

CITY OF RED BUD, ILLINOIS
ANNUAL FINANCIAL REPORT
For the Year Ended April 30, 2011

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Fick, Eggmeyer & Williamson

Certified Public Accountants, PC


MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

City Council
City of Red Bud, 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 City of Red Bud, Illinois as of and for the year ended April 30, 2011, 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 an opinion on these basic 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 opinion.

As discussed in Note 1, the City of Red Bud, 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.

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 City of Red Bud, Illinois as of April 30, 2011, and the respective changes in financial position - modified cash basis and cash flows - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2011 on our consideration of the City of Red Bud's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Illinois Municipal Retirement Fund Schedule and the budgetary comparison schedules on pages 28-30 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, 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. The City has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Red Bud's basic financial statements. The combining and individual non-major fund financial statements, the statistical tables and schedule of investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, the statistical tables and schedule of investments 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.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer & Williamson, CPA's
August 9, 2011

Basic Financial Statements

CITY OF RED BUD, ILLINOIS
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
APRIL 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 839,200	\$ 1,571,763	\$ 2,410,963
Cash and cash equivalents - restricted	2,446,579	858,802	3,305,381
Investments	310,000	725,000	1,035,000
Investments - restricted	350,000	200,000	550,000
Current loans receivable	199,535	-	199,535
Total current assets	<u>4,145,314</u>	<u>3,355,565</u>	<u>7,500,879</u>
Noncurrent assets			
Noncurrent loans receivable	890,070	-	890,070
Capital assets, net of depreciation	4,494,852	10,342,113	14,836,965
Total noncurrent assets	<u>5,384,922</u>	<u>10,342,113</u>	<u>15,727,035</u>
TOTAL ASSETS	<u>\$ 9,530,236</u>	<u>\$ 13,697,678</u>	<u>\$ 23,227,914</u>
LIABILITIES			
Current liabilities			
Current portion of long term debt	\$ -	\$ 306,651	\$ 306,651
Total current liabilities	<u>-</u>	<u>306,651</u>	<u>306,651</u>
Noncurrent liabilities			
Consumer deposits	-	4,399	4,399
IEPA loan payable	-	768,026	768,026
Total noncurrent liabilities	<u>-</u>	<u>772,425</u>	<u>772,425</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 1,079,076</u>	<u>\$ 1,079,076</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 4,494,852	\$ 9,267,436	\$ 13,762,288
Restricted net assets	79,317	6,719	86,036
Unrestricted net assets	4,956,067	3,344,447	8,300,514
TOTAL NET ASSETS	<u>\$ 9,530,236</u>	<u>\$ 12,618,602</u>	<u>\$ 22,148,838</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
FUNCTIONS/PROGRAMS								
Primary government:								
Governmental activities:								
General government	\$ 321,207	\$ 63,093	\$ 46,599	-	\$ (211,515)	\$ -	\$ -	\$ (211,515)
Public safety	727,519	17,873	-	-	(709,646)	-	-	(709,646)
Highway and streets	353,873	4,747	-	-	(349,126)	-	-	(349,126)
Culture and recreation	386,343	12,858	11,054	246,600	(115,831)	-	-	(115,831)
Total governmental activities	1,788,942	98,571	57,653	246,600	(1,386,118)	-	-	(1,386,118)
Business-type:								
Electric	4,443,719	4,285,580	-	-	-	(158,139)	-	(158,139)
Gas	1,285,520	1,197,429	-	-	-	(88,091)	-	(88,091)
Water	417,883	491,143	-	93,750	-	167,010	-	167,010
Sewer	425,239	326,424	-	-	-	(98,815)	-	(98,815)
Security deposit	20,058	20,058	-	-	-	-	-	-
Total business-type activities	6,592,419	6,320,634	-	93,750	-	(178,035)	-	(178,035)
Total	\$ 8,381,361	\$ 6,419,205	\$ 57,653	\$ 340,350	\$ (1,386,118)	\$ (178,035)	\$ (178,035)	\$ (1,564,153)
General revenues:								
Property taxes					424,725	106,708		531,433
Replacement taxes					14,837	-		14,837
Sales taxes					752,715	-		752,715
Income taxes					292,818	-		292,818
Motor fuel taxes					101,792	-		101,792
Other governmental taxes					55,248	-		55,248
Investment income					84,882	51,821		136,703
Rents					42,370	-		42,370
Franchise fees					17,138	-		17,138
Miscellaneous					35,119	-		35,119
Transfers					(11,093)	11,093		-
Total general revenues, special, and transfers					1,810,551	169,622		1,980,173
Changes in net assets					424,433	(8,413)		416,020
Net assets - beginning					9,105,803	12,627,015		21,732,818
Net assets - ending					\$ 9,530,236	\$ 12,618,602		\$ 22,148,838

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2011

	General	CDAP Grant Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 511,781	\$ -	\$ 327,419	\$ 839,200
Cash and cash equivalents - restricted	969,284	823,142	654,153	2,446,579
Investments	50,000	-	260,000	310,000
Investments - restricted	350,000	-	-	350,000
Current loans receivable	57,960	141,575	-	199,535
Total assets	\$ 1,939,025	\$ 964,717	\$ 1,241,572	\$ 4,145,314
LIABILITIES AND FUND BALANCES				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
FUND BALANCES				
Unreserved and undesignated	1,939,025	964,717	1,241,572	4,145,314
Total fund balances	1,939,025	964,717	1,241,572	4,145,314
Total liabilities and fund balances	\$ 1,939,025	\$ 964,717	\$ 1,241,572	\$ 4,145,314

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
APRIL 30, 2011

Total fund balance - governmental funds	\$ 4,145,314
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$6,147,761 and the accumulated depreciation is \$1,652,909.	4,494,852
Noncurrent receivables are not financial resources that can be utilized within a one year period and therefore are not reported in the governmental funds balance sheet	<u>890,070</u>
Net assets of governmental activities	<u><u>\$ 9,530,236</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2011

Revenues:	General	CDAP Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>Taxes:</u>				
Property	\$ 298,358	\$ -	\$ 126,367	\$ 424,725
Sales	752,715	-	-	752,715
<u>Intergovernmental:</u>				
Replacement tax	10,831	-	4,006	14,837
Motor fuel tax	-	-	101,792	101,792
Income tax	292,818	-	-	292,818
Other taxes	55,248	-	-	55,248
Grants - federal	-	-	-	-
Grants - state	-	-	3,494	3,494
Grants - other	46,599	-	254,160	300,759
Licenses and permits	19,621	-	-	19,621
Fines and forfeitures	16,797	-	-	16,797
Charges for services	54,268	-	7,884	62,152
Interest income	37,657	27,010	20,215	84,882
Rents	40,100	-	2,270	42,370
Franchise fees	-	-	17,138	17,138
Miscellaneous	29,709	-	5,410	35,119
Total revenues	<u>1,654,721</u>	<u>27,010</u>	<u>542,736</u>	<u>2,224,467</u>
<u>Expenditures:</u>				
General government	281,792	-	-	281,792
Public safety	684,481	-	-	684,481
Highways and streets	299,337	-	38,457	337,794
Culture and recreation	120,209	-	223,026	343,235
Capital outlay	128,459	-	12,305	140,764
Total expenditures	<u>1,514,278</u>	<u>-</u>	<u>273,788</u>	<u>1,788,066</u>
Excess (deficiency) of revenue over expenditures	<u>140,443</u>	<u>27,010</u>	<u>268,948</u>	<u>436,401</u>
<u>Other financing sources (uses):</u>				
Classification of long term loans receivable	57,867	121,171	-	179,038
Transfers between funds	(22,934)	-	11,841	(11,093)
Net other sources and uses of financial resources	<u>34,933</u>	<u>121,171</u>	<u>11,841</u>	<u>167,945</u>
Net change in fund balances	175,376	148,181	280,789	604,346
Fund balances - beginning	<u>1,763,649</u>	<u>816,536</u>	<u>960,783</u>	<u>3,540,968</u>
Fund balances - ending	<u>\$ 1,939,025</u>	<u>\$ 964,717</u>	<u>\$ 1,241,572</u>	<u>\$ 4,145,314</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED APRIL 30, 2011

Net change in fund balances - total governmental funds \$ 604,346

Amounts reported for governmental activities 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 useful lives and reported as depreciation expense.

Capital outlay	140,764	
Depreciation expense	(141,639)	(875)

Classification of long term loans receivable recorded as financing use. However, the loans receivable remain on the Statement of Net Assets.	(179,038)
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Change in net assets of governmental activities	\$ 424,433
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The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
APRIL 30, 2011

ASSETS	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Deposit Fund	Total
Current assets						
Cash and cash equivalents	\$ 706,263	\$ 584,279	\$ 127,587	\$ 143,401	\$ 10,233	\$ 1,571,763
Cash and cash equivalents - restricted	185,974	406,228	185,908	80,692	-	858,802
Investments	200,000	-	-	525,000	-	725,000
Investments - restricted	200,000	-	-	-	-	200,000
Total current assets	<u>1,292,237</u>	<u>990,507</u>	<u>313,495</u>	<u>749,093</u>	<u>10,233</u>	<u>3,355,565</u>
Noncurrent assets						
Capital assets, net of depreciation	3,351,712	1,787,326	2,624,674	2,578,401	-	10,342,113
Total noncurrent assets	<u>3,351,712</u>	<u>1,787,326</u>	<u>2,624,674</u>	<u>2,578,401</u>	<u>-</u>	<u>10,342,113</u>
Total assets	<u>\$ 4,643,949</u>	<u>\$ 2,777,833</u>	<u>\$ 2,938,169</u>	<u>\$ 3,327,494</u>	<u>\$ 10,233</u>	<u>\$ 13,697,678</u>
LIABILITIES						
Current liabilities						
Current portion of long term debt	\$ -	\$ -	\$ 247,330	\$ 59,321	\$ -	\$ 306,651
Total current liabilities	<u>-</u>	<u>-</u>	<u>247,330</u>	<u>59,321</u>	<u>-</u>	<u>306,651</u>
Noncurrent liabilities						
Consumer deposits	-	-	-	-	4,399	4,399
IEPA loan payable	-	-	-	768,026	-	768,026
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,026</u>	<u>4,399</u>	<u>772,425</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,330</u>	<u>\$ 827,347</u>	<u>\$ 4,399</u>	<u>\$ 1,079,076</u>
NET ASSETS						
Investment in capital assets, net of related debt	\$ 3,351,712	\$ 1,787,326	\$ 2,624,674	\$ 1,751,054	\$ -	\$ 9,514,766
Restricted for debt service	-	-	-	6,719	-	6,719
Unreserved	<u>1,292,237</u>	<u>990,507</u>	<u>66,165</u>	<u>742,374</u>	<u>5,834</u>	<u>3,097,117</u>
Total net assets	<u>\$ 4,643,949</u>	<u>\$ 2,777,833</u>	<u>\$ 2,690,839</u>	<u>\$ 2,500,147</u>	<u>\$ 5,834</u>	<u>\$ 12,618,602</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2011

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Deposit Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,284,600	\$ 1,197,387	\$ 491,143	\$ 326,424	\$ -	\$ 6,299,554
Miscellaneous	980	42	-	-	20,058	21,080
Total operating revenues	4,285,580	1,197,429	491,143	326,424	20,058	6,320,634
OPERATING EXPENSES:						
Personal services	645,912	247,415	185,522	116,103	-	1,194,952
Operating expenses	3,430,945	948,844	118,565	102,625	-	4,600,979
Repairs and maintenance	109,028	34,372	18,218	28,777	-	190,395
Insurance	38,807	5,913	10,663	11,980	-	67,363
Depreciation	212,170	42,467	84,915	142,461	-	482,013
Other	6,857	-	-	-	20,058	26,915
Total operating expenses	4,443,719	1,279,011	417,883	401,946	20,058	6,562,617
Operating income	(158,139)	(81,582)	73,260	(75,522)	-	(241,983)
NON-OPERATING REVENUES (EXPENSES):						
Property taxes	53,178	22,083	17,712	13,735	-	106,708
Federal grant	-	-	93,750	-	-	93,750
Interest income	19,293	16,638	3,577	12,266	47	51,821
Interest and fiscal charges	-	(6,509)	-	(23,293)	-	(29,802)
Total non-operating revenues (expenses)	72,471	32,212	115,039	2,708	47	222,477
Change in net assets before transfers between funds	(85,668)	(49,370)	188,299	(72,814)	47	(19,506)
Transfers between funds	5,255	2,023	2,530	1,285	-	11,093
Change in net assets after transfers between funds	(80,413)	(47,347)	190,829	(71,529)	47	(8,413)
Net assets - beginning	4,724,362	2,825,180	2,500,010	2,571,676	5,787	12,627,015
Net assets - ending	\$ 4,643,949	\$ 2,777,833	\$ 2,690,839	\$ 2,500,147	\$ 5,834	\$ 12,618,602

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED APRIL 30, 2011

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Deposit Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 4,285,580	\$ 1,197,429	\$ 491,143	\$ 326,424	\$ 23,003	\$ 6,323,579
Payments to suppliers	(3,585,637)	(989,129)	(147,446)	(143,382)	(20,058)	(4,885,652)
Payments to employees	(645,912)	(247,415)	(185,522)	(116,103)	-	(1,194,952)
TOTAL OPERATING ACTIVITIES	54,031	(39,115)	158,175	66,939	2,945	242,975
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(44,629)	(30,720)	(561,516)	(23,918)	-	(660,783)
Proceeds from borrowings	-	-	247,330	-	-	247,330
Payment of principal	-	(220,000)	-	(57,766)	-	(277,766)
Payment of interest	-	(6,509)	-	(23,293)	-	(29,802)
Transfers between funds	5,255	2,023	2,530	1,285	-	11,093
TOTAL FINANCING ACTIVITIES	(39,374)	(255,206)	(311,656)	(103,692)	-	(709,928)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Redemption of investments	200,000	475,000	-	-	-	675,000
Investment income	19,293	16,638	3,577	12,266	47	51,821
TOTAL INVESTING ACTIVITIES	219,293	491,638	3,577	12,266	47	726,821
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Federal grant	-	-	93,750	-	-	93,750
Property taxes	53,178	22,083	17,712	13,735	-	106,708
TOTAL NON-CAPITAL FINANCING ACTIVITIES	53,178	22,083	111,462	13,735	-	200,458
Net increase (decrease) in cash	287,128	219,400	(38,442)	(10,752)	2,992	460,326
Cash and cash equivalents, beginning (as restated)	605,109	771,107	351,937	234,845	7,241	1,970,239
Cash and cash equivalents, ending	\$ 892,237	\$ 990,507	\$ 313,495	\$ 224,093	\$ 10,233	\$ 2,430,565
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ (158,139)	\$ (81,582)	\$ 73,260	\$ (75,522)	\$ -	\$ (241,983)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	212,170	42,467	84,915	142,461	-	482,013
Increase (Decrease) in consumer deposits	-	-	-	-	2,945	2,945
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 54,031	\$ (39,115)	\$ 158,175	\$ 66,939	\$ 2,945	\$ 240,030

The notes to the financial statements are an integral part of this statement.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Red Bud (the City) conform to the modified cash basis of accounting as described below. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Reporting Entity

The City Council, comprised of nine elected individuals, is the primary governing authority for the City. As required under the modified cash basis of accounting, these financial statements present the results of the City's cash transactions.

The City has developed criteria to determine whether outside agencies with activities that benefit the City should be included within its financial reporting entity. The criteria for including other organizations within the City's financial statements, as set forth in GASB No. 14, is based on financial accountability.

The City is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City because the City approved their budget, the issuance of debt or the levying of taxes. The City has no component units.

Government-Wide and Fund Financial Statements

The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category-*governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund

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

Community Development Assistance Program Fund

This fund accounts for revenue received from and expenditures paid for community development assistance loans.

The City reports the following proprietary funds:

Electric Fund

Accounts for the activities of the public trust in providing electricity services to the public.

Gas Fund

Accounts for the activities of the public trust in providing natural gas services to the public.

Water Fund

Accounts for the activities of the public trust in providing water services to the public.

Sewer Fund

Accounts for the activities of the public trust in providing sewer services to the public.

Security Deposit Fund

Accounts for interest earned on and expenditures of accumulated interest earned on previous years' security deposits placed by utility service users.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the modified cash basis of accounting. The modifications to the cash basis include investments, capital assets, loans receivable, loans payable, and consumer deposits. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. Revenue from property taxes, grants and donations are recognized when received consistent with the cash basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting, which is described in the previous paragraph.

Capital asset acquisitions are reported as expenditures in the governmental funds and as assets in the government-wide financial statements. Proceeds from long-term debt and capital leases are reported as other financial sources in the governmental funds and as liabilities in the government-wide financial statements.

All governmental and business-type activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Cash and Investments

The City's cash and investments include demand deposits and certificates of deposits. The City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Short-term investments are reported at cost which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investment balances are stated at cost, which approximates market value.

Internal and Interfund Balances

In the process of aggregating the financial information for the government-wide Statement of Net Assets, amounts, if any, reported as interfund balances in the fund financial statements are eliminated.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The City accounts for infrastructure within the guidelines promulgated by GASB 34. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset's life, are not capitalized. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 for governmental and proprietary funds is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings and improvements	25-75
Equipment and vehicles	5-25
Utility systems	25-50
Land improvements	10-20

Long Term Debt

All long term debt arising from cash transactions to be repaid from governmental and business-like 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 are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Fund Equity

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

Net Assets

Net assets represent the difference between assets and liabilities. Investment in capital assets represents the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

It is the City'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.

Use of Estimates

The preparation of basic financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the city requires management to make estimates and assumptions that affect the reported amounts in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

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; natural disasters and workers compensation. The City purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City is a member of the Illinois Public Risk Fund, a group self-insured pool providing for the defense and payment when due of all compensation and other benefits under the Illinois Workmen's Compensation and Occupational Diseases Laws and providing means to manage risk of loss from events involving tort, theft of, damage to, or destruction of assets, errors or omissions, and acts of God by offering general liability, property damage, and public official liability insurance coverage on behalf of fire prevention districts, public entities and agencies, and other units of government within the State of Illinois. The Public Risk Fund has the responsibilities and duties of premium collection from members, claims administration and payment, loss control, acquisition of excess liability insurance coverage and reinsurance, and general fund administration. The City has the responsibilities and duties of timely payment of calculated premiums, remaining financially sound, employing generally acceptable financial practices, demonstrating good safety practices and programs, implementing recommendations of loss control or safety inspections, and maintaining general membership eligibility requirements.

Property Taxes

The City's property tax is levied each year on all taxable real property located in the City on or before the last Tuesday in December. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments. The City received significant distributions of tax receipts approximately one month after these due dates. Property tax collections reflected in the City's financial statements for the year ended April 30, 2011 represent taxes received for the 2009 and prior tax levies.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 2 - CASH AND INVESTMENTS

The City has adopted a formal written investment and cash management policy. The City is restricted to investments outlined in the Public Funds Investment Act of the State of Illinois.

Deposits

At year-end, the carrying amount of the City's deposits totaled \$5,716,344 and bank balances totaled \$5,607,139.

At year-end, the City also had certificates of deposit with a carrying amount, which approximates a fair value, of \$1,585,000. These certificates of deposit are shown as investments due to their original maturity dates.

Custodial Risk

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. Of the bank balances, including demand deposits and certificates of deposits, \$756,587 was insured by the Federal Deposit Insurance Corporation (FDIC), \$6,435,549 was covered by pledged collateral, which was held in the City's name, and \$3 was held in the Illinois Funds Money Market.

Some deposits made by the City consist of participation in the "Illinois Fund," a local government public treasurers' investment pool, and Goldman Sachs Treasury Shares (GSTS). Both the Illinois Fund and GSTS are investments that are not subject to risk categorization. Investments in both are stated at fair value. The Illinois Fund is considered to be a 2a7-like-pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is not registered with the SEC as an investment company.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings, issued by nationally recognized statistical ratings organizations. As of April 30, 2011, the City's investment in the external investment pool and GSTS were rated AAAM and AAAM-G, respectively, by Standard & Poor's.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Land	\$ 548,883	\$ -	\$ -	\$ 548,883
Total capital assets not being depreciated	<u>548,883</u>	<u>-</u>	<u>-</u>	<u>548,883</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	3,937,474	83,492	13,320	4,007,646
Machinery and equipment	1,011,141	57,271	17,989	1,050,423
Infrastructure	540,809	-	-	540,809
Total capital assets being depreciated	<u>5,489,424</u>	<u>140,763</u>	<u>31,309</u>	<u>5,598,878</u>
Less accumulated depreciation for:				
Buildings and improvements	890,592	69,989	13,320	947,261
Machinery and equipment	593,130	59,490	17,989	634,631
Infrastructure	58,857	12,160	-	71,017
Total accumulated depreciation	<u>1,542,579</u>	<u>141,639</u>	<u>31,309</u>	<u>1,652,909</u>
Total net capital assets being depreciated	<u>3,946,845</u>	<u>(876)</u>	<u>-</u>	<u>3,945,969</u>
Governmental activity capital assets, net	<u>\$ 4,495,728</u>	<u>\$ (876)</u>	<u>\$ -</u>	<u>\$ 4,494,852</u>

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

Governmental activities:	
General government	\$ 39,415
Public safety	43,038
Highway and streets	16,079
Culture and recreation	43,108
Total Governmental Activities	<u>\$ 141,640</u>

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 3 - CAPITAL ASSETS (cont)

Business-type activities consist of the Electric, Gas, Water and Sewer Funds:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Land	\$ 325,042	\$ -	\$ -	\$ 325,042
Total capital assets not being depreciated	<u>325,042</u>	<u>-</u>	<u>-</u>	<u>325,042</u>
<i>Capital assets being depreciated:</i>				
Machinery and equipment	1,083,125	23,654	-	1,106,779
Utility property and improvements	<u>15,939,297</u>	<u>637,129</u>	<u>15,849</u>	<u>16,560,577</u>
Total capital assets being depreciated	<u>17,022,422</u>	<u>660,783</u>	<u>15,849</u>	<u>17,667,356</u>
Less accumulated depreciation for:				
Machinery and equipment	770,940	51,992	-	822,932
Utility property and improvements	<u>6,413,181</u>	<u>430,021</u>	<u>15,849</u>	<u>6,827,353</u>
Total accumulated depreciation	<u>7,184,121</u>	<u>482,013</u>	<u>15,849</u>	<u>7,650,285</u>
Total net capital assets being depreciated	<u>9,838,301</u>	<u>178,770</u>	<u>-</u>	<u>10,017,071</u>
Governmental activity capital assets, net	<u>\$ 10,163,343</u>	<u>\$ 178,770</u>	<u>\$ -</u>	<u>\$ 10,342,113</u>

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

Business-type activities	
Electric	\$ 212,170
Gas	42,467
Water	84,915
Sewer	142,461
Total Business-type activities	<u>\$ 482,013</u>

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended April 30, 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Library fund	\$ 598	
Electric fund	5,255	
Gas fund	2,023	
Water fund	2,530	
Sewer fund	1,285	
General fund		11,691
Library fund	11,810	
General fund		11,810
Park fund	60,000	
General fund		60,000
General fund	60,567	
Park fund		60,567
	<u>\$ 144,068</u>	<u>\$ 144,068</u>

The Library, Electric, Gas, Water and Sewer funds transferred funds to the General fund to pay health insurance premiums.

The General fund transferred funds to the Library fund to assist with the payment of current expenditures.

The General fund transferred funds to the Park fund for the accumulation of funds for the intended purpose of facilities expansion.

The Park fund transferred funds to the General fund to pay for the parking lot improvement.

Note 5 - RELATED PARTY TRANSACTION

The City remits a quarterly subsidy in the amount of \$4,500 for an annual total of \$18,000 to the Red Bud Fire Department No. 1, an organization which operates on City premises, whose assets are titled in the name of the City, and whose service area includes the City boundaries.

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 6 - PENSION PLAN

Illinois Municipal Retirement Fund (GASB 50 Disclosure)

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

Funding Policy. As set by statute, the City plan members are required to contribute 4.50% 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 12.31%. 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 the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2010 was \$168,883.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	168,883	100%	\$0
12/31/09	122,583	100%	\$0
12/31/08	114,344	100%	\$0

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) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of your employer 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 City's 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.

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 6 - PENSION PLAN (cont)

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 76.86 percent funded. The actuarial accrued liability for benefits was \$4,420,962 and actuarial value of assets was \$3,398,075, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,022,887. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,371,917 and the ratio of the UAAL to the covered payroll was 75 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 in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS

The City provides postemployment healthcare benefits to all full-time employees hired prior to August 1, 1997 that retire with the City. The City contributes 3% of the premium for each year of completed service for individual coverage. Currently, 2 retirees meet those eligibility requirements. Expenditures for postemployment health care benefits are recognized on a pay-as-you-go basis. During the year expenditures/expenses of \$7,416 were recognized for postemployment health care.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual required contribution	\$	19,489
Contributions made		<u>(7,416)</u>
Increase in net OPEB obligation		12,073
Net OPEB obligation - beginning of year		<u>26,028</u>
Net OPEB obligation - end of year	\$	<u><u>38,101</u></u>

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS (cont)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011 and 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
4/30/2011	19,489	38.1%	38,101
4/30/2010	33,319	21.9%	26,028

As of April 30, 2011, the actuarial accrued liability for benefits was \$291,340, all of which was unfunded. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. In future years, the schedule of funding progress, as required supplementary information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members are assumed to retire between ages 55 and 62.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables used from the National Center for Health Statistics. The United States Life Tables for Males and for Females were used.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.3 percent initially, reduced to an ultimate rate of 5.6 percent after 5 years, was used.

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 7 - POSTEMPLOYMENT HEALTH CARE BENEFITS (cont)

Inflation rate - The expected long term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers in *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2011, was thirty years.

Note 8 - CHANGES IN LONG TERM DEBT

The following is a summary of changes in long term debt for the year ended April 30, 2011:

	<u>5/1/2010</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>4/30/2011</u> Balance	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Business-type activities:					
Gas System Alternate					
Revenue Bonds	\$ 220,000	\$ -	\$ 220,000	\$ -	\$ -
IEPA Loan	885,113	-	57,766	827,347	59,321
IEPA Loan	-	247,330	-	247,330	247,330
	<u>\$ 1,105,113</u>	<u>\$ 247,330</u>	<u>\$ 277,766</u>	<u>\$ 1,074,677</u>	<u>\$ 306,651</u>

Note 9 - LEGAL DEBT MARGIN

The legal debt margin for the City is calculated as follows:

Taxable Assessed Valuation for 2010	<u>\$ 65,960,927</u>
Legal Debt Margin Per Illinois Compiled Chapter 55 Section 5/5 - 1012	<u>5.75%</u>
Legal Debt Limit	3,792,753
Debt Outstanding	-
Legal Debt Margin	<u>\$ 3,792,753</u>

CITY OF RED BUD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2011

Note 10 - LONG TERM DEBT

Gas System Alternate Revenue Bond

Gas System Alternate Revenue Bonds were issued in 1995 in the amount of \$1,750,000. The bonds bear interest at amounts varying from 4.40% up to 6.00%. During fiscal 2011 the Gas System Alternate Revenue Bond was paid in full.

Note Payable - Illinois Environmental Protection Agency

On May 2, 2002, the City executed a loan agreement with the Illinois Environmental Protection Agency whereby the City obtained a loan in the amount of \$1,225,390 with the proceeds used for the wastewater treatment facility upgrade construction project. The loan is due on February 2, 2023 in semi-annual installments, beginning February 1, 2004, with interest computed at an annual rate of 2.675%. As of April 30, 2011, the outstanding balance was \$827,347. The principal and interest payments required for the fiscal years ended April 30, are as follows:

Year Ending	Total		
<u>April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2012	\$ 59,321	\$ 21,737	\$ 81,058
2013	60,919	20,140	81,059
2014	62,559	18,500	81,059
2015	64,243	16,815	81,058
2016	65,974	15,085	81,059
2017-2021	357,493	47,799	405,292
2022-2023	156,838	5,279	162,117
	<u>\$ 827,347</u>	<u>\$ 145,355</u>	<u>\$ 972,702</u>

Note Payable - Illinois Environmental Protection Agency

On November 3, 2009, the City executed a loan agreement with the Illinois Environmental Protection Agency whereby the City obtained a loan in the amount of \$375,000 with the proceeds used for a water facility upgrade project. As of April 30, 2011 the City had drawn \$341,080 on the loan, and only \$247,330 is required to be paid back. The loan has a 0.0% annual interest rate. As of April 30, 2011 the loan had not entered repayment status, and the balance of the loan was \$247,330, all of which is considered short term until the loan enters repayment status.

Note 11 - LOANS RECEIVABLE

On August 7, 2000 the City loaned \$200,000 to D&R Management from the General fund. Under the terms of the loan agreement, no payments were due until September 7, 2002, at which point the loan became payable in monthly payments of \$1,932, including interest computed at an annual rate of 3.0% for 10 years. At April 30, 2011 the balance was \$30,159.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 11 - LOANS RECEIVABLE (cont)

On March 13, 2000 the City loaned \$125,000 from the CDAP Revolving Loan fund to G&S Foundry. The loan bears interest computed at an annual rate of 3.0%. The loan is payable in 120 monthly payments of \$1,207. At April 30, 2011 the balance was \$1,205.

On September 8, 2004 the City loaned \$300,000 to Ultra Play Systems, Inc. from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and matures September 7, 2014 with monthly installments of \$2,897. The balance at April 30, 2011 was \$112,740.

On September 15, 2005 the City loaned \$82,500 to Jason and Karen Valerius from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 4.0% and is payable in monthly installments of \$1,291 with a final payment of \$8,976 due October 16, 2012. The balance at April 30, 2011 was \$23,934.

On January 13, 2006 the City loaned \$56,800 to Red Bud Plumbing, Heating, Cooling & Electrical Contractors, Inc. from the General fund. The loan bears interest at an annual rate of 3.0% and matures January 18, 2018 with monthly installments of \$470. The balance at April 30, 2011 was \$34,434.

On December 4, 2006 the City loaned \$101,003 to Jerron Quality Color, Inc. from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and matures February 26, 2013 with monthly installments of \$1,500. The balance at April 30, 2011 was \$60,840.

On March 8, 2007 the City loaned \$60,000 to First Stage Fabrication, Inc. from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and matured March 8, 2011 with monthly installments of \$1,078. The balance at April 30, 2011 was \$11,685.

On March 8, 2007 the City loaned \$96,000 to Ultra Play Systems, Inc. from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and matured March 8, 2011 with monthly installments of \$1,725. The balance at April 30, 2011 was \$18,695.

On March 14, 2008 the City loaned \$500,000 to Total Titanium, Inc, \$345,000 from the General fund and \$155,000 from the CDAP Revolving Loan fund, with the funds to be borrowed as needed. The loan is to repaid in 121 monthly installments beginning April 15, 2008 and ending March 15, 2017 with interest to be calculated at an annual rate of 3.0%. The General fund loan balance at April 30, 2011 was \$316,806 and the CDAP Revolving Loan fund balance was \$142,333.

On May 29, 2007 the City loaned \$300,000 to R&D Machine, \$150,000 from the General fund and \$150,000 from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and is payable in monthly installments of \$2,897 for a period of 10 years beginning June 1, 2007. The General fund loan balance at April 30, 2011 was \$100,155 and the CDAP Revolving Loan fund balance was \$100,155.

CITY OF RED BUD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

Note 11 - LOANS RECEIVABLE (cont)

On September 1, 2010 the City loaned \$150,000 to Roger Hess and Matt and Melissa Stines from the CDAP Revolving Loan fund. The loan bears interest at an annual rate of 3.0% and is payable in monthly installments of \$1,036 with a final payment of \$58,685 due October 1, 2019. The balance at April 30, 2011 was \$136,464.

On August 28, 2000 the City loaned \$374,060 from the CDAP Revolving Loan fund to SECON, Inc. The loan bears interest computed at an annual rate of 5.0% and is payable in 83 monthly payments of \$3,967. As of April 30, 2011, the balance was paid in full.

Note 12 - COMPENSATED ABSENCES

Effective September 26, 2007 all full time employees earn sick leave at the rate of four hours per pay period. On the first pay date in December of each year, the City will pay out to each employee at the rate of pay then in effect for that employee, the balance of any unused sick leave for the first forty hours of sick leave earned but not used through the last full pay period of leave. The remaining unused sick leave will accumulate indefinitely as unused sick leave and will be applied to the Illinois Municipal Retirement Fund pension as time of service, according to Illinois State Statute. The total balance of accumulated sick leave to be paid out in future periods as of April 30, 2011 was \$112,813.

Note 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 9, 2011, the date which the financial statements were available for issue.

Required Supplementary Information

CITY OF RED BUD, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
APRIL 30, 2011

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)
12/31/2010	3,398,075	4,420,962	1,022,887	76.86%	1,371,917	74.56%
12/31/2009	3,022,019	4,165,702	1,143,683	72.55%	1,418,780	80.61%
12/31/2008	3,199,269	4,163,795	964,526	76.84%	1,406,450	68.58%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$3,661,152. On a market basis, the funded ratio would be 82.81%.

CITY OF RED BUD, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 329,755	\$ 329,755	\$ 298,358	\$ (31,397)
Sales	740,000	740,000	752,715	12,715
Intergovernmental:				
Replacement tax	10,000	10,000	10,831	831
Income tax	210,000	210,000	292,818	82,818
Other taxes	48,500	48,500	55,248	6,748
Grants - other	55,000	55,000	46,599	(8,401)
Licenses and permits	42,825	42,825	19,621	(23,204)
Fines and forfeitures	26,050	26,050	16,797	(9,253)
Charges for services	59,625	59,625	54,268	(5,357)
Interest	56,825	56,825	37,657	(19,168)
Rents	39,410	39,410	40,100	690
Miscellaneous	43,600	43,600	29,709	(13,891)
Total revenues	<u>1,661,590</u>	<u>1,661,590</u>	<u>1,654,721</u>	<u>(6,869)</u>
EXPENDITURES:				
General government	521,150	519,150	281,792	237,358
Public safety	918,685	918,685	684,481	234,204
Highways and streets	906,925	917,525	299,337	618,188
Culture and recreation	201,565	203,565	120,209	83,356
Capital outlay	14,000	14,000	128,459	(114,459)
Total expenditures	<u>2,562,325</u>	<u>2,572,925</u>	<u>1,514,278</u>	<u>1,058,647</u>
Excess (deficiency) of revenues over expenditures	(900,735)	(900,735)	140,443	1,051,778
Other financing sources (uses)				
Classification of long term loans receivables	-	-	57,867	(57,867)
Transfers between funds	(367,000)	(356,400)	(22,934)	333,466
Excess (deficiency) of revenues over expenditures and other uses	<u>\$ (1,267,735)</u>	<u>\$ (1,257,135)</u>	175,376	<u>\$ 1,327,377</u>
Fund balance - beginning			<u>1,763,649</u>	
Fund balance - ending			<u>\$ 1,939,025</u>	

CITY OF RED BUD, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 CDAP REVOLVING LOAN FUND
 FOR THE YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ 26,750	\$ 26,750	\$ 27,010	\$ 260
Total revenues	<u>26,750</u>	<u>26,750</u>	<u>27,010</u>	<u>260</u>
EXPENDITURES:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	26,750	26,750	27,010	260
Other financing sources (uses)				
Classification of long term loans receivables	-	-	121,171	(121,171)
Excess (deficiency) of revenues over expenditures and other uses	<u>\$ 26,750</u>	<u>\$ 26,750</u>	148,181	<u>\$ (120,911)</u>
Fund balance - beginning			<u>816,536</u>	
Fund balance - ending			<u>\$ 964,717</u>	

CITY OF RED BUD, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
APRIL 30, 2011

Note 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Board follows the procedures outlined below in establishing the budgetary data reflected in the basic financial statements:

1. Formal budgetary integration is employed as a management control device during the year for all governmental funds. The budgets are adopted on a modified cash basis of accounting.
2. The City Council approves the tax rate by ordinance. Once this rate has been established, the Board approves the total budget appropriation and amendments.
3. Unused appropriations lapse at the end of the year.

SUPPLEMENTAL INFORMATION

CITY OF RED BUD, ILLINOIS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2011

	Park Fund	Library Fund	Motor Fuel Tax Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,246	\$ 83,499	\$ 237,674	\$ 327,419
Cash and cash equivalents - restricted	654,153	-	-	654,153
Investments	-	60,000	200,000	260,000
Total assets	\$ 660,399	\$ 143,499	\$ 437,674	\$ 1,241,572
LIABILITIES AND FUND BALANCES				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
FUND BALANCES				
Unreserved and undesignated	660,399	143,499	437,674	1,241,572
Total fund balances	660,399	143,499	437,674	1,241,572
Total liabilities and fund balances	\$ 660,399	\$ 143,499	\$ 437,674	\$ 1,241,572

CITY OF RED BUD, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED APRIL 30, 2011

<u>Revenues:</u>	Park Fund	Library Fund	Motor Fuel Tax Fund	Total Non-Major Governmental Funds
Taxes:				
Property	\$ 50,673	\$ 75,694	\$ -	\$ 126,367
Intergovernmental:				
Replacement tax	-	4,006	-	4,006
Motor fuel tax	-	-	101,792	101,792
Grants - state	-	3,494	-	3,494
Grants - other	254,160	-	-	254,160
Charges for services	-	7,884	-	7,884
Interest income	8,710	2,055	9,450	20,215
Rents	2,270	-	-	2,270
Franchise fees	17,138	-	-	17,138
Miscellaneous	109	5,301	-	5,410
Total revenues	333,060	98,434	111,242	542,736
<u>Expenditures:</u>				
Highways and streets	-	-	38,457	38,457
Culture and recreation	112,200	110,826	-	223,026
Capital outlay	12,305	-	-	12,305
Total expenditures	124,505	110,826	38,457	273,788
Excess (deficiency) of revenue over expenditures	208,555	(12,392)	72,785	268,948
<u>Other financing sources (uses):</u>				
Transfers between funds	(567)	12,408	-	11,841
Net other sources and uses of financial resources	(567)	12,408	-	11,841
Net change in fund balances	207,988	16	72,785	280,789
Fund balances - beginning	452,411	143,483	364,889	960,783
Fund balances - ending	<u>\$ 660,399</u>	<u>\$ 143,499</u>	<u>\$ 437,674</u>	<u>\$ 1,241,572</u>

CITY OF RED BUD, ILLINOIS
 SCHEDULE OF ASSESSED VALUATION - TAX RATES
 TAXES EXTENDED AND COLLECTED FOR 2008, 2009, AND 2010

	Tax Year		
	2008	2009	2010
ASSESSED VALUATION:	\$ 64,979,899	\$ 65,172,753	\$ 65,960,927
TAX RATES PER \$100 OF ASSESSED VALUATION:			
General	0.19060	0.19954	0.19912
I.M.R.F	0.15097	0.15866	0.15841
Library	0.10688	0.11189	0.11172
Audit	0.01309	0.01305	0.01305
FICA	0.16406	0.17178	0.17150
Park/Park Maintenance	0.07126	0.07460	0.07449
Emergency Service and Disaster	0.00170	0.00178	0.00180
School Crossing Guard	0.01128	0.01180	0.01178
	<u>0.70984</u>	<u>0.74310</u>	<u>0.74187</u>
TAXES EXTENDED:			
General	\$ 123,852	\$ 130,046	\$ 131,341
I.M.R.F	98,100	103,403	104,489
Library	69,450	72,922	73,692
Audit	8,506	8,505	8,608
FICA	106,606	111,954	113,123
Park/Park Maintenance	46,305	48,619	49,134
Emergency Service and Disaster	1,105	1,160	1,187
School Crossing Guard	7,330	7,690	7,770
	<u>\$ 461,254</u>	<u>\$ 484,299</u>	<u>\$ 489,344</u>
TAXES COLLECTED:	\$ 525,882	\$ 531,433	
Less: Road and Bridge Taxes	(73,418)	(73,839)	
ADJUSTED TAXES COLLECTED:	<u>\$ 452,464</u>	<u>\$ 457,594</u>	
% COLLECTED ON THOSE EXTENDED:	<u>98.09%</u>	<u>94.49%</u>	

CITY OF RED BUD, ILLINOIS
 SCHEDULE OF INVESTMENTS
 APRIL 30, 2011

<u>ISSUER</u>	<u>TYPE OF SECURITY</u>	<u>RATE</u>	<u>Maturity</u>	<u>Amount</u>
GENERAL FUND:				
General fund				
State Bank of Prairie Du Rocher	Certificate #19742	1.45%	6/16/2011	50,000
State Bank of Prairie Du Rocher	Certificate #19847	1.10%	2/9/2012	150,000
State Bank of Prairie Du Rocher	Certificate #19848	1.10%	2/9/2012	100,000
State Bank of Prairie Du Rocher	Certificate #19743	1.45%	6/16/2011	100,000
Total General fund				<u>400,000</u>
TOTAL GENERAL FUND				<u><u>400,000</u></u>
SPECIAL REVENUE FUNDS:				
Library fund				
State Bank of Prairie Du Rocher	Certificate #19747	1.45%	6/16/2011	50,000
State Bank of Prairie Du Rocher	Certificate #19746	1.45%	6/16/2011	10,000
Total Library fund				<u>60,000</u>
Motor Fuel Tax fund				
North County Savings Bank	Certificate # 43000272	1.50%	12/13/2012	100,000
North County Savings Bank	Certificate # 43000280	1.50%	12/13/2012	100,000
Total Motor Fuel Tax fund				<u>200,000</u>
TOTAL SPECIAL REVENUE FUNDS				<u><u>260,000</u></u>
PROPRIETARY FUNDS:				
Electric fund				
North County Savings Bank	Certificate # 43000629	2.00%	6/15/2011	200,000
State Bank of Prairie Du Rocher	Certificate #19744	1.45%	6/16/2011	200,000
Total Electric fund				<u>400,000</u>
Sewer fund				
North County Savings Bank	Certificate # 43000900	1.50%	8/16/2012	200,000
North County Savings Bank	Certificate # 160001525	2.00%	9/12/2011	225,000
State Bank of Prairie Du Rocher	Certificate #19849	1.10%	2/9/2012	100,000
Total Sewer fund				<u>525,000</u>
TOTAL PROPRIETARY FUND				<u><u>925,000</u></u>
TOTAL INVESTMENTS				<u><u>\$ 1,585,000</u></u>

Federal Compliance Section



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

To the City Council
City of Red Bud, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Red Bud, Illinois as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 9, 2011. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 11-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Red Bud's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Red Bud's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Red Bud's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Red Bud in a separate letter dated August 9, 2011.

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



Fick, Eggemeyer, & Williamson, CPA's
St. Louis, Missouri

August 9, 2011

CITY OF RED BUD, ILLINOIS
FOR THE YEAR ENDED APRIL 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	___X___ No
Reportable conditions identified that are not considered to be material weaknesses	___X___ Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards - NA

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	_____ No

Type of auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	_____ Yes	_____ No
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Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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None

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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Auditee qualified as low risk auditee?	_____ Yes	_____ No
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CITY OF RED BUD, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2011

Section II - Financial Statement Findings

FINDING NO. 11-1

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

Criteria/Specified Requirement:

The City is required to maintain a system of controls over the preparation of financial statements in accordance with U.S. generally accepted accounting principles or an other comprehensive basis of accounting. Internal controls over financial reporting should include adequately trained personnel with the knowledge and expertise to prepare GAAP or other comprehensive basis financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The City does not have sufficient internal controls over the financial reporting process. The City has always relied upon its auditors to prepare proper financial statements. While the City maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

The design of internal control over nonroutine and nonsystematic transactions is not adequate to ensure that the financial statements are materially correct.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the City should implement a comprehensive preparation procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by properly trained individuals possessing a thorough understanding of applicable accounting principles, GASB pronouncements, and knowledge of the City's operations.

Management's Response:

The City understands the finding and has been and will continue to improve its accounting system to eliminate this finding in the future.

Section III - Federal Award Findings

There are no federal award findings to disclose.

CITY OF RED BUD, ILLINOIS
CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2011

Corrective Action Plan

Finding No. 11-1

Condition: The City does not have sufficient internal controls over the financial reporting process. The City has always relied upon its auditors to prepare proper financial statements. While the City maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions.

Plan: The City has been and will continue to improve it's accounting system to eliminate this finding in the future.

Summary Schedule of Prior Audit Findings

<u>Prior finding number</u>	<u>Condition</u>	<u>Current Status</u>
10-1	Ineffective system of cash control	Corrected
10-2	Insufficient controls over budget versus actual oversight	Corrected