

VILLAGE OF CARBON CLIFF, ILLINOIS

***BASIC FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT***

December 31, 2010

VILLAGE OF CARBON CLIFF, ILLINOIS

December 31, 2010

CONTENTS

	PAGE
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
Statement 1 - Statement of Net Assets - Modified Cash Basis	3
2 - Statement of Activities - Modified Cash Basis	4
3 - Balance Sheet - Modified Cash Basis - Governmental Funds	5
3 - Reconciliation of the Balance Sheet - Modified Cash Basis - of Governmental Funds to the Statement of Net Assets	6
4 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	7
4 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances - Modified Cash Basis - of Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement 5 - Statement of Net Assets - Modified Cash Basis	9
6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets - Modified Cash Basis	10
7 - Statement of Cash Flows	11 - 12
Notes to Financial Statements	13 - 28

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS

December 31, 2010

CONTENTS

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis:	
Exhibit 1 - General Fund	29 - 30
2 - Special Tax Allocation Fund - TIF #1	31
3 - Special Tax Allocation Fund - TIF #2	32
4 - Hotel Tax Fund	33
5 - Notes to the Required Supplementary Information - Budget Comparisons	34
6 - Required Supplementary Information on Pension Plan Funding Progress	35
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds	
Exhibit 7 - Combining Balance Sheet - Modified Cash Basis - Nonmajor Governmental Funds	36
8 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Nonmajor Governmental Funds	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Modified Cash Basis:	
Exhibit 9 - Motor Fuel Tax Fund	38
10 - Non-Home Rule Sales Tax Fund	39
Exhibit 11 - Assessed Valuations and Property Tax Rates	40
Exhibit 12 - Property Tax Levies and Collections	41

INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
Village of Carbon Cliff, Illinois
Carbon Cliff, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carbon Cliff, Illinois, as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinion.

As described in Note 1, the Village of Carbon Cliff, Illinois prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The management's discussion and analysis which is required by U.S. generally accepted accounting principles has not been presented as part of this report.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carbon Cliff, Illinois, as of December 31, 2010, and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The budgetary comparison and other required supplementary information on pages 29 through 35, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Carbon Cliff, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
November 15, 2011

BASIC FINANCIAL STATEMENTS

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
December 31, 2010

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,287,075	\$ 117,335	\$ 1,404,410
Investments	1,067,405	-	1,067,405
Internal balances	343,861	(343,861)	-
Capital assets, net of accumulated depreciation:			
Land and Construction in Progress	132,141	-	132,141
Buildings and systems	132,036	1,741,968	1,874,004
Equipment and vehicles	310,900	24,989	335,889
Improvements other than buildings	80,337	-	80,337
Infrastructure	236,492	-	236,492
Total assets	\$ 3,590,247	\$ 1,540,431	\$ 5,130,678
LIABILITIES			
CURRENT LIABILITIES			
Payroll withholding	\$ 6,026	\$ 25	\$ 6,051
NONCURRENT LIABILITIES			
Due within one year	10,619	30,000	40,619
Due in more than one year	50,149	230,000	280,149
Total liabilities	\$ 66,794	\$ 260,025	\$ 326,819
NET ASSETS			
Invested in capital assets, net of related debt	\$ 831,138	\$ 1,506,957	\$ 2,338,095
Restricted for:			
Debt service	-	25,697	25,697
Capital project	-	66,098	66,098
Maintenance of roadways	14,359	-	14,359
Unrestricted	2,677,956	(318,346)	2,359,610
Total net assets	\$ 3,523,453	\$ 1,280,406	\$ 4,803,859

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2010

FUNCTION/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 283,267	\$ 21,896	\$ 44,835	\$ -
Public safety	206,670	4,824	-	-
Public works	222,142	-	-	-
Recreation and culture	98,466	-	-	-
Economic development	515,357	-	-	-
Interest on long-term debt	2,975	-	-	-
Total governmental activities	\$ 1,328,877	\$ 26,720	\$ 44,835	\$ -
Business-Type activities:				
Water	\$ 215,634	\$ 267,504	\$ -	\$ -
Sewer	397,764	316,278	-	-
Garbage	84,676	73,852	633	-
Total business-type activities	\$ 698,074	\$ 657,634	\$ 633	\$ -
Total primary government	\$ 2,026,951	\$ 684,354	\$ 45,468	\$ -

General revenues
Property taxes
Other taxes
Investment earnings
Miscellaneous
Intergovernmental
Transfers
Capital Contributions

Total general revenues and transfers

Change in net assets

NET ASSETS, Beginning

NET ASSETS, Ending

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (216,536)	\$ -	\$ (216,536)
(201,846)	-	(201,846)
(222,142)	-	(222,142)
(98,466)	-	(98,466)
(515,357)	-	(515,357)
(2,975)	-	(2,975)
<u>\$ (1,257,322)</u>	<u>\$ -</u>	<u>\$ (1,257,322)</u>
\$ -	\$ 51,870	\$ 51,870
-	(81,486)	(81,486)
-	(10,191)	(10,191)
<u>\$ -</u>	<u>\$ (39,807)</u>	<u>\$ (39,807)</u>
<u>\$ (1,257,322)</u>	<u>\$ (39,807)</u>	<u>\$ (1,297,129)</u>
\$ 1,006,418	\$ 43,220	\$ 1,049,638
497,896	-	497,896
8,706	1,759	10,465
14,371	13,525	27,896
74,151	-	74,151
6,334	(6,334)	-
156,060	-	156,060
<u>\$ 1,763,936</u>	<u>\$ 52,170</u>	<u>\$ 1,816,106</u>
\$ 506,614	\$ 12,363	\$ 518,977
<u>3,016,839</u>	<u>1,268,043</u>	<u>4,284,882</u>
<u>\$ 3,523,453</u>	<u>\$ 1,280,406</u>	<u>\$ 4,803,859</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2010

ASSETS	General Fund	Special Tax Allocation Fund - TIF #1
	<u> </u>	<u> </u>
Cash	\$ 126,825	\$ -
Investments	14,656	1,052,026
Advances to other funds	55,420	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 196,901</u>	<u>\$ 1,052,026</u>
LIABILITIES		
Payroll liabilities	\$ 6,026	\$ -
Advances from other funds	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 6,026</u>	<u>\$ -</u>
FUND BALANCES		
Reserved for maintenance of roadways	\$ -	\$ -
Unreserved, reported in:		
General fund	190,875	-
Special revenue funds	-	1,052,026
	<u> </u>	<u> </u>
Total fund balances	<u>\$ 190,875</u>	<u>\$ 1,052,026</u>
Total liabilities and fund balances	<u>\$ 196,901</u>	<u>\$ 1,052,026</u>

Special Tax Allocation Fund - TIF #2	Hotel Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 958,183	\$ 100,918	\$ 101,149	\$ 1,287,075
122	201	400	1,067,405
31,500	256,941	-	343,861
<u>\$ 989,805</u>	<u>\$ 358,060</u>	<u>\$ 101,549</u>	<u>\$ 2,698,341</u>
\$ -	\$ -	\$ -	\$ 6,026
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,026</u>
\$ -	\$ -	\$ 14,359	\$ 14,359
-	-	-	190,875
989,805	358,060	87,190	2,487,081
<u>\$ 989,805</u>	<u>\$ 358,060</u>	<u>\$ 101,549</u>	<u>\$ 2,692,315</u>
<u>\$ 989,805</u>	<u>\$ 358,060</u>	<u>\$ 101,549</u>	<u>\$ 2,698,341</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
December 31, 2010

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

Total fund balance - governmental funds	\$	2,692,315
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		891,906
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(60,768)</u>
Net assets of governmental activities	\$	<u>3,523,453</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

REVENUES	General Fund	Special Tax Allocation Fund - TIF #1
Property taxes	\$ 120,799	\$ 318,068
Other taxes	315,011	-
Licenses and permits	21,896	-
Fines and fees	4,824	-
Grant income	37,500	-
Interest	788	3,579
Miscellaneous	14,351	-
Other reimbursements	74,151	-
	\$ 589,320	\$ 321,647
 EXPENDITURES		
Current:		
Personnel	\$ 305,421	\$ -
Contractual services	162,891	280,584
Commodities	123,174	-
Other	11,237	5,940
Capital outlay	2,465	443
Debt Service:		
Principal	13,639	-
Interest	2,975	-
	\$ 621,802	\$ 286,967
Total expenditures		
	\$ 621,802	\$ 286,967
Excess (deficiency) of revenues over (under) expenditures	\$ (32,482)	\$ 34,680
 OTHER FINANCING SOURCES (USES)		
Transfer in	\$ 18,355	\$ -
Transfer out	(14,978)	-
	\$ 3,377	\$ -
Total other financing sources (uses)		
	\$ 3,377	\$ -
Net change in fund balances	\$ (29,105)	\$ 34,680
FUND BALANCES, Beginning	219,980	1,017,346
FUND BALANCES, Ending	\$ 190,875	\$ 1,052,026

Special Tax Allocation Fund - TIF #2	Hotel Tax Fund	Other Governmental Funds	Total Governmental Funds
\$ 567,551	\$ -	\$ -	\$ 1,006,418
31,875	78,638	72,372	497,896
-	-	-	21,896
-	-	-	4,824
-	-	7,335	44,835
3,272	293	774	8,706
-	-	20	14,371
-	-	-	74,151
<u>\$ 602,698</u>	<u>\$ 78,931</u>	<u>\$ 80,501</u>	<u>\$ 1,673,097</u>
\$ -	\$ -	\$ -	\$ 305,421
205,126	10,844	140,859	800,304
-	67	134	123,375
8,024	9,573	-	34,774
15,968	-	-	18,876
-	-	-	-
-	-	-	13,639
-	-	-	2,975
<u>\$ 229,118</u>	<u>\$ 20,484</u>	<u>\$ 140,993</u>	<u>\$ 1,299,364</u>
\$ 373,580	\$ 58,447	\$ (60,492)	\$ 373,733
\$ -	\$ 3,045	\$ -	\$ 21,400
-	(28)	(60)	(15,066)
<u>\$ -</u>	<u>\$ 3,017</u>	<u>\$ (60)</u>	<u>\$ 6,334</u>
\$ 373,580	\$ 61,464	\$ (60,552)	\$ 380,067
616,225	296,596	162,101	2,312,248
<u>\$ 989,805</u>	<u>\$ 358,060</u>	<u>\$ 101,549</u>	<u>\$ 2,692,315</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2010

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

Net change in fund balances - total governmental funds	\$	380,067
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Contributed land and building		156,060
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

		(43,152)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

		<u>13,639</u>
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Change in net assets of governmental activities	\$	<u><u>506,614</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2010

	Business-type Activities Enterprise Funds			Total Business- Type Activities
	Water Fund	Wastewater Treatment Fund	Nonmajor Enterprise Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 140,301	\$ -	\$ 24,696	\$ 164,997
Investments	-	-	-	-
Total current assets	<u>\$ 140,301</u>	<u>\$ -</u>	<u>\$ 24,696</u>	<u>\$ 164,997</u>
Noncurrent assets:				
Restricted cash and investments:				
Bond covenant accounts:				
Cash	\$ 25,697	\$ -	\$ -	\$ 25,697
Capital Project:				
Cash	33,893	32,205	-	66,098
Total restricted assets	<u>\$ 59,590</u>	<u>\$ 32,205</u>	<u>\$ -</u>	<u>\$ 91,795</u>
Capital assets:				
Buildings and systems	\$ 1,834,471	\$ 1,514,731	\$ -	\$ 3,349,202
Equipment and vehicles	33,059	26,696	-	59,755
Less accumulated depreciation	<u>(573,589)</u>	<u>(1,068,411)</u>	<u>-</u>	<u>(1,642,000)</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 1,293,941</u>	<u>\$ 473,016</u>	<u>\$ -</u>	<u>\$ 1,766,957</u>
Total assets	<u>\$ 1,493,832</u>	<u>\$ 505,221</u>	<u>\$ 24,696</u>	<u>\$ 2,023,749</u>
LIABILITIES				
Current liabilities:				
Payroll Withholding	\$ 25	\$ -	\$ -	\$ 25
Bank overdraft	-	139,457	-	139,457
Advances from other funds	250,997	87,462	5,402	343,861
Total current liabilities	<u>\$ 251,022</u>	<u>\$ 226,919</u>	<u>\$ 5,402</u>	<u>\$ 483,343</u>
Noncurrent liabilities				
Due within one year	\$ 30,000	\$ -	\$ -	\$ 30,000
Due in more than one year	230,000	-	-	230,000
Total noncurrent liabilities	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,000</u>
Total liabilities	<u>\$ 511,022</u>	<u>\$ 226,919</u>	<u>\$ 5,402</u>	<u>\$ 743,343</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,033,941	\$ 473,016	\$ -	\$ 1,506,957
Restricted for:				
Debt service	25,697	-	-	25,697
Capital project	33,893	32,205	-	66,098
Unrestricted	<u>(110,721)</u>	<u>(226,919)</u>	<u>19,294</u>	<u>(318,346)</u>
Total net assets	<u>\$ 982,810</u>	<u>\$ 278,302</u>	<u>\$ 19,294</u>	<u>\$ 1,280,406</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business-type Activities Enterprise Funds			
	Water Fund	Wastewater Treatment Fund	Nonmajor Enterprise Fund	Total Business-Type Activities
OPERATING REVENUES				
Charges for services	\$ 267,504	\$ 316,278	\$ 73,852	\$ 657,634
Other reimbursements	11,697	1,828	633	14,158
Total operating revenues	<u>\$ 279,201</u>	<u>\$ 318,106</u>	<u>\$ 74,485</u>	<u>\$ 671,792</u>
OPERATING EXPENSES				
Personnel	\$ 76,480	\$ 61,387	\$ 14,263	\$ 152,130
Contractual services	33,333	284,838	64,875	383,046
Commodities	44,259	16,476	5,458	66,193
Other	5,157	-	80	5,237
Depreciation	42,655	35,063	-	77,718
Total operating expenses	<u>\$ 201,884</u>	<u>\$ 397,764</u>	<u>\$ 84,676</u>	<u>\$ 684,324</u>
OPERATING INCOME (LOSS)	<u>\$ 77,317</u>	<u>\$ (79,658)</u>	<u>\$ (10,191)</u>	<u>\$ (12,532)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	\$ 584	\$ 767	\$ 408	\$ 1,759
Interest expense	(13,750)	-	-	(13,750)
Property taxes	35,457	-	7,763	43,220
Total non-operating revenues	<u>\$ 22,291</u>	<u>\$ 767</u>	<u>\$ 8,171</u>	<u>\$ 31,229</u>
Income (loss) before transfers	\$ 99,608	\$ (78,891)	\$ (2,020)	\$ 18,697
TRANSFERS IN	\$ 2,859	\$ 977	\$ 9,074	\$ 12,910
TRANSFERS OUT	<u>(19,244)</u>	<u>-</u>	<u>-</u>	<u>(19,244)</u>
CHANGE IN NET ASSETS	\$ 83,223	\$ (77,914)	\$ 7,054	\$ 12,363
TOTAL NET ASSETS, Beginning	<u>899,587</u>	<u>356,216</u>	<u>12,240</u>	<u>1,268,043</u>
TOTAL NET ASSETS, Ending	<u>\$ 982,810</u>	<u>\$ 278,302</u>	<u>\$ 19,294</u>	<u>\$ 1,280,406</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2010

	Business-type Activities Enterprise Funds			Total Business-type Activities
	Water Fund	Wastewater Treatment Fund	Nonmajor Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 267,504	\$ 316,278	\$ 73,852	\$ 657,634
Other receipts	11,697	1,828	633	14,158
Payments to suppliers	(82,749)	(301,314)	(70,413)	(454,476)
Payments to employees	(76,480)	(61,387)	(14,263)	(152,130)
Net cash provided (used) by operating activities	<u>\$ 119,972</u>	<u>\$ (44,595)</u>	<u>\$ (10,191)</u>	<u>\$ 65,186</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from property tax	\$ 35,457	\$ -	\$ 7,763	\$ 43,220
Payroll withholding	25	-	-	25
Transfers from other funds	2,859	977	9,074	12,910
Transfers to other funds	(19,244)	-	-	(19,244)
Advances from other funds	(15,750)	-	-	(15,750)
Net cash provided by non-capital financing activities	<u>\$ 3,347</u>	<u>\$ 977</u>	<u>\$ 16,837</u>	<u>\$ 21,161</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	\$ (30,000)	\$ -	\$ -	\$ (30,000)
Interest paid on long-term debt	(13,750)	-	-	(13,750)
Net cash used by capital and related financing activities	<u>\$ (43,750)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>\$ 584</u>	<u>\$ 767</u>	<u>\$ 408</u>	<u>\$ 1,759</u>
Net cash provided by investing activities	<u>\$ 584</u>	<u>\$ 767</u>	<u>\$ 408</u>	<u>\$ 1,759</u>

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	<u>Business-type Activities Enterprise Funds</u>			<u>Total Business-type Activities</u>
	<u>Water Fund</u>	<u>Wastewater Treatment Fund</u>	<u>Nonmajor Enterprise Fund</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 80,153	\$ (42,851)	\$ 7,054	\$ 44,356
CASH AND CASH EQUIVALENTS - Beginning	<u>119,738</u>	<u>(64,401)</u>	<u>17,642</u>	<u>72,979</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 199,891</u>	<u>\$ (107,252)</u>	<u>\$ 24,696</u>	<u>\$ 117,335</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 77,317	\$ (79,658)	\$ (10,191)	\$ (12,532)
Depreciation expense	<u>42,655</u>	<u>35,063</u>	<u>-</u>	<u>77,718</u>
Net cash provided by operating activities	<u>\$ 119,972</u>	<u>\$ (44,595)</u>	<u>\$ (10,191)</u>	<u>\$ 65,186</u>

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

VILLAGE OF CARBON CLIFF, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further under Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from U.S. generally accepted accounting principles (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Reporting Entity

The Village of Carbon Cliff, Illinois provides a broad range of services to citizens, including general government, public safety, streets, sanitation and park facilities. It also operates the water and sewer utilities.

The reporting entity is to include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village of Carbon Cliff, Illinois is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The Village has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the Village is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these combined statements.

The Village became a home rule government in November 2006.

Basis of Presentation

Government-Wide Financial Statements -

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

Fund Financial Statements -

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Village presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Funds -

The General Fund is the primary operating fund of the Village 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.

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 Village. The Village reports the following special revenue funds as major:

Special Tax Allocation Fund – TIF #1 accounts for revenues and expenditures related to the development of TIF district #1.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

Special Tax Allocation Fund – TIF #2 accounts for revenues and expenditures related to the development of TIF district #2.

Proprietary Fund Types -

Enterprise Funds - Enterprise funds are used to account for business-type 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 Village reports the following enterprise funds as major:

The water fund accounts for the revenue and expenses of the department responsible for providing water service to the general public.

The wastewater treatment fund accounts for the revenue and expenses of the department responsible for providing sewer service to the general public.

Measurement Focus and Basis of Accounting

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

Measurement Focus -

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

Basis of Accounting -

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

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

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

Cash and Cash Equivalents -

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments -

Investments are accounted for at fair value.

Capital Assets -

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

Government-wide Statements -

Capital assets are reported in the government-wide financial statements as assets in the Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since January 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 lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and systems	20-50 years
Improvements other than buildings	20 years
Equipment and vehicles	5-20 years
Infrastructure	40 years

Fund Financial Statements -

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

Long-term Debt -

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.

Equity Classification -

Government-wide Statements

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

- a. Invested 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

- 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.”

It is the Village's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements –

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Property taxes -

Property taxes are levied in December and attached as an enforceable lien on the property as of the preceding January 1 and are collectible in June, August, September and November of the year following the December tax levy.

Budgetary Data -

The Board of Trustees annually adopts a budget on the cash basis for all funds following the required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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 and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - (Continued)

3. Interfund reimbursements – Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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.

Use of Estimates -

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets -

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$60,768 difference are as follows:

Note payable	\$ <u>60,768</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - (Continued)

Explanation of Certain Differences Between the Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund
Balances and the Government-Wide Statement of Activities -

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$58,677 difference are as follows:

Capital outlay	\$ 18,876
Depreciation expense	<u>(62,028)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(43,152)</u>

Another element of that reconciliation states that the “issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$13,639 difference are as follows:

Principal repayments:	
Note payable	\$ <u>13,639</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>13,639</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS AND INVESTMENTS

As of December 31, 2010, the Village had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Illinois Funds	<u>\$ 87,930</u>

Interest rate risk. The highest interest rate available will always be the objective of the investment policy combined with safety of principal, which is left to the discretion of the Village President.

Credit risk. The investment and deposit of Village monies is governed by the provisions of the Illinois Compiled Statutes. In accordance with these provisions, all Village monies must be invested in one or more of the following:

- a. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits constituting direct obligations of any bank as shall have been selected and designated under the terms of the Illinois Compiled Statutes and as shall have complied with the requirements thereof;
- b. Shares or other forms of securities legally issuable by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States, provided such shares or securities are insured by the Federal Savings and Loan Insurance Corporation;
- c. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- d. Short-term discount obligations of the Federal National Mortgage Association.

During the year ended December 31, 2010, the Village complied with the provisions of these statutes pertaining to the types of investments held and institutions in which deposits were made.

Concentration of credit risk. In accordance with its investment policy, the Village President will have the sole responsibility to select which financial institutions will be depositories for Village funds. The Village President will take into consideration security, size, location, condition, service, fees, and the community relations involvement of the financial institutions when choosing a financial institution.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned. At all times in order to meet the objective of safety of capital, the Village President will require deposits in excess of federally insured amount to be collateralized and evidenced by an approved written agreement. Investments requiring collateralization will not be made prior to Board approval.

As of December 31, 2010, the carrying amount of the Village's deposits with financial institutions totaled \$2,385,704 with the bank balances totaling \$2,387,064. The bank balances of \$2,387,064 are entirely insured or collateralized with securities held by the Village or its agent in the Village's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2010, there was no investment custodial risk for the Village.

NOTE 4 - PENSION PLAN

Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the Village Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2010 was 12.48 percent. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

The required contribution for calendar year 2010 was \$33,771.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – (Continued)

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 33,771	100%	\$ - - -
12/31/09	34,519	100%	- - -
12/31/08	37,058	100%	- - -

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Village Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 55.37 percent funded. The actuarial accrued liability for benefits was \$565,322 and the actuarial value of assets was \$313,041, resulting in an underfunded actuarial accrued liability (UAAL) of \$252,281. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$270,599 and the ratio of the UAAL to the covered payroll was 93 percent.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2010:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 84,000	\$ 48,141	\$ - - -	\$ 132,141
Construction in progress	<u>9,541</u>	<u>- - -</u>	<u>9,541</u>	<u>- - -</u>
Total capital assets, not being depreciated	<u>\$ 93,541</u>	<u>\$ 48,141</u>	<u>\$ 9,541</u>	<u>\$ 132,141</u>
Capital assets, being depreciated:				
Buildings	\$ 79,544	\$ 107,919	\$ - - -	\$ 187,463
Equipment and vehicles	611,605	3,351	- - -	614,956
Improvements other than buildings	72,603	25,066	- - -	97,669
Infrastructure	<u>252,352</u>	<u>- - -</u>	<u>- - -</u>	<u>252,352</u>
Total capital assets, being depreciated	<u>\$ 1,016,104</u>	<u>\$ 132,985</u>	<u>\$ - - -</u>	<u>\$ 1,152,440</u>
Less accumulated depreciation for:				
Buildings	\$ 53,947	\$ 1,480	\$ - - -	\$ 55,427
Equipment and vehicles	254,124	49,932	- - -	304,056
Improvements other than buildings	13,025	4,307	- - -	17,332
Infrastructure	<u>9,551</u>	<u>6,309</u>	<u>- - -</u>	<u>15,860</u>
Total accumulated depreciation	<u>\$ 330,647</u>	<u>\$ 62,028</u>	<u>\$ - - -</u>	<u>\$ 392,675</u>
Total capital assets, being depreciated, net	<u>\$ 685,457</u>	<u>\$ 70,957</u>	<u>\$ - - -</u>	<u>\$ 759,765</u>
Governmental activities capital assets, net	<u>\$ 778,998</u>	<u>\$ 119,098</u>	<u>\$ - - -</u>	<u>\$ 891,906</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Buildings and systems	\$ 3,349,202	\$ - - -	\$ - - -	\$ 3,349,202
Equipment and vehicles	<u>59,755</u>	<u>- - -</u>	<u>- - -</u>	<u>59,755</u>
Total capital assets, being depreciated	<u>\$ 3,408,957</u>	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$ 3,408,957</u>
Less accumulated depreciation for:				
Buildings and systems	\$ 1,538,564	\$ 68,670	\$ - - -	\$ 1,607,234
Equipment and vehicles	<u>25,718</u>	<u>9,048</u>	<u>- - -</u>	<u>34,766</u>
Total accumulated depreciation	<u>\$ 1,564,282</u>	<u>\$ 77,718</u>	<u>\$ - - -</u>	<u>\$ 1,642,000</u>
Total capital assets, being depreciated, net	<u>\$ 1,844,675</u>	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$ 1,766,957</u>
Business-type activities capital assets, net	<u>\$ 1,844,675</u>	<u>\$ - - -</u>	<u>\$ - - -</u>	<u>\$ 1,766,957</u>

Depreciation expense was charged to functions/programs of the Village as follows:

Governmental activities:

Public safety	\$ 25,933
Public works	26,787
Recreation and culture	<u>9,308</u>
Total depreciation expense – governmental activities	<u>\$ 62,028</u>

Business-type activities:

Waterworks and sewerage systems	<u>\$ 77,718</u>
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

As of December 31, 2010, the outstanding long-term debt of the Village was as follows:

On July 1, 2001, the Village issued \$450,000 of 2001 General Obligation Special Service Area bonds with interest of 5.00% payable semiannually on March 30 and September 30 of each year. Principal is due in annual amounts on March 30 of each year through 2017. The annual debt service requirements on these bonds are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	5.00%	\$ 30,000	\$ 12,250	\$ 42,250
2012	5.00	35,000	10,625	45,625
2013	5.00	35,000	8,875	43,875
2014	5.00	35,000	7,125	42,125
2015	5.00	40,000	5,250	45,250
2016	5.00	40,000	3,250	43,250
2017	5.00	<u>45,000</u>	<u>1,125</u>	<u>46,125</u>
Total		<u>\$ 260,000</u>	<u>\$ 48,500</u>	<u>\$ 308,500</u>

Note Payable

On January 4, 2008, the Village obtained a \$100,000 loan from a bank. The loan has an interest rate of 4.29% and is payable in quarterly installments of \$4,153 through 2015. The annual debt service requirements on this loan are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	4.29%	\$ 10,618	\$ 1,842	\$ 12,460
2012	4.29	14,697	1,915	16,612
2013	4.29	15,337	1,275	16,612
2014	4.29	16,007	606	16,613
2015	4.29	<u>4,109</u>	<u>44</u>	<u>4,153</u>
Total		<u>\$ 60,768</u>	<u>\$ 5,682</u>	<u>\$ 66,449</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - (Continued)

Long-term liability activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable	\$ <u>74,407</u>	\$ <u>---</u>	\$ <u>(13,639)</u>	\$ <u>60,768</u>	\$ <u>10,618</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ <u>290,000</u>	\$ <u>---</u>	\$ <u>(30,000)</u>	\$ <u>260,000</u>	\$ <u>30,000</u>

Legal Debt Margin -

As of December 31, 2010, the Village was a home-rule unit and the legal debt margin did not apply. If the Village were subject to the legal debt margin, the computation shown below indicates that the general obligation debt of the Village would not have exceeded the limit. The general obligation debt of the Village did not exceed its legal debt margin, as shown by the computation that follows:

Assessed valuation	\$ <u>14,706,762</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 1,268,458
General obligation bonds (Special Service)	(260,000)
Note payable	(60,768)
General obligation bonds, not subject to debt limit	<u>260,000</u>
Unused legal debt capacity based on 8.625%	\$ <u>1,207,690</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2010 is as follows:

	<u>Payable fund:</u>			
Receivable fund:	<u>Water</u>	<u>Wastewater Treatment</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
General	\$ 10,000	\$ 45,420	\$ - - -	\$ 55,420
TIF #2	31,500	- - -	- - -	31,500
Hotel	<u>209,497</u>	<u>42,042</u>	<u>5,402</u>	<u>256,941</u>
Total	<u>\$ 250,997</u>	<u>\$ 87,462</u>	<u>\$ 5,402</u>	<u>\$ 343,861</u>

The composition of interfund transfers as of December 31, 2010 is as follows:

	<u>Transfer Out</u>				
Transfer In:	<u>General</u>	<u>Hotel Tax Fund</u>	<u>Nonmajor Governmental</u>	<u>Water</u>	<u>Total</u>
General Fund	\$ - - -	\$ 28	\$ 60	\$ 18,267	\$ 18,355
Hotel Tax Fund	3,045	- - -	- - -	- - -	3,045
Water	2,859	- - -	- - -	- - -	2,859
Nonmajor Enterprise	<u>9,074</u>	<u>- - -</u>	<u>- - -</u>	<u>977</u>	<u>10,051</u>
Total	<u>\$ 14,978</u>	<u>\$ 28</u>	<u>\$ 60</u>	<u>\$ 19,244</u>	<u>\$ 34,310</u>

NOTE 8 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules for the following:

General Fund

Special Tax Allocation Fund – TIF #1

Special Tax Allocation Fund – TIF #2

Hotel Tax Fund

Notes to the Required Supplementary Information

Schedules of Funding Progress – Defined Benefit Retirement Plan

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND

For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Property taxes	\$ 122,944	\$ 122,944	\$ 120,799
Other taxes	317,943	317,943	315,011
Licenses and permits	21,875	21,875	21,896
Fines and fees	10,615	10,615	4,824
Grant income	39,000	39,000	37,500
Interest	1,208	1,208	788
Sale of property	500	500	-
Miscellaneous	75	75	14,351
Other reimbursements	90,150	90,150	74,151
	<u>604,310</u>	<u>604,310</u>	<u>589,320</u>
Total revenues	\$ 604,310	\$ 604,310	\$ 589,320
EXPENDITURES			
Current:			
Personnel:			
Salaries	\$ 230,911	\$ 204,174	\$ 204,072
Health Insurance	65,650	64,330	67,227
Retirement	40,885	37,020	34,122
	<u>337,446</u>	<u>305,524</u>	<u>305,421</u>
Total personnel	\$ 337,446	\$ 305,524	\$ 305,421
Contractual Services:			
Intergovernmental agreement	\$ 132,101	\$ 131,076	\$ 131,076
Engineering	78,129	26,917	22,124
Legal and professional	24,187	9,841	9,691
	<u>234,417</u>	<u>167,834</u>	<u>162,891</u>
Total contractual services	\$ 234,417	\$ 167,834	\$ 162,891
Commodities:			
Postage	\$ 1,000	\$ 418	\$ 431
Publishing and printing	2,125	649	523
Telephone	7,210	6,581	6,581
Dues and publications	2,655	2,212	2,161
Travel	14,650	7,994	7,995
Training	4,000	1,365	1,365
Utilities	26,250	26,335	26,335
Insurance	17,285	18,460	18,460
Maintenance	14,375	4,661	34,921
Supplies	72,475	51,159	24,402
	<u>162,025</u>	<u>119,834</u>	<u>123,174</u>
Total commodities	\$ 162,025	\$ 119,834	\$ 123,174

(Continued)

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND

For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
EXPENDITURES - (Continued)			
Other:			
Community relations	\$ 4,950	\$ 3,899	\$ 8,135
Miscellaneous	1,300	353	3,102
Total other	<u>\$ 6,250</u>	<u>\$ 4,252</u>	<u>\$ 11,237</u>
Capital expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,465</u>
Debt Service:			
Principal	\$ 13,640	\$ 13,640	\$ 13,639
Interest	2,975	2,975	2,975
Total expenditures	<u>\$ 756,753</u>	<u>\$ 614,059</u>	<u>\$ 621,802</u>
Deficiency of revenues under expenditures	<u>\$ (152,443)</u>	<u>\$ (9,749)</u>	<u>\$ (32,482)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	\$ 36,196	\$ 36,196	\$ 18,355
Transfer out	<u>(52,914)</u>	<u>(34,816)</u>	<u>(14,978)</u>
Net change in fund balance	<u>\$ (169,161)</u>	<u>\$ (8,369)</u>	\$ (29,105)
FUND BALANCE, Beginning			<u>219,980</u>
FUND BALANCE, Ending			<u>\$ 190,875</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
SPECIAL TAX ALLOCATION FUND - TIF #1
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Property taxes	\$ 350,000	\$ 350,000	\$ 318,068
Other taxes	-	-	-
Interest	2,750	2,750	3,579
	<u>352,750</u>	<u>352,750</u>	<u>321,647</u>
Total revenues	\$ 352,750	\$ 352,750	\$ 321,647
EXPENDITURES			
Current:			
Contractual services:			
Engineering fees	\$ 100,000	\$ 12,167	\$ 12,167
Legal and professional services	61,080	39,306	39,306
Public improvements	1,175,000	26,681	27,816
Intergovernmental agreement	85,000	71,298	71,298
Redevelopment agreement	175,000	129,997	129,997
Other:			
Postage	1,500	30	30
Telephone and fax	500	550	550
Publishing	2,000	13	13
Dues	375	-	-
Travel	3,000	2,522	2,522
Printing	100	72	72
Training	2,000	1,455	1,455
Maintenance service equipment	75	49	49
Maintenance service utility	-	93	93
Supplies	-	1,156	1,156
Community relations	500	-	-
Capital outlay	450	443	443
	<u>1,606,580</u>	<u>285,832</u>	<u>286,967</u>
Total expenditures	\$ 1,606,580	\$ 285,832	\$ 286,967
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,253,830)</u>	<u>\$ 66,918</u>	<u>\$ 34,680</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	(50,000)	-	-
	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,303,830)</u>	<u>\$ 66,918</u>	<u>\$ 34,680</u>
FUND BALANCE, Beginning			<u>1,017,346</u>
FUND BALANCE, Ending			<u>\$ 1,052,026</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
SPECIAL TAX ALLOCATION FUND - TIF #2
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Property taxes	\$ 450,000	\$ 450,000	\$ 567,551
Other taxes	35,000	35,000	31,875
Interest	2,500	2,500	3,272
Total revenues	<u>\$ 487,500</u>	<u>\$ 487,500</u>	<u>\$ 602,698</u>
EXPENDITURES			
Contractual services:			
Redevelopment agreement	\$ 200,000	\$ 100,409	\$ 100,409
Engineering services	25,000	4,529	4,529
Legal and professional services	26,580	21,787	21,787
Intergovernmental agreement	75,000	69,967	69,967
Utility system	40,000	8,434	8,434
Other:			
Interest	-	38	38
Postage	75	29	29
Telephone and fax	500	580	580
Dues	375	375	375
Travel	1,500	2,210	2,210
Supplies	6,650	3,330	3,330
Training	1,100	1,400	1,400
Maintenance service equipment	75	49	49
Maintenance service utility	10,000	-	-
Printing	10	-	-
Publishing	25	13	13
Capital expenditures	450	15,968	15,968
Total expenditures	<u>\$ 387,340</u>	<u>\$ 229,118</u>	<u>\$ 229,118</u>
Excess of revenues over expenditures	<u>\$ 100,160</u>	<u>\$ 258,382</u>	<u>\$ 373,580</u>
FUND BALANCE, Beginning			<u>616,225</u>
FUND BALANCE, Ending			<u>\$ 989,805</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HOTEL TAX FUND

For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Hotel tax	\$ 98,385	\$ 98,385	\$ 78,638
Interest	500	500	293
Total revenues	<u>\$ 98,885</u>	<u>\$ 98,885</u>	<u>\$ 78,931</u>
EXPENDITURES			
Current:			
Contractual services:			
Legal and professional services	\$ 3,935	\$ 3,192	\$ 3,192
Intergovernmental agreement	7,652	7,652	7,652
Other:			
Dues	5,000	6,250	6,250
Maintenance	2,500	150	150
Community relations	100	2,640	2,640
Supplies	1,925	533	533
Commodities:			
Printing	75	67	67
Total expenditures	<u>\$ 21,187</u>	<u>\$ 20,484</u>	<u>\$ 20,484</u>
Excess of revenues over expenditures	\$ 77,698	\$ 78,401	\$ 58,447
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	3,045
Transfer out	-	-	(28)
Net change in fund balance	<u>\$ 77,698</u>	<u>\$ 78,401</u>	\$ 61,464
FUND BALANCE, Beginning			<u>296,596</u>
FUND BALANCE, Ending			<u>\$ 358,060</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
BUDGET COMPARISONS
December 31, 2009

I. BUDGETARY INFORMATION

The Board of Trustees annually adopts a budget on the cash basis for all funds following the required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following major funds:

	<u>Amount Over</u> <u>Budget</u>
General Fund	\$ 7,743
Special Tax Allocation Fund – TIF #1	1,135
Hotel Tax Fund	20

These expenditures were funded by available reserves in the fund.

VILLAGE OF CARBON CLIFF, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION ON
PENSION PLAN FUNDING PROGRESS
December 31, 2009

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)--Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/10	\$ 313,041	\$ 565,322	\$ 252,281	55.37%	\$ 270,599	93.23%
12/31/09	259,124	511,515	252,391	50.66	260,128	97.03
12/31/08	328,997	529,699	200,702	62.11	253,996	79.02

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$335,329. On a market basis, the funded ratio would be 59.32%.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Motor Fuel Tax Fund - Accounts for expenditures related to projects financed by the state gasoline tax as collected and distributed by the State of Illinois.

Non-Home Rule Sales Tax Fund – Accounts for expenditures related to drainage improvements financed by sales tax as collected and distributed by the State of Illinois.

VILLAGE OF CARBON CLIFF, ILLINOIS
COMBINING BALANCE SHEET
MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Motor Fuel Tax Fund</u>	<u>Non-Home Rule Sales Tax Fund</u>	
ASSETS			
Cash	\$ 14,159	\$ 86,990	\$ 101,149
Investments	200	200	400
Advances to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 14,359</u>	<u>\$ 87,190</u>	<u>\$ 101,549</u>
FUND BALANCE			
Reserved for maintenance of roadways	\$ 14,359	\$ -	\$ 14,359
Unreserved	-	87,190	87,190
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>\$ 14,359</u>	<u>\$ 87,190</u>	<u>\$ 101,549</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Motor Fuel Tax Fund</u>	<u>Non-Home Rule Sales Tax Fund</u>	
REVENUES			
Motor fuel tax	\$ 42,723	\$ -	\$ 42,723
Local sales tax	-	29,649	29,649
Other state sources	7,335	-	7,335
Miscellaneous	20	-	20
Interest	304	470	774
	<u>50,382</u>	<u>30,119</u>	<u>80,501</u>
Total revenues	\$ 50,382	\$ 30,119	\$ 80,501
EXPENDITURES			
Current:			
Contractual services	\$ 89,104	\$ 51,755	\$ 140,859
Commodities	67	67	134
Other	-	-	-
	<u>89,171</u>	<u>51,822</u>	<u>140,993</u>
Total expenditures	\$ 89,171	\$ 51,822	\$ 140,993
Excess (deficiency) of revenues over (under) expenditures	\$ (38,789)	\$ (21,703)	\$ (60,492)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	-	(60)	(60)
	<u>-</u>	<u>(60)</u>	<u>(60)</u>
Net change in fund balance	\$ (38,789)	\$ (21,763)	\$ (60,552)
FUND BALANCE, Beginning	<u>53,148</u>	<u>108,953</u>	<u>162,101</u>
FUND BALANCE, Ending	<u>\$ 14,359</u>	<u>\$ 87,190</u>	<u>\$ 101,549</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
MOTOR FUEL TAX FUND

For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Motor fuel tax	\$ 43,240	\$ 43,240	\$ 42,723
Other state sources	-	-	7,335
Miscellaneous	-	-	20
Interest	300	300	304
	<u>300</u>	<u>300</u>	<u>304</u>
Total revenues	<u>\$ 43,540</u>	<u>\$ 43,540</u>	<u>\$ 50,382</u>
EXPENDITURES			
Current:			
Contractual services:			
Engineering fees	\$ 25,000	\$ 9,703	\$ 9,703
Public improvements	75,000	79,401	79,401
	<u>75,000</u>	<u>79,401</u>	<u>79,401</u>
Commodities:			
Printing	75	67	67
	<u>75</u>	<u>67</u>	<u>67</u>
Total expenditures	<u>\$ 100,075</u>	<u>\$ 89,171</u>	<u>\$ 89,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (56,535)</u>	<u>\$ (45,631)</u>	<u>\$ (38,789)</u>
FUND BALANCE, Beginning			<u>53,148</u>
FUND BALANCE, Ending			<u>\$ 14,359</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
NON-HOME RULE SALES TAX FUND
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>
REVENUES			
Local sales tax	\$ 26,500	\$ 26,500	\$ 29,649
Interest	400	400	470
Total revenues	<u>\$ 26,900</u>	<u>\$ 26,900</u>	<u>\$ 30,119</u>
EXPENDITURES			
Current:			
Contractual services:			
Professional services	\$ 7,000	\$ 14,395	\$ 14,395
Engineering services	20,000	37,360	37,360
Total contractual services	<u>27,000</u>	<u>51,755</u>	<u>51,755</u>
Other:			
Other improvements	<u>76,000</u>	<u>-</u>	<u>-</u>
Commodities			
Publishing	1,925	-	-
Printing	75	67	67
Total expenditures	<u>\$ 105,000</u>	<u>\$ 51,822</u>	<u>\$ 51,822</u>
Deficiency of revenues under expenditures	<u>\$ (78,100)</u>	<u>\$ (24,922)</u>	<u>\$ (21,703)</u>
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>-</u>	<u>-</u>	<u>(60)</u>
Net change in fund balance	<u>\$ (78,100)</u>	<u>\$ (24,922)</u>	<u>\$ (21,763)</u>
FUND BALANCE, Beginning			<u>108,953</u>
FUND BALANCE, Ending			<u>\$ 87,190</u>

VILLAGE OF CARBON CLIFF, ILLINOIS
ASSESSED VALUATIONS AND PROPERTY TAX RATES
For the Last Ten Calendar Years

Calendar Year:	<u>Assessed Value</u>	<u>Property Tax Rates</u>
2010	\$ 18,702,743	0.7692%
2009	14,706,762	0.8158
2008	14,431,428	0.8146
2007	14,108,858	0.7532
2006	12,911,745	0.8164
2005	12,505,324	0.9360
2004	11,716,490	0.6580
2003	12,108,015	1.0400
2002	11,494,634	1.0180
2001	10,298,083	1.1810
2000	9,725,001	1.2030

VILLAGE OF CARBON CLIFF, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL AND ENTERPRISE FUNDS
For the Last Ten Calendar Years

Calendar Year:	<u>Taxes Levied</u>	<u>Taxes Collected</u>
2011	\$ 155,214	\$ - - -
2010	129,515	128,562
2009	127,189	127,203
2008	116,126	113,541
2007	114,889	114,128
2006	126,336	123,838
2005	85,876	91,416
2004	134,649	137,507
2003	125,383	123,194
2002	128,989	127,317
12/31/2001	123,982	116,568
03/31/2001	118,147	117,939