

CITY OF LINCOLN, ILLINOIS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2009

City of Lincoln, Illinois
Annual Financial Report
For the Year Ended April 30, 2009

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SECTION 1 – FINANCIAL STATEMENTS

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ILLINOIS CPA SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And City Council
City of Lincoln, Illinois

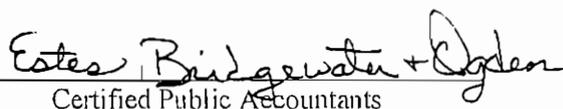
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois, as of and for the year ended April 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lincoln, Illinois management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Lincoln, Illinois as of April 30, 2009, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Lincoln, Illinois has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2009 on our consideration of the City of Lincoln, Illinois internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 do not provide an opinion on the 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 read in conjunction with this report in considering the results of our audit.


Certified Public Accountants

September 10, 2009

Estes, Bridgewater & Ogden

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

To the Honorable Mayor
And City council
City of Lincoln, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Illinois as of and for the year ended April 30, 2009, which collectively comprise the City of Lincoln, Illinois' basic financial statements and have issued our report thereon dated September 10, 2009. 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 Lincoln, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lincoln, Illinois' internal control over financial reporting.

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. However, as discussed below, we identified certain deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lincoln, Illinois' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Lincoln, Illinois' financial statements that is more than inconsequential will not be prevented or detected by the City of Lincoln, Illinois' internal control. We consider the deficiency described in the accompanying schedule of findings and responses 2009-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Lincoln, Illinois' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-01 to be a material weakness.

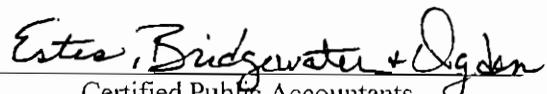
COMPLIANCE OF OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Lincoln, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-01.

We noted certain matters that we reported to management of the City in a separated letter dated November 17, 2009.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we do not express an opinion on it.

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


Certified Public Accountants

September 10, 2009

City of Lincoln, Illinois
SCHEDULE OF FINDINGS AND RESPONSES
April 30, 2009

FINDING NO. 2009-01:

There are deficiencies in the design and operation of internal controls for the City that did not prevent or detect fraud or provide adequate controls for the safeguarding of assets.

A good system of internal controls provides for proper segregation of accounting functions and monitoring by management. Monitoring is a process that assesses the quality of an organization's internal controls over time and involves evaluating the design and operation of controls on a timely basis and taking actions as necessary.

We recommend the City of Lincoln design and implement internal control procedures and written accounting policies and procedures. This will ensure the accounting functions are properly segregated and there are internal controls in place to monitor the accounting functions, and provide controls for the safeguarding of assets and to prevent or detect fraud or abuse in a timely manner.

RESPONSE:

The City of Lincoln, Illinois have undertaken steps to address some of deficiencies noted, most notably in the utilization of manual checks and some of the weaknesses in the bank reconciliation process. We commit to undertaking a thorough study of our internal controls including the assignment of duties and development of sufficient and appropriate policies and procedures. We do not, however, have unlimited resources to commit to any and all identified solutions. We will implement the solutions in the order of their importance and within the available resources provided to the City.

City of Lincoln, Illinois
STATEMENT OF NET ASSETS
 April 30, 2009

Statement 1

	Primary Government		
<u>Assets</u>	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,292,975	\$ 691,275	\$ 3,984,250
Certificates of deposit	45,059	-	45,059
Accounts receivable	-	605,721	605,721
Taxes receivable.....	1,743,713	-	1,743,713
Due from other governments	<u>1,369,744</u>	<u>-</u>	<u>1,369,744</u>
Total Current Assets.....	<u>6,451,491</u>	<u>1,296,996</u>	<u>7,748,487</u>
CAPITAL ASSETS			
Buildings and improvements	8,549,990	7,009,386	15,559,376
Equipment	622,522	4,888,178	5,510,700
Vehicles.....	3,298,259	657,356	3,955,615
Streets.....	1,451,958	-	1,451,958
Utility systems.....	-	971,058	971,058
Total Cost of Capital Assets.....	<u>13,922,729</u>	<u>13,525,978</u>	<u>27,448,707</u>
Less accumulated depreciation	(7,330,313)	(5,653,940)	(12,984,253)
Net Capital Assets	<u>6,592,416</u>	<u>7,872,038</u>	<u>14,464,454</u>
TOTAL ASSETS	<u>13,043,907</u>	<u>9,169,034</u>	<u>22,212,941</u>
<u>Liabilities and Net Assets</u>			
CURRENT LIABILITIES			
Accounts payable	55,909	42,444	98,353
Deferred income.....	1,783,382	-	1,783,382
Current portion – Long-Term Debt	<u>234,500</u>	<u>504,491</u>	<u>738,991</u>
Total Current Liabilities.....	<u>2,073,791</u>	<u>546,935</u>	<u>2,620,726</u>
LONG-TERM DEBT			
Notes and bonds payable (less current portion).....	<u>542,000</u>	<u>7,448,545</u>	<u>7,990,545</u>
TOTAL LIABILITIES	<u>2,615,791</u>	<u>7,995,480</u>	<u>10,611,271</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	5,815,916	-	5,815,916
Restricted (See Note 2)	1,535,712	-	1,535,712
Unrestricted	<u>3,076,488</u>	<u>1,173,554</u>	<u>4,250,042</u>
TOTAL NET ASSETS	<u>\$10,428,116</u>	<u>\$ 1,173,554</u>	<u>\$11,601,670</u>

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

City of Lincoln, Illinois
STATEMENT OF ACTIVITIES
 For the Year Ended April 30, 2009

Statement 2

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines & Charges for Services	Governmental Activities	Business-type Activities	Total
Primary Government:					
Governmental activities:					
General government.....	\$1,950,008	\$ 347,723	(\$ 1,602,285)	\$ -	(\$ 1,602,285)
Public safety.....	3,043,331	62,662	(2,976,909)	-	(2,976,909)
Public works.....	1,355,358	-	(1,355,358)	-	(1,355,358)
Debt services.....	54,243	-	(54,243)	-	(54,243)
Total governmental activities.....	6,402,940	410,385	(5,988,795)	-	(5,988,795)
Business-type activities:					
Sewer Utility.....	2,442,906	2,431,487	-	(11,419)	(11,419)
Total Primary Government.....	\$8,845,846	\$2,841,872	(5,988,795)	(11,419)	(6,000,214)
General revenues:					
Intergovernmental taxes.....			5,949,538	-	5,949,538
Property taxes.....			819,834	-	819,834
Licenses and permits.....			110,459	-	110,459
Interest income.....			47,943	13,992	61,935
Other income.....			26,761	10,142	36,903
Total general revenues.....			6,954,535	24,134	6,978,669
Change in net assets.....			965,740	12,715	978,455
Net Assets - Beginning (As Restated).....			9,462,376	1,160,839	10,623,215
Net Assets - Ending.....			\$10,428,116	\$1,173,554	\$11,601,670

The accompanying notes are an integral part of the financial statements

City of Lincoln, Illinois
BALANCE SHEET
GOVERNMENTAL FUNDS
 April 30, 2009

Statement 3

	General Corporate	Motor Fuel	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$1,861,277	\$1,009,767	\$ 54,387	\$ 26,928	\$340,616	\$3,292,975
Certificates of deposit.....	45,059	-	-	-	-	45,059
Taxes receivable.....	1,101,713	-	175,000	200,000	267,000	1,743,713
Due from other governments.....	<u>1,339,053</u>	<u>30,691</u>	-	-	-	<u>1,369,744</u>
TOTAL ASSETS	<u>\$4,347,102</u>	<u>\$1,040,458</u>	<u>\$229,387</u>	<u>\$226,928</u>	<u>\$607,616</u>	<u>\$6,451,491</u>
<u>Liabilities And Fund Balances</u>						
LIABILITIES						
Accounts payable	\$ 25,334	\$ 3,469	\$ -	\$ -	\$ 27,106	\$ 55,909
Deferred revenue	<u>1,141,382</u>	-	<u>175,000</u>	<u>200,000</u>	<u>267,000</u>	<u>1,783,382</u>
Total Liabilities.....	<u>1,166,716</u>	<u>3,469</u>	<u>175,000</u>	<u>200,000</u>	<u>294,106</u>	<u>1,839,291</u>
FUND BALANCES						
Reserved (See Note 2)	1,483,358	1,036,989	54,387	26,928	313,510	2,915,172
Unreserved	<u>1,697,028</u>	-	-	-	-	<u>1,697,028</u>
Total Fund Balances	<u>3,180,386</u>	<u>1,036,989</u>	<u>54,387</u>	<u>26,928</u>	<u>313,510</u>	<u>4,612,200</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$4,347,102</u>	<u>\$1,040,458</u>	<u>\$229,387</u>	<u>\$226,928</u>	<u>\$607,616</u>	<u>\$6,451,491</u>

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

City of Lincoln, Illinois
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
April 30, 2009

Statement 4

Total Fund Balances – Total Governmental Funds	\$4,612,200
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term debt reported in governmental activities	(776,500)
Capital assets of \$13,922,729 net of accumulated depreciation of (\$7,330,313) are not financial resources and, therefore, are not reported in the funds.	<u>6,592,416</u>
Net assets of governmental activities	<u>\$10,428,116</u>

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

City of Lincoln, Illinois
**STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – CASH BASIS**
GOVERNMENTAL FUNDS
 For the Year Ended April 30, 2009

	<u>General Corporate</u>	<u>Motor Fuel</u>	<u>Debt Service</u>	<u>Liability Insurance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes	\$5,678,191	\$ -	\$ 179,341	\$ 199,019	\$ 258,790	\$6,315,341
Intergovernmental revenues	-	454,031	-	-	-	454,031
Interest income	21,669	13,197	1,435	779	10,863	47,943
Charges for services	202,256	-	-	-	137,828	340,084
Fines and forfeitures	70,301	-	-	-	-	70,301
Licenses and permits	110,459	-	-	-	-	110,459
Miscellaneous	25,500	-	-	-	1,261	26,761
Total Revenues	<u>6,108,376</u>	<u>467,228</u>	<u>180,776</u>	<u>199,798</u>	<u>408,742</u>	<u>7,364,920</u>
EXPENDITURES:						
Current:						
General Government	999,869	-	-	214,245	364,776	1,578,890
Public safety	3,011,243	-	-	-	31,960	3,043,203
Public Works	825,365	337,974	-	-	127,956	1,291,295
Debt service:						
Principal	-	-	228,500	-	-	228,500
Interest	-	-	54,243	-	-	54,243
Capital outlay	169,665	125,605	-	-	661,351	956,621
Total Expenditures	<u>5,006,142</u>	<u>463,579</u>	<u>282,743</u>	<u>214,245</u>	<u>1,186,043</u>	<u>7,152,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>1,102,234</u>	<u>3,649</u>	<u>(101,967)</u>	<u>(14,447)</u>	<u>(777,301)</u>	<u>212,168</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	98,063	-	120,075	218,138
Operating transfers (out)	(218,138)	-	-	-	-	(218,138)
Grant income	3,760	-	-	-	-	3,760
Total Other Financing Sources (Uses)	<u>(214,378)</u>	<u>-</u>	<u>98,063</u>	<u>-</u>	<u>120,075</u>	<u>3,760</u>
NET CHANGE IN FUND BALANCES	887,856	3,649	(3,904)	(14,447)	(657,226)	215,928
FUND BALANCES – BEGINNING (As Restated)	<u>2,292,530</u>	<u>1,033,340</u>	<u>58,291</u>	<u>41,375</u>	<u>970,736</u>	<u>4,396,272</u>
FUND BALANCES – ENDING	\$3,180,386	\$1,036,989	\$ 54,387	\$ 26,928	\$ 313,510	\$4,612,200

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
April 30, 2009

Net change in fund balances – Total Governmental Funds	\$215,928
Amounts reported for governmental activities in the statement of activities are different because:	
Long term debt payments	228,500
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 capital outlay of \$956,600 exceeded depreciation of \$435,309 in the current period.	<u>521,312</u>
Change in net assets of governmental activities.....	<u>\$965,740</u>

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

City of Lincoln, Illinois
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2009

Statement 7

	<u>Total Enterprise Funds</u>
<u>Assets</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 691,275
Accounts receivable	605,721
Due from other funds	<u>400,000</u>
Total Current Assets	<u>1,696,996</u>
CAPITAL ASSETS	
Sewerage system	13,525,978
Less: Accumulated depreciation	(<u>5,653,940</u>)
Net Capital Assets	<u>7,872,038</u>
TOTAL ASSETS	<u>9,569,034</u>
<u>Liabilities and Net Assets</u>	
CURRENT LIABILITIES	
Accounts payable	42,444
Notes and bonds payable – current portion	504,491
Due to other funds	<u>400,000</u>
Total Current Liabilities	<u>946,935</u>
LONG-TERM LIABILITIES	
Notes and bonds payable (less current portion)	<u>7,448,545</u>
TOTAL LIABILITIES	<u>8,395,480</u>
NET ASSETS	
Invested in capital assets, net of related debt	(80,998)
Unrestricted	<u>1,254,552</u>
TOTAL NET ASSETS	<u>\$ 1,173,554</u>

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

City of Lincoln, Illinois
**STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS**
 For the Year Ended April 30, 2009

Statement 8

	<u>Total Enterprise Funds</u>
OPERATING REVENUES	
Charges for services	\$2,431,487
Other income	<u>10,142</u>
Total Operating Revenues	<u>2,441,629</u>
OPERATING EXPENSES	
Personnel service	67,760
Contractual maintenance	1,222,103
Supplies and materials	33,164
Other fees and charges	23,039
Depreciation	426,289
Repairs and maintenance	53,207
Office supplies	3,141
Professional fees	6,179
Postage	11,318
Telephone	1,153
Insurance	26,296
Facility utilities	<u>354,098</u>
Total Operating Expenses	<u>2,227,747</u>
Net Operating Income	<u>213,882</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	13,992
Interest (expense)	(215,159)
Operating transfers in	846,172
Operating transfers (out)	(<u>846,172</u>)
Total nonoperating revenues (expenses)	(<u>201,167</u>)
NET CHANGE IN NET ASSETS	12,715
NET ASSETS - BEGINNING	<u>1,160,839</u>
NET ASSETS - ENDING	<u>\$1,173,554</u>

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

City of Lincoln, Illinois
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended April 30, 2009

Statement 9

	<u>Total Enterprise Funds</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Collections from customers	\$2,204,648
Other income.....	10,142
Payments for personnel services.....	(67,760)
Payments for goods and services.....	(<u>1,722,761</u>)
Net cash provided by operating activities.....	<u>424,269</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in.....	846,172
Operating transfers (out).....	(846,172)
Interfund loans –net	<u>300,000</u>
Net cash provided by noncapital financing activities.....	<u>300,000</u>
CASH FLOW CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets.....	(443,325)
Principal paid on bonds.....	(553,013)
Interest paid on bonds	(<u>215,159</u>)
Net cash (used for) capital and related financing activities.....	(<u>1,211,497</u>)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income.....	<u>13,992</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(473,236)
CASH AND CASH EQUIVALENTS – BEGINNING	<u>1,164,511</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 691,275</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:	
Operating income.....	\$ 213,882
Adjustment to reconcile operating income to cash from operating activities:	
Depreciation	426,289
Changes in assets and liabilities:	
(Increase) in accounts receivable	(226,839)
Increase in accounts payable	<u>10,937</u>
Net cash provided by operating activities.....	<u>\$ 424,269</u>

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

City of Lincoln, Illinois
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 April 30, 2009

Statement 10

	Pension Trust Funds		Total
	Police Pension	Firefighters' Pension	
<u>Assets</u>			
Cash and cash equivalents.....	\$2,468,145	\$ 194,368	\$ 2,662,513
Investments.....	5,984,030	6,488,837	12,472,867
Accrued interest receivable	18,248	67,602	85,850
TOTAL ASSETS.....	\$8,470,423	\$6,750,807	\$15,221,230
<u>Liabilities and Net Assets</u>			
LIABILITIES	\$ _____ -	\$ _____ -	\$ _____ -
NET ASSETS			
Reserved for employee retirement commitments.....	8,470,423	6,750,807	15,221,230
TOTAL LIABILITIES AND FUND BALANCE.....	\$8,470,423	\$6,750,807	\$15,221,230

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

City of Lincoln, Illinois
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 April 30, 2009

Statement 11

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions:			
Employer	\$ 428,552	\$ 411,873	\$ 840,425
Employee	133,766	90,393	224,159
Investment income	237,125	195,792	432,917
Unrealized loss on investments	(1,263,005)	(825,976)	(2,088,981)
Total Additions	(463,562)	(127,918)	(591,480)
DEDUCTIONS			
Benefit payments	894,726	772,194	1,666,920
Administrative expenses	5,065	5,201	10,266
Total Deductions	899,791	777,395	1,677,186
NET (DECREASE)	(1,363,353)	(905,313)	(2,268,666)
NET ASSETS HELD IN TRUST FOR PENSION			
BENEFITS – BEGINNING OF YEAR, (As Restated)	9,833,776	7,656,120	17,489,896
NET ASSETS HELD IN TRUST FOR			
PENSION BENEFITS – END OF YEAR	<u>\$8,470,423</u>	<u>\$6,750,807</u>	<u>\$15,221,230</u>

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

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The City of Lincoln, Illinois (the "City") was incorporated on February 16, 1865. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: general government, public safety and public works.

The accounting and reporting policies of the City relating to the funds and account group included in the financial statements conform to generally accounting principals applicable to state and local governments except that the information on the actuarial data and other disclosures required for the pension trust funds has been excluded. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the City has chosen to apply all GASB pronouncements to its proprietary activities, and has chosen to apply the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 to its proprietary activities.

B. – Financial Reporting Entity

The financial reporting entity includes its governing board and all related organizations for which the City exercises oversight responsibility.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the City exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of and special financing relationships.

The City has determined that no other outside agency meets the above criteria. In addition, the City is not aware of any entity which would exercise such oversight on it in a manner in which the City would be considered its component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not property included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned. Expenditures generally are recorded when a liability is incurred.

Grants, entitlements, interest and all other revenue items are considered measurable and available only when earned by the City.

C. – Fund Accounting

The accounts of the City are organized on the basis of funds or accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types and broad fund categories. The following fund types and account groups are used by the City:

Government Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds.

General Corporate Fund

The General Corporate Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes general administration as well as the Special Fire Department, Police Task Force, DARE, Drug Forfeiture, DUI, and ERT Programs.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The following special revenue funds are maintained by the City:

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Government Fund Types, (Continued)

C. – Fund Accounting, (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The following special revenue funds are maintained by the City:

The Emergency Services Disaster Agency Fund receives and expends the City's tax collections for the purpose of operating and maintaining an emergency services and disaster function.

The Forestry Fund receives taxes levied to provide for the establishment and maintenance of a long-term forestry program for the propagation and preservation of community trees and for the removal of dead or diseased trees in the City.

The Motor Fuel Tax Fund receives and expends the City's allocations of the highway user revenue money. The amount available is allocated on a population basis, which is determined by the latest federal census. Money allocated to this fund must be used for street construction, reconstruction, and maintenance.

The Municipal Retirement Fund receives taxes levied for the payment of municipal retirement and social security benefits for all qualified employees of the City.

The Public Benefits Fund receives taxes levied for the purpose of paying that portion of the amounts assessed against the Municipality for public benefit.

The Liability Insurance Fund receives taxes levied for the purpose of paying City insurance premiums.

The Crossing Guards Fund receives taxes levied for the purpose of providing school crossing guards.

The Audit Fund receives taxes levied for the purpose of paying the cost of the annual audit.

The Revolving Loan Fund accounts for the Community Block Grant the City received. The Grant is to be used for the purpose of providing financial assistance to local businesses as approved by the Illinois Department of Commerce and Economic Opportunity.

The Equipment Rental Fund provides services to all funds on a fee basis.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Government Fund Types, (Continued)

C. – Fund Accounting, (Continued)

Debt Service Funds

The Debt Service Fund are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Project Fund is used to account for the accumulation of resources for, and payment of, construction projects other than those for proprietary fund construction.

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to that of private business enterprises, where the intent of the governing body is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Grants and interest income are considered as non-operating revenues for proprietary funds.

The Sewer Operations and Maintenance Fund accounts for the operation of the sewer system for the City.

The Westside Sewer Project Loan Fund and EPA Loan fund account for the construction loans obtained from the Illinois Environmental Protection Agency. The loan proceeds are made up of both state and federal funds.

The Contingency and Depreciation Fund is required to accumulate money for replacements and repairs to the system as may be necessary for the continued effective and efficient operation of the system.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following Fiduciary Funds are maintained by the City:

The Police Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

The Firefighters' Pension Fund receives contributions for participants of the plan from the City as well as the pension fund participants currently employed by the City. The fund accounts for the assets held in trust to be used for payment or retirement benefits.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the City receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized when received and eligibility requirements have been satisfied.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In: by the recipient fund, and "Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payables." These amounts are eliminated on the *statement of net assets*.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; 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. Depreciation is computed on the straight line basis over a period of from 5 to 40 years based on asset class.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. – Fund Accounting, (Continued)

Compensated Absences

The City does not record compensatory time for sick and vacation time.

Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded when earned by the City.

Reservations of Fund Balance

The City records reservations for portions of fund equity which are legally segregated for specific future use and are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

D. – Budgets And Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April each year, the Finance Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. – Budgets And Budgetary Accounting, (Continued)

6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.
7. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a cash basis, which differs from the basis used for the financial statements. Budgeted amounts shown in the financial statements have been adjusted to reflect appropriation transfers between certain expenditure categories during the year; as a result, the final budget presented differs from that which was originally adopted.

E. – Investments

Per Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, the City of Lincoln may invest any public funds (1) in bonds, notes, certificates of indebtedness, treasury bills, or other securities issued, which are guaranteed by the full faith and credit of the United State of America as to principal and interest, or (2) in bonds, notes, debentures, or other obligations of the United States of America or its agencies, or (3) in interest-bearing savings accounts, certificates of deposit or time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (4) in certain short-term obligations of corporations organized in the United States limited to the terms set forth in Chapter 30, Act 235, Section 2 of the Illinois Compiled Statutes, or (5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in Chapter 30, Act 235, Section 2 of the Illinois compiled Statutes. Investments may be made only in banks insured by the Federal Deposit Insurance corporation (FDIC), savings and loan associations insured by the Federal Savings and Loan Insurance corporation, or credit unions chartered under the laws of this state or the laws of the United States, provided the principal office of such credit union is located within the State of Illinois and the accounts re insured. The City follows the same investment policy for the pension trust funds. Investment balances, consisting of U.S. Treasury Notes and Bills, are stated at fair value. Assets of the different funds are commingled for investment purposes, where permitted, and investment earnings are prorated back to various funds when recognized as revenues.

F. – Transaction Between funds

Transactions that would be treated as revenue, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. – Funds Servicing Long-Term Debt

The enterprise fund accounts for and services the applicable bonds and notes payable which benefits that fund.

H. – Cash Flows

For purposes of the Statement of Cash Flows, the City considers all time deposits with a maturity of less than three months as cash and cash equivalents.

NOTE 2 – FUND EQUITY RESERVES

The City records reserves to indicate that a portion of fund equity is legally segregated for a specific future use. The City has established the following reserves:

Retained Earnings:

Enterprise Fund:

Reserved for Contingency and Depreciation – Resources restricted for extraordinary repairs and replacements to the sewer system	<u>\$1,057,435</u>
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Fund Balance:

General Corporate Fund:

Reserved for Public Service Programs – Resources restricted for the operation of Special Fire Department, Police Task Force, D.A.R.E., Drug Forfeiture, DUI, and ERT	\$ 103,898
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Reserved for other programs	<u>1,379,460</u>
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General Corporate Fund Reservations	<u>1,483,358</u>
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Special Revenue Funds:

Reserved for Revolving Loan, Emergency Services, Forestry, Motor Fuel Tax, IMRF, Public Benefits, Liability Insurance, Crossing Guards, Audits	<u>1,350,499</u>
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Capital Projects Fund:

Reserved for future projects	<u>26,928</u>
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Debt Service Fund:

Reserved for repayment of long-term debt principal and interest	<u>54,387</u>
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Total Fund Balance	<u>\$2,915,172</u>
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City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 3 – CHANGES IN CAPITAL ASSETS

<u>General Capital Assets</u>	<u>May 1, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 3009</u>
Building and improvements	\$ 8,549,990	\$ -	\$ -	\$ 8,549,990
Vehicles	2,907,279	390,980	-	3,298,259
Equipment	370,594	251,928	-	622,522
Streets	<u>1,138,246</u>	<u>313,712</u>	-	<u>1,451,958</u>
Cost	12,966,109	956,620	-	13,922,729
Less Accumulated Depreciation	(<u>6,895,005</u>)	(<u>435,308</u>)	-	(<u>7,330,313</u>)
Total	<u>\$ 6,071,104</u>	<u>\$521,312</u>	<u>\$ -</u>	<u>\$ 6,592,416</u>

Depreciation expense for the current year is \$435,308.

<u>Proprietary Capital Assets</u>	<u>May 1, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>April 30, 3009</u>
Utility system	\$ 579,488	\$317,267	\$ -	\$ 896,755
Building and improvements	6,925,109	84,277	-	7,009,386
Vehicles	4,938,915	18,215	-	4,957,130
Equipment	<u>639,141</u>	<u>23,566</u>	-	<u>662,707</u>
Cost	13,082,653	443,325	-	13,525,978
Less Accumulated Depreciation	(<u>5,227,651</u>)	(<u>426,289</u>)	-	(<u>5,653,940</u>)
Total	<u>\$ 7,855,002</u>	<u>\$ 17,036</u>	<u>\$ -</u>	<u>\$ 7,872,038</u>

Depreciation expense for the current year is \$426,289.

NOTE 4 – LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the City for the year ended April 30, 2008:

	<u>May 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 3009</u>
Governmental Funds:				
General Obligation Bonds	\$ 485,000	\$ -	(\$155,000)	\$ 330,000
Alternative Revenue Bonds	330,000	-	(50,000)	280,000
Debt Certificates	<u>190,000</u>	-	(23,500)	<u>166,500</u>
	<u>\$ 1,005,000</u>	<u>\$ -</u>	<u>(\$228,500)</u>	<u>\$ 776,500</u>
Enterprise Funds:				
Notes payable	<u>\$ 8,506,046</u>	<u>\$ -</u>	<u>(\$553,010)</u>	<u>\$7,953,036</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Bonds payable at April 30, 2009 is comprised of the following:

Alternative Revenue Bonds – The City issued on February 1, 2004 alternative revenue bonds in the amount of \$510,000. A payment of \$45,000 was made on these bonds during the fiscal year. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/01/2009			\$ 6,555	
12/01/2009	\$ 50,000	4.10%	\$ 6,555	\$ 63,110
06/01/2010			\$ 5,530	
12/01/2010	\$ 55,000	4.50%	\$ 5,530	\$ 66,060
06/01/2011			\$ 4,293	
12/01/2011	\$ 55,000	4.70%	\$ 4,292	\$ 63,585
06/01/2012			\$ 3,000	
12/01/2012	\$ 60,000	4.90%	\$ 3,000	\$ 66,000
06/01/2013			\$ 1,530	
12/01/2013	\$ 60,000	5.10%	\$ 1,530	\$ 63,060
Totals	<u>\$280,000</u>		<u>\$ 41,815</u>	<u>\$321,815</u>

Limited General Obligation Bonds were issued December 1, 2006 for \$615,000. The repayment schedule is as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
06/01/2009			\$ 9,488	
12/01/2009	\$160,000	5.75%	\$ 9,487	\$178,975
06/01/2010			\$ 4,888	
12/01/2010	<u>\$170,000</u>	5.75%	<u>\$ 4,887</u>	<u>\$179,775</u>
Totals	<u>\$330,000</u>		<u>\$ 28,750</u>	<u>\$358,750</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Notes payable at April 30, 2009, is comprised of the following:

A note payable to Illinois Environmental Protection Agency as part of the Illinois State Revolving Fund, requiring semi-annual payments for ten years beginning March 1, 2000, bearing interest of 2.5700%, with a final payment due September 1, 2009. The total amount of note proceeds was \$1,100,000. At April 30, 2000, the total amount expended from debt proceeds was \$1,100,000.

A second note payable to Illinois Environmental Protection Agency also from the Illinois State Revolving Fund was received in 2004. The repayment schedule is as follows:

<u>Due Date</u>	<u>Repayment</u>	<u>Interest</u>	<u>Principal</u>
07/31/2009	\$ 321,194	\$ 101,399	\$ 219,795
01/31/2010	321,194	98,575	222,619
07/31/2010	321,194	95,714	225,480
01/31/2011	321,194	92,817	228,377
07/31/2011	321,194	89,882	231,312
01/31/2012	321,194	86,910	234,284
07/31/2012	321,194	83,899	237,295
01/31/2013	321,194	80,850	240,344
07/31/2013	321,194	77,791	243,403
01/31/2014	321,194	74,633	246,561
07/31/2014	321,194	71,465	249,729
01/31/2015	321,194	68,256	252,938
07/31/2015	321,194	65,006	256,188
01/31/2016	321,194	61,714	259,480
07/31/2016	321,194	58,379	262,815
01/31/2017	321,194	55,002	266,192
07/31/2017	321,194	51,582	269,612
01/31/2018	321,194	48,117	273,077
07/31/2018	321,194	44,608	276,586
01/31/2019	321,194	41,054	280,140
07/31/2019	321,194	37,454	283,740
01/31/2020	321,194	33,808	287,386
07/31/2020	321,194	30,115	291,079
01/31/2021	321,194	26,375	294,819
07/31/2021	321,194	22,586	298,608
01/31/2022	321,194	18,749	302,445
07/31/2022	321,194	14,863	306,331
01/31/2023	321,194	10,927	310,267
07/31/2023	321,194	6,940	314,254
01/31/2024	<u>228,679</u>	<u>2,901</u>	<u>225,778</u>
	<u>\$9,543,305</u>	<u>\$1,652,371</u>	<u>\$7,890,934</u>

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 4 – LONG-TERM DEBT, (CONTINUED)

Debt Certificates

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Fiscal Total</u>
05/01/2009	\$ 12,000	4.88%	\$ 4,456	\$ 16,456
11/01/2009	\$ 12,500	4.88%	\$ 4,164	\$ 16,664
05/01/2010	\$ 12,500	5.05%	\$ 3,859	\$ 16,359
11/01/2010	\$ 13,000	5.05%	\$ 3,543	\$ 16,543
05/01/2011	\$ 13,500	5.23%	\$ 3,215	\$ 16,715
11/01/2011	\$ 13,500	5.23%	\$ 2,862	\$ 16,362
05/01/2012	\$ 14,000	5.42%	\$ 2,509	\$ 16,509
11/01/2012	\$ 14,500	5.42%	\$ 2,129	\$ 16,629
05/01/2013	\$ 14,500	5.60%	\$ 1,737	\$ 16,237
11/01/2013	\$ 15,000	5.60%	\$ 1,330	\$ 16,330
05/01/2014	\$ 15,500	5.78%	\$ 910	\$ 16,410
11/01/2014	<u>\$ 16,000</u>	5.78%	<u>\$ 462</u>	<u>\$ 16,462</u>
	<u>\$166,500</u>		<u>\$ 31,176</u>	<u>\$197,676</u>

NOTE 5 – PLAN DESCRIPTION

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

Funding Policy. As set by statute, the City's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes requires employers to contribute the amount necessary, in addition to member contributions, to financial the retirement coverage of its own employees. The City's contribution rate for calendar year 2008 was 19.90 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 5 –PLAN DESCRIPTION, (CONTINUED)

Annual Pension Cost. For 2008, the City's annual pension cost of \$132,526 for the Regular plan was equal to the City's required and actual contributions.

MULTI-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$132,526	100%	\$0
12/31/07	118,133	100%	0
12/31/06	118,154	100%	0
12/31/05	100,740	100%	0
12/31/04	40,597	100%	0
12/31/03	7,680	100%	0
12/31/02	9,460	100%	0
12/31/01	9,137	100%	0
12/31/00	57,365	100%	0
12/31/99	59,112	100%	0
12/31/08	73,382	100%	0

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.50 percent 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 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2006 valuation was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 56.76 percent funded. The actuarial accrued liability for benefits was \$3,218,414 and the actuarial value of assets was \$1,826,851, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,391,563. The covered payroll (annual payroll of active employees covered by the plan) was \$665,959 and the ratio of the UAAL to the covered payroll was 209 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.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 6 – POLICE PENSION FUND

The Police Pension fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to policemen and their dependents.

The Police Pension fund covers all "policemen" who:

- (a) Are appointed to the police force and sworn and commissioned to perform police duties;
- (b) are found upon examination of a duly licensed physician selected by the Police Pension board to be physically and mentally fit to perform duties of a policeman; and
- (c) Within 3 months after receiving his/her first appointment, and if reappointed, within 3 months thereafter, makes written application to the Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.

The Pension is funded by the City's (employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating policemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2009 were \$562,318 including City contributions of \$428,552. The City had accumulated assets of \$8,470,423 on that same date.

NOTE 7 – FIREFIGHTERS' PENSION FUND

The Firefighters' Pension Fund is a single employer defined benefit pension plan to provide retirement, death and disability benefits to firemen and their dependents.

The Firefighters' Pension Fund covers all "firemen" who:

- (a) were appointed as a fireman prior to May 16, 1970; or;
- (b) (1) have attained the age of 18 but not reached age 35 at the time of appointment; and
(2) with 3 months after receiving appointment and with 3 months after any reappointment, made written application to the firemen's Pension Board to qualify under Chapter 108 ½, Article 3, of the Illinois Revised Statutes.
- (3) were found upon medical examination to be then physically and mentally fit to perform the duties of a fireman.

The Pension is funded by the City's (Employer) contribution which is obtained through an annual levy of tax upon all the property of the City and deductions from salaries and wages of participating firemen (employee contribution). The Illinois Division of Insurance has annually provided the actuarial report and/or proposed levy requests for the City.

Total pension contributions for the year ended April 30, 2009 were \$502,266 including City contributions of \$411,873. The City had accumulated assets of \$6,750,807 on that same date.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 8 – POST-RETIREMENT BENEFITS

The City provides certain post-retirement benefits to retired full-time employees meeting the following requirements. The City pays 50% of the employee-only portion of health insurance for newly retired fulltime employees who have reached age 55 and have 20 years of service with the City. Any member having 20 years of service who has not reached age 55 upon retirement shall pay the health insurance premium until attaining age 55, at which time the City will pay 50% of the premium. These benefits are provided to employees for life and are based on benefit costs incurred during the fiscal year, or on the pay-as-you-go method.

NOTE 9 – DEFERRED COMPENSATION PAYABLE

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solution, Inc. and VALIC. The plan available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and other beneficiaries. As a result, the deferred compensation investments are not reported in the City's financial statements as an agency fund.

NOTE 10 – INSURANCE AND RISK MANAGEMENT

The City is self-insured for unemployment compensation. The City reimburses the State for unemployment compensation claims paid to former employees.

The City is also exposed to various risks including but not limited to losses from workers' compensation, general liability and property damage. Such risks are managed through the purchase of insurance contracts.

Payments are made from the *Liability Insurance* fund to provide the payment of workers' compensation insurance, liability insurance and auto insurance.

Net insurance-related costs incurred for the year ended April 30, 2009 were \$214,245.

NOTE 11 – PROPERTY TAXES

Property taxes attached as an enforceable lien on real property as of January 1 in the year in which the taxes are levied. The County bills and collects taxes for County taxing bodies. The taxes are generally payable in two installments on June 1 and September 1. Property taxes are received monthly beginning in July and generally ending in November.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2009

NOTE 12 – CASH AND INVESTMENTS

The City is authorized to invest in securities as authorized in the state statutes.

At April 30, 2009, the balance of the City's deposits was \$3,035,176. These amounts do not include the Pension Trust funds. There were no uncollateralized deposits.

NOTE 13 – INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the combined financial statements, of certain information concerning individual funds.

For the year ended April 30, 2009 excesses of expenditures over budget in individual funds were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Liability Insurance	\$ <u>188,000</u>	\$ <u>214,245</u>	\$ <u>26,245</u>

NOTE 14 – DEFICIT FUND BALANCES

The following funds had a deficit fund balance at April 30, 2009:

	<u>Deficit</u>
Westside Sewer Project Loan Fund	(\$ 62,077)
EPA Loan Fund	(\$7,890,959)

NOTE 15 – COMMITMENTS AND CONTINGENCIES

As of April 30, 2009, the City has matters of pending litigation which are being handled by the City's liability insurance carrier through legal counsel designated by them. In addition, there are also pending workman's compensation claims against the City, all of which are being handled by the City's workman's compensation insurance carrier or legal counsel designated by them.

Pursuant to the four collective bargaining agreements the City has with various bargaining units, the City does have an ongoing responsibility to provide individual health insurance coverage to retired members. The liability of these post-retirement benefits has not been determined at this time.

City of Lincoln, Illinois
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2009

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Fire Fighters' Pension Fund:

The City did not record accrued interest in the Firefighters' Pension Fund investment accounts in previous reporting periods. Generally accepted accounting principle's (GAAP) require that interest be recognized in the period in which it is earned. A schedule of the cumulative affect on prior period financial statements is presented as follows:

Beginning fund balance April 30, 2008	\$7,511,239
Add interest earned on investments attributed to prior reporting periods	<u>144,881</u>
Adjusted beginning fund balance as of April 30, 2008	<u>\$7,656,120</u>

General Corporate Fund:

Beginning fund balance April 30, 2008	\$2,055,186
Adjustment to taxes receivable	216,160
Adjustment to cash balance	<u>21,184</u>
Adjusted beginning fund balance as of April 30, 2008	<u>\$2,292,530</u>

SECTION II – REQUIRED SUPPLEMENTARY INFORMATION

City of Lincoln, Illinois
SCHEDULE OF FUNDING PROGRESS
 Required Supplemental Information
 Employer Number: 03364R

Schedule 1

REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (ALL) ---Entry Age (b)</u>	<u>ALL (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>
12/31/08	\$1,826,851	3,218,414	1,391,563	56.76%	665,959	208.96%
12/31/07	3,088,015	3,674,937	586,922	84.03%	654,475	89.68%
12/31/06	3,032,492	3,778,988	746,496	80.25%	633,535	117.87%
12/31/05	2,570,135	3,134,129	563,994	82.00%	607,235	92.88%
12/31/04	2,297,497	2,913,295	615,798	78.86%	633,332	97.27%
12/31/03	2,362,805	2,817,403	464,598	83.57%	717,769	64.73%
12/31/02	3,523,960	3,319,369	(204,591)	106.16%	808,577	0.00%
12/31/01	4,219,911	3,411,198	(808,713)	123.71%	815,797	0.00%
12/31/00	4,252,244	3,524,932	(727,312)	120.63%	804,558	0.00%
12/31/99	3,636,481	3,123,983	(512,498)	116.41%	732,503	0.00%
12/31/98	3,317,232	3,250,101	(67,131)	102.07%	758,866	0.00%

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2009

Schedule 2

	<u>Budgeted Amounts</u>	<u>2009</u>
	<u>Original/Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balances		<u>\$2,292,530</u>
RESOURCES (INFLOWS):		
Taxes:		
Property taxes	\$ 208,960	207,106
Income and use taxes	1,400,000	1,376,122
Sales taxes	3,190,000	3,349,855
Telecommunications tax	500,000	479,507
Replacement taxes	178,000	180,456
Road and bridge taxes	70,000	72,294
Fire tax	<u>-</u>	<u>12,851</u>
Total taxes	<u>5,546,960</u>	<u>5,678,191</u>
Charges For Services:		
Franchise fees	140,000	164,190
Fire protection reimbursement	6,000	13,066
Administrative fees	<u>5,000</u>	<u>25,000</u>
Total charges for services	<u>151,000</u>	<u>202,256</u>
Fines and Forfeitures:		
Traffic fines	63,000	49,596
Other fines	<u>18,100</u>	<u>20,705</u>
Total fines and forfeitures	<u>81,100</u>	<u>70,301</u>
Licenses and Permits	<u>95,920</u>	<u>110,459</u>
Miscellaneous:		
Miscellaneous	8,400	11,932
Donations	<u>-</u>	<u>13,568</u>
Total Miscellaneous	<u>8,400</u>	<u>25,500</u>
Interest Income	<u>47,000</u>	<u>21,669</u>
Other Financing Sources:		
Grant income	<u>-</u>	<u>3,760</u>
Total Resources (Inflows)	<u>\$5,930,380</u>	<u>6,112,136</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS		<u>8,404,666</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2009

Schedule 2

	<u>Budgeted Amounts</u>	<u>2009</u>
	<u>Original/Final</u>	<u>Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):		
PUBLIC SAFETY:		
Fire Department:		
Personnel services	\$1,221,104	\$1,183,281
Supplies	41,800	95,681
Repairs and maintenance	50,000	52,804
Contractual services	1,600	586
Other services and charges.....	45,380	41,554
Capital outlay	<u>42,200</u>	<u>11,103</u>
Total Fire Department	<u>1,402,084</u>	<u>1,385,009</u>
Police Department:		
Personnel services	1,502,446	1,439,007
Supplies	84,700	106,731
Repairs and maintenance	25,000	38,805
Contractual services	27,000	11,929
Other services and charges.....	51,500	40,865
Capital outlay	<u>58,700</u>	<u>-</u>
Total Police Department.....	<u>1,749,346</u>	<u>1,637,337</u>
TOTAL PUBLIC SAFETY	<u>3,151,430</u>	<u>3,022,346</u>
PUBLIC WORKS:		
Zoning:		
Personnel services	67,481	61,904
Supplies	3,300	2,255
Repairs and maintenance	500	15
Other services and charges.....	11,720	10,904
Capital outlay	<u>2,350</u>	<u>-</u>
Total Zoning	<u>85,351</u>	<u>75,078</u>
Street Lighting:		
Utilities	<u>164,000</u>	<u>117,781</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2009

Schedule 2

	<u>Budgeted Amounts</u>	<u>2009</u>
	<u>Original/Final</u>	<u>Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):		
PUBLIC WORKS (Continued):		
Public Grounds and Buildings:		
Supplies	\$ 1,500	\$ 988
Repairs and maintenance	52,500	56,386
Contractual services	55,410	54,144
Utilities	10,700	18,290
Other services and charges	5,000	7,043
Capital outlay	<u>30,000</u>	<u>-</u>
Total Public Grounds and Buildings	<u>155,110</u>	<u>136,851</u>
Sidewalks:		
Personnel services	19,100	-
Supplies	12,500	10,270
Repairs and maintenance	7,000	6,337
Other services and charges	1,000	3,118
Capital outlay	<u>8,000</u>	<u>32</u>
Total Sidewalks	<u>47,600</u>	<u>19,757</u>
Streets and Alleys:		
Personnel services	344,450	333,136
Supplies	98,150	81,999
Repairs and maintenance	40,200	31,400
Contractual services	20,000	11,877
Other services and charges	20,000	17,486
Capital outlay	<u>465,000</u>	<u>158,562</u>
Total Streets and Alleys	<u>987,800</u>	<u>634,460</u>
TOTAL PUBLIC WORKS	<u>1,439,861</u>	<u>983,927</u>
GENERAL GOVERNMENT:		
City Clerk's Office:		
Personnel services	152,862	147,990
Supplies	4,000	3,829
Repairs and maintenance	4,300	4,628
Contractual services	5,000	3,070
Other services and charges	28,100	31,957
Capital outlay	<u>5,000</u>	<u>-</u>
Total City Clerk's Office	<u>199,262</u>	<u>191,474</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2009

Schedule 2

	<u>Budgeted Amounts</u>	<u>2009</u>
	<u>Original/Final</u>	<u>Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):		
GENERAL GOVERNMENT (Continued):		
Merit Commission:		
Personnel services	\$ 1,200	\$ 968
Other services and charges.....	<u>5,000</u>	<u>2,360</u>
Total Merit Commission	<u>6,200</u>	<u>3,328</u>
Professional Services:		
Personnel services	<u>2,250</u>	<u>2,115</u>
Mayor's Office:		
Personnel services	30,381	26,598
Supplies	2,700	1,351
Repairs and maintenance	250	-
Other services and charges.....	12,700	9,862
Capital outlay	<u>700</u>	<u>-</u>
Total Mayor's Office	<u>46,731</u>	<u>37,811</u>
Legal:		
Contractual services	<u>79,000</u>	<u>79,000</u>
Contingent:		
Personnel services	99,100	100,661
Contractual services	149,475	147,440
Special project expenditures	9,500	5,495
Sales tax rebates	-	-
Other services and charges.....	<u>278,425</u>	<u>198,495</u>
Total Contingent.....	<u>536,500</u>	<u>452,091</u>
Engineering:		
Contractual services	167,700	168,901
Other services and charges.....	<u>190</u>	<u>149</u>
Total Engineering.....	<u>167,890</u>	<u>169,050</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
For the Year Ended April 30, 2009

Schedule 2

	Budgeted Amounts <u>Original/Final</u>	2009 <u>Actual</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS) (Continued):		
GENERAL GOVERNMENT (Continued):		
City Planning Commission:		
Other services and charges.....	\$ 40,500	\$ 35,000
Lincoln Industrial Commission:		
Other services and charges.....	<u>30,000</u>	<u>30,000</u>
TOTAL GENERAL GOVERNMENT	<u>1,108,333</u>	<u>999,869</u>
OTHER FINANCING (USES)		
Transfer to Crossing Guard Fund	-	17,000
Transfer to Bond and Interest	-	64,568
Transfer to Debt Certificate	-	33,495
Transfer to Equipment Rental Fund.....	-	75,000
Transfer to Public Benefits Fund	<u>-</u>	<u>28,075</u>
TOTAL OTHER FINANCING (USES).....	<u>-</u>	<u>218,138</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$5,699,624</u>	<u>5,224,280</u>
ENDING BUDGETARY FUND BALANCE.....		<u>\$3,180,386</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND
MOTOR FUEL TAX FUND
For the Year Ended April 30, 2009

Schedule 3

	Budgeted Amounts <u>Original/Final</u>	2009 <u>Actual</u>
Beginning Budgetary Fund Balances		<u>\$1,033,340</u>
RESOURCES (INFLOWS):		
Intergovernmental:		
Motor fuel taxes	\$ 440,000	401,058
Reimbursements.....	-	52,973
Interest Income.....	<u>30,000</u>	<u>13,197</u>
Total Resources (Inflows).....	<u>\$ 470,000</u>	<u>467,228</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS		<u>1,500,568</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):		
Public Safety:		
Personnel services	\$ 132,000	82,225
Repairs and maintenance	92,500	91,975
Supplies	137,500	131,644
Traffic signals.....	43,000	15,293
IDOT Enhancement	60,000	-
Broadway – Hamilton	68,000	27,642
Fifth Street road project	75,000	97,962
Signal modernization	7,500	-
McLean crossing	15,000	10,855
Kankakee crossing	<u>5,000</u>	<u>5,983</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 635,500</u>	<u>463,579</u>
ENDING BUDGETARY FUND BALANCE		<u>\$1,036,989</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND
LIABILITY INSURANCE FUND
For the Year Ended April 30, 2009

Schedule 4

	Budgeted Amounts <u>Original/Final</u>	2009 <u>Actual</u>
Beginning Budgetary Fund Balances		\$ <u>41,375</u>
RESOURCES (INFLOWS):		
Taxes:		
Property taxes.....	\$201,020	199,019
Interest Income.....	<u>1,500</u>	<u>779</u>
Total Resources (Inflows).....	<u>\$202,520</u>	<u>199,798</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS		<u>241,173</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):		
General Government:		
Insurance expense	<u>\$188,000</u>	<u>214,245</u>
TOTAL CHARGES TO APPROPRIATIONS.....	<u>\$188,000</u>	<u>214,245</u>
ENDING BUDGETARY FUND BALANCE.....		\$ <u>26,928</u>

City of Lincoln, Illinois
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND
DEBT SERVICE FUND
For the Year Ended April 30, 2009

Schedule 5

	<u>Budgeted Amounts</u>	<u>2009</u>
	<u>Original/Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balances		\$ <u>58,291</u>
RESOURCES (INFLOWS):		
Taxes:		
Property taxes.....	\$179,182	179,341
Interest Income.....	3,000	1,435
Other Financing Sources:		
Transfer from General Fund	-	<u>98,063</u>
Total Resources (Inflows).....	<u>\$182,182</u>	<u>278,839</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS		<u>337,130</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):		
Debt Service:		
Principal		228,500
Interest.....		<u>54,243</u>
TOTAL CHARGES TO APPROPRIATIONS		<u>282,743</u>
ENDING BUDGETARY FUND BALANCE		<u>\$ 54,387</u>

City of Lincoln, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
For the Fiscal Year Ended April 30, 2009

Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April of each year, the Financial Committee of the City Council submits to the City Council a proposed operating budget for the fiscal year commencing that May 1.
2. A copy of the proposed budget is placed on file with the City Clerk and a date for public hearings is announced.
3. The budget is passed by City Council.
4. The appropriation is legally enacted through the passage of an ordinance.
5. After adoption of the appropriation, further appropriations are prohibited. Transfers from one appropriation of any fund to another appropriation of the same fund, not affecting the total amount appropriated, may be made subject to City Council approval.
6. Formal budgetary integration is employed as management control device during the year for the General Fund, the Special Revenue Funds, and the Debt Service Fund.

SECTION III – SUPPLEMENTARY FINANCIAL INFORMATION

City of Lincoln, Illinois
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
 April 30, 2009

	<u>Assets</u>	<u>Emergency Services</u>	<u>Forestry</u>	<u>Capital Projects</u>	<u>Municipal Retirement</u>	<u>Public Benefits</u>	<u>Crossing Guards</u>	<u>Audit</u>	<u>Revolving Loan</u>	<u>Equipment Rentals</u>	<u>Total 2009</u>
ASSETS											
Cash and cash equivalents.....	\$ 6,211	\$ 9,279	(\$ 22,156)	\$ 13,176	\$ 34,984	\$ 4,632	\$ 2,598	\$ 257,378	\$ 34,514	\$ 340,616	
Taxes receivable.....	4,000	48,000	-	137,000	47,000	15,000	16,000	-	-	267,000	
TOTAL ASSETS	\$ 10,211	\$ 57,279	(\$ 22,156)	\$ 150,176	\$ 81,984	\$ 19,632	\$ 18,598	\$ 257,378	\$ 34,514	\$ 607,616	
<u>Liabilities And Fund Balances</u>											
LIABILITIES											
Accounts payable	\$ -	\$ 319	-	-	\$ 25,641	-	-	-	-	\$ 1,146	\$ 27,106
Deferred revenue.....	4,000	48,000	-	137,000	47,000	15,000	16,000	-	-	-	267,000
Total Liabilities.....	4,000	48,319	-	137,000	72,641	15,000	16,000	-	-	1,146	294,106
FUND BALANCES											
Reserved.....	6,211	8,960	(22,156)	13,176	9,343	4,632	2,598	257,378	33,368	313,510	
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 10,211	\$ 57,279	(\$ 22,156)	\$ 150,176	\$ 81,984	\$ 19,632	\$ 18,598	\$ 257,378	\$ 34,514	\$ 607,616	

City of Lincoln, Illinois
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended April 30, 2009

	<u>Emergency Services</u>	<u>Forestry</u>	<u>Capital Projects</u>	<u>Municipal Retirement</u>	<u>Public Benefits</u>	<u>Crossing Guards</u>	<u>Audit</u>	<u>Revolving Loan</u>	<u>Equipment Rentals</u>	<u>Total 2009</u>
REVENUES:										
Taxes:										
Property taxes.....	\$ 3,990	\$ 47,768	\$ -	\$ 104,972	\$ 46,778	\$ 14,928	\$ 15,932	\$ -	\$ -	\$ 234,368
Intergovernmental:										
Replacement taxes.....	-	-	-	24,422	-	-	-	-	-	24,422
Charges for services.....	-	-	-	-	-	-	-	-	137,828	137,828
Interest.....	123	257	5,149	723	900	119	63	3,246	283	10,863
Miscellaneous.....	-	961	-	-	300	-	-	-	-	1,261
TOTAL REVENUES.....	4,113	48,986	5,149	130,117	47,978	15,047	15,995	3,246	138,111	408,742
EXPENDITURES:										
General government.....	-	-	-	218,933	-	-	15,600	-	130,243	364,776
Public safety.....	2,899	-	-	-	-	29,061	-	-	-	31,960
Public works/streets.....	-	72,999	-	-	54,957	-	-	-	-	127,956
Capital outlay.....	10,271	-	557,984	-	29,545	-	-	-	63,551	661,351
TOTAL EXPENDITURES.....	13,170	72,999	557,984	218,933	84,502	29,061	15,600	-	193,794	1,186,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(9,057)	(24,013)	(552,835)	(88,816)	(36,524)	(14,014)	395	3,246	(55,683)	(777,301)
OTHER FINANCING SOURCES (USES)										
Transfers in.....	-	-	-	-	28,075	17,000	-	-	75,000	120,075
NET CHANGE IN FUND BALANCES	(9,057)	(24,013)	(552,835)	(88,816)	(8,449)	2,986	395	3,246	19,317	(657,226)
FUND BALANCES – BEGINNING.....	15,268	32,973	530,679	101,992	17,792	1,646	2,203	254,132	14,051	970,736
FUND BALANCES – ENDING	\$ 6,211	\$ 8,960	(\$ 22,156)	\$ 13,176	\$ 9,343	\$ 4,632	\$ 2,598	\$ 257,378	\$ 33,368	\$ 313,510

City of Lincoln, Illinois
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
 April 30, 2009

Schedule 8

	Sewer Operations & Maintenance	Westside Sewer Project Loan	EPA Loan	Contingency and Depreciation	Total 2009
<u>Assets</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 33,840	\$ -	\$ -	\$ 657,435	\$ 691,275
Accounts receivable	605,721			-	605,721
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	400,000	400,000
Total Current Assets	<u>639,561</u>	<u>-</u>	<u>-</u>	1,057,435	1,696,996
CAPITAL ASSETS					
Sewerage system	13,525,978	-	-	-	13,525,978
Less: Accumulated depreciation	(5,653,940)	<u>-</u>	<u>-</u>	<u>-</u>	(5,653,940)
Net Capital Assets	<u>7,872,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	7,872,038
TOTAL ASSETS	<u>\$ 8,511,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,057,435</u>	<u>\$ 9,569,034</u>
<u>Liabilities and Net Assets</u>					
LIABILITIES					
Accounts payable	\$ 42,444	\$ -	\$ -	\$ -	\$ 42,444
Notes and bonds payable	-	62,077	7,890,959	-	7,953,036
Due to other funds	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	400,000
Total Liabilities	<u>442,444</u>	<u>62,077</u>	<u>7,890,959</u>	<u>-</u>	8,395,480
FUND EQUITY					
Retained Earnings:					
Reserved	-	-	-	1,057,435	1,057,435
Unreserved	<u>8,069,155</u>	(62,077)	(7,890,959)	<u>-</u>	116,119
Total Retained Earnings	<u>8,069,155</u>	(62,077)	(7,890,959)	1,057,435	1,173,554
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 8,511,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,057,435</u>	<u>\$ 9,569,034</u>

City of Lincoln, Illinois
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND**
For the Year Ended April 30, 2009

Schedule 9

	Sewer Operations & Maintenance	Westside Sewer Project Loan	EPA Loan	Contingency and Depreciation	Total 2009
OPERATING REVENUES					
Charges for services.....	\$2,431,487	\$ -	\$ -	\$ -	\$2,431,487
Other income	<u>10,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,142</u>
Total Operating Revenues.....	<u>2,441,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,441,629</u>
OPERATING EXPENSES					
Personnel service	67,760	-	-	-	67,760
Contractual maintenance services.....	1,222,103	-	-	-	1,222,103
Supplies and materials	33,164	-	-	-	33,164
Other fees and charges.....	23,039	-	-	-	23,039
Depreciation.....	426,289	-	-	-	426,289
Repairs and maintenance	53,207	-	-	-	53,207
Office supplies	3,141	-	-	-	3,141
Professional fees	6,179	-	-	-	6,179
Postage.....	11,318	-	-	-	11,318
Telephone.....	1,153	-	-	-	1,153
Insurance.....	26,296	-	-	-	26,296
Facility utilities	<u>354,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,098</u>
Total Operating Expenses	<u>2,227,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,227,747</u>
NET OPERATING INCOME (LOSS)	<u>213,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,882</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income.....	2,365	-	-	11,627	13,992
Interest (expense).....	-	(4,032)	(211,127)	-	(215,159)
Operating transfers in.....	-	125,785	642,387	78,000	846,172
Operating transfers (out).....	<u>(846,172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(846,172)</u>
Total Nonoperating Revenues (Expenses).....	<u>(843,807)</u>	<u>121,753</u>	<u>431,260</u>	<u>89,627</u>	<u>(201,167)</u>
NET INCOME (LOSS)	(629,925)	121,753	431,260	89,627	12,715
RETAINED EARNINGS - BEGINNING	<u>8,699,080</u>	<u>(183,830)</u>	<u>(8,322,219)</u>	<u>967,808</u>	<u>1,160,839</u>
RETAINED EARNINGS - ENDING...	<u>\$8,069,155</u>	<u>(\$ 62,077)</u>	<u>(\$7,890,959)</u>	<u>\$1,057,435</u>	<u>\$1,173,554</u>

City of Lincoln, Illinois
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended April 30, 2009

Schedule 10

	<u>Sewer Operations & Maintenance</u>	<u>Westside Sewer Project Loan</u>	<u>EPA Loan</u>	<u>Contingency and Depreciation</u>	<u>Total 2009</u>
CASH FLOW FROM OPERATING ACTIVITIES					
Collections from customers.....	\$2,204,648	\$ -	\$ -	\$ -	\$2,204,648
Other income.....	10,142	-	-	-	10,142
Payments for personnel services.....	(67,760)	-	-	-	(67,760)
Payments for goods and services.....	(1,722,761)	-	-	-	(1,722,761)
Net cash provided by (used for) operating activities.....	<u>424,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,269</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Operating transfers in.....	-	125,785	642,387	78,000	846,172
Operating transfers (out).....	(846,172)	-	-	-	(846,172)
Interfund loans.....	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>300,000</u>
Net cash provided by (used for) noncapital and related financing activities.....	<u>(446,172)</u>	<u>125,785</u>	<u>642,387</u>	<u>(22,000)</u>	<u>300,000</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets.....	(443,325)	-	-	-	(443,325)
Principal payments on notes.....	-	(121,753)	(431,260)	-	(553,013)
Interest paid on notes.....	<u>-</u>	<u>(4,032)</u>	<u>(211,127)</u>	<u>-</u>	<u>(215,159)</u>
Net cash (used for) capital and related financing activities.....	<u>(443,325)</u>	<u>(125,785)</u>	<u>(642,387)</u>	<u>-</u>	<u>(1,211,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income.....	<u>2,365</u>	<u>-</u>	<u>-</u>	<u>11,627</u>	<u>13,992</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(462,863)	-	-	(10,373)	(473,236)
CASH AND CASH EQUIVALENTS, BEGINNING.....	<u>496,703</u>	<u>-</u>	<u>-</u>	<u>667,808</u>	<u>1,164,511</u>
CASH AND CASH EQUIVALENTS, ENDING.....	<u>\$ 33,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$657,435</u>	<u>\$ 691,275</u>

Reconciliation of operating income to net cash from operating activities:

Net operating income.....	\$ 213,882
Adjustment to reconcile operating income to cash from operating activities:	
Depreciation.....	426,289
Changes in net assets and liabilities:	
(Increase) in accounts receivables....	(226,839)
Increase in accounts payables.....	<u>10,937</u>
Net Cash Provided By Operating Activities	<u>\$ 424,269</u>

City of Lincoln, Illinois
SCHEDULE OF TAXES EXTENDED AND COLLECTED
 April 30, 2009

Schedule 11

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
ASSESSED VALUATION.....	<u>\$140,553,159</u>	<u>\$140,208,719</u>	<u>\$146,826,956</u>
TAX RATES			
General .....	.00712	.01712	.02155
Police protection.....	.04198	.04209	.04237
Fire Protection.....	.08894	.08916	.08976
Street and bridge .....	.00000	.00008	.00000
Forestry.....	.03416	.03424	.03447
Firemen's pension.....	.24902	.24179	.23624
Firemen's spouse pension.....	.00161	.01474	.01422
Policemen's pension.....	.28246	.27531	.26998
Municipal retirement.....	.09748	.03958	.01498
Emergency service .....	.00285	.00286	.00288
Public benefit .....	.03344	.03353	.03375
Liability insurance.....	.09017	.14265	.17610
Audit.....	.01139	.01142	.01149
Bond .....	.12407	.12855	.12659
Crossing guard .....	.01068	.01070	.01078
Social Security	<u>.06404</u>	<u>.03567</u>	<u>.01437</u>
 Total	 <u>1.13941</u>	 <u>1.11949</u>	 <u>1.09953</u>

City of Lincoln, Illinois
SCHEDULE OF TAXES EXTENDED AND COLLECTED
 April 30, 2009

Schedule 11

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>Extended</u>	<u>Extended</u>	<u>Extended</u>
TAX RATES			
General	\$ 10,007	\$ 24,004	\$ 30,000
Police protection.....	59,004	59,014	59,000
Fire Protection.....	125,008	125,010	125,000
Street and bridge	-	112	100
Forestry.....	48,013	48,007	48,000
Firemen's pension.....	350,005	339,011	329,000
Firemen's spouse pension.....	2,263	20,667	19,800
Policemen's pension.....	397,006	386,009	376,000
Municipal retirement.....	137,011	55,495	20,850
Emergency service.....	4,006	4,010	4,000
Public benefit	47,001	47,012	47,000
Liability insurance.....	126,737	200,008	245,250
Audit.....	16,009	16,012	16,000
Bond.....	174,384	180,238	176,300
Crossing guard	15,011	15,002	15,000
Social Security	<u>90,010</u>	<u>50,012</u>	<u>20,000</u>
 Total Extended	 <u>1,601,475</u>	 <u>\$1,569,623</u>	 <u>\$1,531,300</u>
 Total Collected	 <u>N/A</u>	 <u>\$1,628,021</u>	 <u>\$1,459,694</u>
 Percentage Collected.....	 <u>N/A</u>	 <u>100%</u>	 <u>95.55%</u>

City of Lincoln, Illinois
SCHEDULE OF LEGAL DEBT MARGIN
For The Year Ended April 30, 2009

Schedule 12

ASSESSED VALUATION AS OF DECEMBER 31, 2008	<u>\$140,553,159</u>
DEBT LIMITATION, 8.625% OF ASSESSED VALUATION.....	\$ 12,122,710
Less: Bonded Indebtedness.....	(<u>435,000</u>)
LEGAL DEBT MARGIN, APRIL 30, 2009	<u>\$ 11,687,710</u>