - | - | - | - | - | 862 | 21,443 |
| 59,517 | - | - | - | - | - | - | 58,268 |
| 248,588 | - | 9,085 | 4,571 | 3,784 | 109,908 | 862 | 1,330,262 |
| - | 30,950 | - | - | - | - | - | 553,062 |
| - | - | - | - | - | - | - | 10,195 |
| - | - | 8,986 | (1,277) | 3,858 | - | - | 11,567 |
| - | - | - | - | - | - | - | 31,238 |
| - | - | - | - | - | - | - | 80,281 |
| 202,080 | - | - | - | - | - | - | 269,499 |
| 601,633 | - | - | - | - | 102,613 | - | 714,526 |
| 45,033 | - | - | - | - | - | - | 45,033 |
| 848,746 | 30,950 | 8,986 | (1,277) | 3,858 | 102,613 | - | 1,715,401 |
| (600,158) | (30,950) | 99 | 5,848 | (74) | 7,295 | 862 | (385,139) |
| 4,000,000 | - | - | - | - | - | - | 4,000,000 |
| (35,000) | - | - | - | - | - | - | (35,000) |
| (1,031,903) | - | - | - | - | - | - | (1,031,903) |
| 2,933,097 | - | - | - | - | - | - | 2,933,097 |
| 2,332,939 | (30,950) | 99 | 5,848 | (74) | 7,295 | 862 | 2,547,958 |
| (703,802) | 13,740 | 10,566 | 3,105 | 967 | - | 76,896 | 388,309 |
| \$ 1,629,137 | \$ (17,210) | \$ 10,665 | \$ 8,953 | \$ 893 | \$ 7,295 | \$ 77,758 | \$ 2,936,267 |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF ASSETS, LIABILITES, AND FUND BALANCES -
MODIFIED CASH BASIS - NON-MAJOR CAPITAL PROJECTS FUNDS
April 30, 2010

| | <u>Capital Projects Fund</u> | | | | Total Non- Major Capital Project Funds |
|---|--|--------------------------------------|---------------------------------------|---|--|
| | <u>Illinois Brownfield Grant</u> | <u>3rd Avenue IDOT Grant</u> | <u>USEPA Brownfield Grant</u> | <u>IT&EC Environmental Escrow</u> | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 213 | \$ 1,505 | \$ 78,123 | \$ 288,853 | \$ 368,694 |
| Due from USEPA Brownfield Grant Fund | - | - | - | 1,751 | 1,751 |
| | <u>\$ 213</u> | <u>\$ 1,505</u> | <u>\$ 78,123</u> | <u>\$ 290,604</u> | <u>\$ 370,445</u> |
| <u>LAIBILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Due to General Fund | \$ - | \$ - | \$ 9,521 | \$ - | \$ 9,521 |
| Due to IH Site TIF Fund | - | - | 48,830 | - | 48,830 |
| Due to IT&EC Environmental Escrow | - | - | 1,751 | - | 1,751 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>60,102</u> | <u>-</u> | <u>60,102</u> |
| Fund balances | <u>213</u> | <u>1,505</u> | <u>18,021</u> | <u>290,604</u> | <u>310,343</u> |
| Total Liabilities & Fund Balances | <u>\$ 213</u> | <u>\$ 1,505</u> | <u>\$ 78,123</u> | <u>\$ 290,604</u> | <u>\$ 370,445</u> |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES -
MODIFIED CASH BASIS - NON-MAJOR CAPITAL PROJECTS FUNDS
Year ended April 30, 2010

| | <u>Capital Projects Fund</u> | | | | <u>Total Non-Major Capital Project Funds</u> |
|---|----------------------------------|------------------------------|-------------------------------|---------------------------------------|--|
| | <u>Illinois Brownfield Grant</u> | <u>3rd Avenue IDOT Grant</u> | <u>USEPA Brownfield Grant</u> | <u>IT&EC Environmental Escrow</u> | |
| <u>REVENUES</u> | | | | | |
| Intergovernmental: | | | | | |
| Grant proceeds | \$ - | \$ 273,658 | \$ 239,304 | \$ - | \$ 512,962 |
| Other | | | | | |
| Interest | - | - | - | 406 | 406 |
| Total revenues | <u>-</u> | <u>273,658</u> | <u>239,304</u> | <u>406</u> | <u>513,368</u> |
| <u>EXPENDITURES</u> | | | | | |
| Community Development: | | | | | |
| Other | - | - | 221,288 | 45,992 | 267,280 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>221,288</u> | <u>45,992</u> | <u>267,280</u> |
| Revenue received over (under) expenditures | - | 273,658 | 18,016 | (45,586) | 246,088 |
| Other financing sources (uses): | | | | | |
| Operating transfers in (out) | <u>-</u> | <u>(272,153)</u> | <u>-</u> | <u>-</u> | <u>(272,153)</u> |
| Revenue received and other financing sources over (under) expenditures disbursed and other financing uses | - | 1,505 | 18,016 | (45,586) | (26,065) |
| Fund balance, beginning | <u>213</u> | <u>-</u> | <u>5</u> | <u>336,190</u> | <u>336,408</u> |
| Fund balance, ending | <u>\$ 213</u> | <u>\$ 1,505</u> | <u>\$ 18,021</u> | <u>\$ 290,604</u> | <u>\$ 310,343</u> |

CITY OF CANTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS - ENTERPRISE FUNDS
Year ended April 30, 2010

| | Enterprise Funds | | |
|---|----------------------|-----------------------|----------------------|
| | Water & Sewer | Greenwood Cemetery | Total |
| <u>OPERATING REVENUES</u> | | | |
| Charges for services | \$ 5,829,160 | \$ 35,340 | \$ 5,864,500 |
| Lot sales | - | 18,910 | 18,910 |
| Lot leases | 12,362 | - | 12,362 |
| Fees & permits | 33,482 | - | 33,482 |
| Miscellaneous income | 1,245 | - | 1,245 |
| Total operating revenues | <u>5,876,249</u> | <u>54,250</u> | <u>5,930,499</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Personal services | 1,811,298 | 86,608 | 1,897,906 |
| Supplies | 567,862 | 11,085 | 578,947 |
| Contractual services | 1,198,130 | 5,607 | 1,203,737 |
| Depreciation | 814,469 | 12,674 | 827,143 |
| Other | 20,272 | 589 | 20,861 |
| Total operating expenses | <u>4,412,031</u> | <u>116,563</u> | <u>4,528,594</u> |
| Operating income (loss) | <u>1,464,218</u> | <u>(62,313)</u> | <u>1,401,905</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | | | |
| Interest expense | (1,200,893) | | (1,200,893) |
| Interest income | 178,807 | 8,483 | 187,290 |
| Total nonoperating revenues (expenses) | <u>(1,022,086)</u> | <u>8,483</u> | <u>(1,013,603)</u> |
| Net income (loss) before transfers | 442,132 | (53,830) | 388,302 |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Transfers in | <u>533,770</u> | <u>49,145</u> | <u>582,915</u> |
| Increase (decrease) in net assets | 975,902 | (4,685) | 971,217 |
| Net assets, beginning | <u>16,845,376</u> | <u>536,813</u> | <u>17,382,189</u> |
| Net assets, ending | <u>\$ 17,821,278</u> | <u>\$ 532,128</u> | <u>\$ 18,353,406</u> |

CITY OF CANTON, ILLINOIS
SCHEDULE OF OPERATING EXPENDITURES OTHER THAN DEPRECIATION
WATER AND SEWER FUND
Year ended April 30, 2010

| | <u>General Administration</u> | <u>System Maintenance</u> | <u>Water</u> | <u>Waste- Water</u> |
|-----------------------------|-----------------------------------|-------------------------------|---------------------|-------------------------|
| Salaries and wages | \$ 75,149 | \$ 335,474 | \$ 497,498 | \$ 525,241 |
| Group insurance | 14,251 | 59,685 | 100,831 | 101,388 |
| General insurance and bonds | 131,284 | - | - | - |
| Maintenance: | | | | |
| System | - | - | - | 111,205 |
| Equipment | 5,665 | 5,943 | 15,203 | 35,960 |
| Utilities | 1,296 | 5,929 | 171,731 | 348,746 |
| Travel and training | - | - | 422 | 1,284 |
| Fuel and oil | - | 7,123 | 6,865 | 19,907 |
| Services | 40,441 | 15,097 | 259,072 | 13,816 |
| Supplies: | | | | |
| Office | 5,860 | - | - | - |
| Maintenance | - | 60,404 | 28,318 | 24,161 |
| Operating | - | 20,507 | 340,855 | 41,665 |
| Rentals | - | 210 | - | - |
| Other | 783 | - | 3,989 | 15,500 |
| Total | <u>\$ 274,729</u> | <u>\$ 510,372</u> | <u>\$ 1,424,784</u> | <u>\$ 1,238,873</u> |

| <u>Meters</u> | <u>Lake</u> | <u>Total</u> |
|-------------------|------------------|---------------------|
| \$ 89,536 | \$ 2,880 | \$ 1,525,778 |
| 9,365 | - | 285,520 |
| - | - | 131,284 |
| - | - | 111,205 |
| 3,624 | 1,852 | 68,247 |
| 1,597 | 8,257 | 537,556 |
| - | - | 1,706 |
| 4,378 | 1,504 | 39,777 |
| - | 19,496 | 347,922 |
| - | - | 5,860 |
| - | - | 112,883 |
| 371 | 5,944 | 409,342 |
| - | - | 210 |
| - | - | 20,272 |
| <u>\$ 108,871</u> | <u>\$ 39,933</u> | <u>\$ 3,597,562</u> |

CITY OF CANTON, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, EXTENSIONS,
COLLECTIONS, AND ASSESSED VALUATIONS

| | 2009 Tax Levy Year* | | | | |
|-------------------------------|------------------------------|---------------|---------------------|-------------|---------------------|
| | Levy | Rate | Extension | Collections | Levy |
| <u>General Fund:</u> | | | | | |
| General Corporate | \$ - | - | \$ - | \$ - | \$ - |
| Fire Protection | 150,000 | 0.1337 | 150,032 | - | 143,000 |
| Police Protection | 72,000 | 0.0642 | 72,042 | - | 70,000 |
| Street & Bridge** | - | - | - | - | - |
| Liability Insurance | 50,000 | 0.0446 | 50,048 | - | 50,000 |
| Unemployment Compensation | - | - | - | - | - |
| Workmen's Compensation | 230,000 | 0.2050 | 230,041 | - | 219,400 |
| <u>Special Revenue Funds:</u> | | | | | |
| Civil Defense | 3,822 | 0.0035 | 3,928 | - | 3,822 |
| Social security | 215,000 | 0.1916 | 215,004 | - | 215,000 |
| I.M.R.F. | 375,000 | 0.3342 | 375,024 | - | 215,000 |
| Audit | 50,000 | 0.0446 | 50,048 | - | - |
| <u>Enterprise Fund:</u> | | | | | |
| Cemetery | 26,000 | 0.0232 | 26,034 | - | 26,000 |
| <u>Pension Trust Funds:</u> | | | | | |
| Police Pension | 306,430 | 0.2731 | 306,460 | - | 199,639 |
| Fire Pension | 460,664 | 0.4106 | 460,756 | - | 367,944 |
| | <u>\$ 1,938,916</u> | <u>1.7283</u> | <u>\$ 1,939,417</u> | <u>-</u> | <u>\$ 1,509,805</u> |
| Assessed valuation | <u><u>\$ 114,791,723</u></u> | | | | |

* Collections of 2009 tax levies not received until after April 30, 2010.

** Street and bridge taxes are levied by townships. The City then receives a portion of the tax levies. Total received during the year ended April 30, 2010, was \$78,263

| 2008 Tax Levy Year | | | | 2007 Tax Levy Year | | |
|-----------------------|--------------|--------------|-----------------------|--------------------|--------------|--------------|
| Rate | Extension | Collections | Levy | Rate | Extension | Collections |
| - | \$ - | \$ - | \$ - | - | \$ - | \$ - |
| 0.1262 | 143,112 | 143,673 | 143,000 | 0.1303 | 143,899 | 143,728 |
| 0.0618 | 70,082 | 70,356 | 70,000 | 0.0638 | 70,459 | 70,375 |
| - | - | - | - | - | - | - |
| 0.0441 | 50,010 | 50,205 | 50,000 | 0.0456 | 50,359 | 50,300 |
| - | - | - | 20,000 | 0.0183 | 20,210 | 20,187 |
| 0.1935 | 219,431 | 220,290 | 230,000 | 0.2095 | 231,365 | 231,091 |
| 0.0034 | 3,856 | 3,871 | 3,822 | 0.0035 | 3,865 | 3,861 |
| 0.1896 | 215,008 | 215,851 | 200,000 | 0.1822 | 201,216 | 200,978 |
| 0.1896 | 215,008 | 215,851 | 200,000 | 0.1822 | 201,216 | 200,976 |
| - | - | - | 25,000 | 0.0228 | 25,180 | 25,150 |
| 0.0230 | 26,083 | 26,184 | 26,000 | 0.0237 | 26,174 | 26,142 |
| 0.1761 | 199,699 | 200,481 | 158,115 | 0.1441 | 159,140 | 159,950 |
| 0.3245 | 367,986 | 369,427 | 311,692 | 0.2839 | 313,530 | 313,158 |
| 1.3318 | \$ 1,510,275 | \$ 1,516,189 | \$ 1,437,629 | 1.3099 | \$ 1,446,613 | \$ 1,445,896 |
| <u>\$ 113,401,024</u> | | | <u>\$ 109,792,350</u> | | | |