

**VILLAGE OF DUNLAP, ILLINOIS**  
**Financial Statements**  
**And Supplementary Data**  
**For The Year Ended April 30, 2010**  
**(With Independent Auditors' Report Thereon)**

VILLAGE OF DUNLAP, ILLINOIS

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report   | 1           |
| Required Supplemental Information (Part I)   |             |
| Management's Discussion and Analysis   | 2 - 5       |
| Government-Wide Financial Statement  |             |
| Statement of Net Assets - Modified Cash Basis  | 6           |
| Statement of Activities - Modified Cash Basis  | 7           |
| Fund Financial Statements  |             |
| Governmental Funds   |             |
| Balance Sheet - Modified Cash Basis  | 8           |
| Statement of Revenues, Expenditures and Changes in Fund Equity - Modified Cash Basis   | 9           |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Equity<br>of Governmental Funds to the Statement of Activities | 10          |
| Proprietary Funds  |             |
| Balance Sheet - Modified Cash Basis  | 11          |
| Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis  | 12          |
| Statement of Cash Flows - Modified Cash Basis  | 13 - 14     |
| Notes to the Financial Statements  | 15 - 25     |
| Required Supplementary Information (Part II)   |             |
| Schedule of Funding Progress   | 26          |
| General Fund - Statement of Revenues, Expenditures and Changes in Fund Equity - Modified Cash Basis<br>(Actual and Budget)                   | 27          |
| Supplementary Information  |             |
| Schedule of Taxes  | 28          |



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Village President and Board of Trustees  
Village of Dunlap, Illinois

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

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

As described in Note 1, the Village of Dunlap, 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, and each major fund of the Village of Dunlap, Illinois, as of April 30, 2010, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The Management's Discussion and Analysis on pages 2 through 5, and the required supplementary information on pages 26 and 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other schedules and supplementary information as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a part of the basic financial statements of the Village of Dunlap, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gordon, Stockman & Waugh, P.C.*

Peoria, Illinois  
October 11, 2010

**Village of Dunlap  
Management's Discussion and Analysis  
For the Year Ended April 30, 2010**

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Our discussion and analysis of the Village's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2010. Please read it in conjunction with the Village's financial statements, which begin on page 6.

**Financial Highlights**

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,912,578 (net assets). Of this amount, \$2,648,851 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Village's fund designation and fiscal policies.

The Village's total net assets increased by \$49,640 during the fiscal year ended April 30, 2010.

At the close of the current fiscal year, the Village's governmental activities reported combined ending net assets of \$1,806,401 of which \$1,149,788 is unrestricted.

At the end of the current fiscal year, the Village did not have any bonded debt outstanding.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

As explained in Note 1, these financial statements have been prepared on the modified cash basis of accounting. Under that basis, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. However, fixed assets have been capitalized and depreciation has been recorded in the government-wide financial statements and in the fund level proprietary financial statements.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances.

The Statement of net assets presents information on all the Village's assets and liabilities on a modified cash basis, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The statement of activities presents information showing how the Village's net assets changed during the fiscal year.

Both of the government-wide financial statements distinguish between functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government and administration, public safety and culture and recreation. The business-type activities include water and sewer operations. The government-wide financial statements can be found on pages 6 and 7 of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories, governmental funds and proprietary funds.

**Village of Dunlap  
Management's Discussion and Analysis  
For the Year Ended April 30, 2010**

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable sources, as well as on balances of spendable resources available at the end of the fiscal year. The Village maintains two governmental funds, the General Fund and the Motor Fuel Tax Fund. Information is presented separately in the governmental funds statements for the each of these funds. The governmental fund financial statements can be found on pages 8 - 10.

**Proprietary Funds** - The Village has one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Village uses enterprise funds to account for the Water and Sewer Funds. The proprietary fund financial statements can be found on pages 11 - 14.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 25.

**Governmental-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Village, assets exceed liabilities by \$3,912,578 as of April 30, 2010.

A significant portion of the Village's net assets (32%) reflects its investments in capital assets (e.g. land, buildings and improvements, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Village of Dunlap's Net Assets**

|                            | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                     | <u>Total</u>        |                     |
|----------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                            | <u>2010</u>                    | <u>2009</u>         | <u>2010</u>                     | <u>2009</u>         | <u>2010</u>         | <u>2009</u>         |
| Current and other assets   | \$ 1,149,788                   | \$ 1,246,311        | \$ 1,586,471                    | \$ 1,410,393        | \$ 2,736,259        | \$ 2,656,704        |
| Capital assets             | 656,613                        | 688,085             | 607,114                         | 605,596             | 1,263,727           | 1,293,681           |
| <b>Total assets</b>        | <b>1,806,401</b>               | <b>1,934,396</b>    | <b>2,193,585</b>                | <b>2,015,989</b>    | <b>3,999,986</b>    | <b>3,950,385</b>    |
| <br>                       |                                |                     |                                 |                     |                     |                     |
| Liabilities                | -                              | 39                  | 87,408                          | 87,408              | 87,408              | 87,447              |
| <br>                       |                                |                     |                                 |                     |                     |                     |
| Net Assets:                |                                |                     |                                 |                     |                     |                     |
| Invested in capital assets | 656,613                        | 688,085             | 607,114                         | 605,596             | 1,263,727           | 1,293,681           |
| Unrestricted               | 1,149,788                      | 1,246,272           | 1,499,063                       | 1,322,985           | 2,648,851           | 2,569,257           |
| <b>Total net assets</b>    | <b>\$ 1,806,401</b>            | <b>\$ 1,934,357</b> | <b>\$ 2,106,177</b>             | <b>\$ 1,928,581</b> | <b>\$ 3,912,578</b> | <b>\$ 3,862,938</b> |

As of April 30, 2010 and 2009, the Village had positive balances in all categories of net assets.

**Village of Dunlap  
Management's Discussion and Analysis  
For the Year Ended April 30, 2010**

**Analysis of the Village's Operations** - Overall the Village had an increase in net assets of \$49,640.

Governmental Activities: Governmental activities net assets decreased by \$127,956. Total revenues for governmental activities decreased from the previous year by \$75,495 primarily as a result of a decrease in intergovernmental revenue.

Business-type Activities: Net assets from business-type activities increased by \$177,596. Water and sewer revenue increased \$15,158 from the previous year.

**Village of Dunlap's Change in Net Assets**

|                                       | <u>Govern-<br/>mental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total</u>        |
|---------------------------------------|--|--|---------------------|
| Revenues:                             |  |  |                     |
| Program revenues:                     |  |  |                     |
| Fees, fines and charges for services  | \$ 2,400                                 | \$ 350,895                               | \$ 353,295          |
| General revenues:                     |  |  |                     |
| Ad valorem taxes                      | 72,192                                   | -  | 72,192              |
| Franchise fees                        | 21,098                                   | -  | 21,098              |
| Intergovernmental                     | 244,028                                  | -  | 244,028             |
| Interest                              | 15,789                                   | 30,976                                   | 46,765              |
| Miscellaneous                         | 2,329                                    | -  | 2,329               |
| Total revenues                        | <u>357,836</u>                           | <u>381,871</u>                           | <u>739,707</u>      |
| Expenses:                             |  |  |                     |
| General government and administration | 270,330                                  | -  | 270,330             |
| Public safety                         | 16,299                                   | -  | 16,299              |
| Public works and transportation       | 199,163                                  | -  | 199,163             |
| Water and sewer                       | -  | 204,275                                  | 204,275             |
| Total expenses                        | <u>485,792</u>                           | <u>204,275</u>                           | <u>690,067</u>      |
| Increase (decrease) in net assets     | (127,956)                                | 177,596                                  | 49,640              |
| Net assets - beginning of year        | <u>1,934,357</u>                         | <u>1,928,581</u>                         | <u>3,862,938</u>    |
| Net assets - end of year              | <u>\$ 1,806,401</u>                      | <u>\$ 2,106,177</u>                      | <u>\$ 3,912,578</u> |

**Financial Analysis of the Government's Funds**

**Governmental funds** - The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,149,788, all of which is unrestricted.

**Village of Dunlap  
Management's Discussion and Analysis  
For the Year Ended April 30, 2010**

**Proprietary funds** - The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Unrestricted net assets of the respective proprietary funds are Water \$677,292 and Sewer \$1,428,885. Total net assets increased in 2010 as follows: Water \$47,440 and Sewer \$130,156.

**Capital Assets**

The Village of Dunlap's investment in capital assets for its governmental and business-type activities as of April 30, 2010, amounts to \$1,263,727 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

**Capital Assets at Year-End  
Net of Accumulated Depreciation**

|                                      | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                   | <u>Total</u>        |                     |
|--------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|---------------------|---------------------|
|                                      | <u>2010</u>                    | <u>2009</u>       | <u>2010</u>                     | <u>2009</u>       | <u>2010</u>         | <u>2009</u>         |
| Land                                 | \$ 125,640                     | \$ 125,640        | \$ 3,183                        | \$ 3,183          | \$ 128,823          | \$ 128,823          |
| Buildings and improvements           | 229,877                        | 239,412           | -                               | -                 | 229,877             | 239,412             |
| Northpark                            | 69,817                         | 76,559            | -                               | -                 | 69,817              | 76,559              |
| Equipment                            | 231,279                        | 246,474           | 53,311                          | 20,648            | 284,590             | 267,122             |
| Water and sewer distribution systems | -                              | -                 | 550,620                         | 581,765           | 550,620             | 581,765             |
|                                      | <u>\$ 656,613</u>              | <u>\$ 688,085</u> | <u>\$ 607,114</u>               | <u>\$ 605,596</u> | <u>\$ 1,263,727</u> | <u>\$ 1,293,681</u> |

Additional information on the Village's capital assets can be found in note 5 on pages 20 and 21 of this report.

**Budget**

For the year ended April 30, 2010, the Village's actual expenditures for the general fund were less than the amounts budgeted. A comparison of budget to actual can be found on page 27 of this report.

**VILLAGE OF DUNLAP, ILLINOIS**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**April 30, 2010**

|  | Governmental<br>Activities | Business-type<br>Activities | Totals                     |
|--|----------------------------|-----------------------------|----------------------------|
| <b>Assets</b>                                    |                            |                             |                            |
| Cash and cash equivalents                        | \$ 160,524                 | \$ 534,085                  | \$ 694,609                 |
| Investments                                      | 901,508                    | 958,812                     | 1,860,320                  |
| Other receivable                                 | 973                        | 92,949                      | 93,922                     |
| Due from other funds                             | 86,783                     | 625                         | 87,408                     |
| Capital assets (net of accumulated depreciation) | 656,613                    | 607,114                     | 1,263,727                  |
| <b>Total assets</b>                              | <b><u>\$ 1,806,401</u></b> | <b><u>\$ 2,193,585</u></b>  | <b><u>\$ 3,999,986</u></b> |
| <b>Liabilities and Net Assets</b>                |                            |                             |                            |
| Due to other funds                               | \$ -                       | \$ 87,408                   | \$ 87,408                  |
| <b>Total liabilities</b>                         | <b><u>-</u></b>            | <b><u>87,408</u></b>        | <b><u>87,408</u></b>       |
| <b>Net Assets</b>                                |                            |                             |                            |
| Investment in capital assets                     | 656,613                    | 607,114                     | 1,263,727                  |
| Unrestricted                                     | 1,149,788                  | 1,499,063                   | 2,648,851                  |
| <b>Total net assets</b>                          | <b><u>1,806,401</u></b>    | <b><u>2,106,177</u></b>     | <b><u>3,912,578</u></b>    |
| <b>Total liabilities and net assets</b>          | <b><u>\$ 1,806,401</u></b> | <b><u>\$ 2,193,585</u></b>  | <b><u>\$ 3,999,986</u></b> |

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

**VILLAGE OF DUNLAP, ILLINOIS**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED APRIL 30, 2010**

| Functions/Programs               | Expenses                 | Program Revenues<br>Charges for<br>Services | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                         |
|----------------------------------|--------------------------|---|--|-----------------------------|-------------------------|
|                                  |                          |   | Governmental<br>Activities                         | Business-type<br>Activities | Total                   |
| <b>Governmental activities:</b>  |                          |   |  |                             |                         |
| General government               | \$ 270,330               | \$ 2,400                                    | \$ (267,930)                                       | \$ -                        | \$ (267,930)            |
| Public safety                    | 16,299                   | -   | (16,299)   | -                           | (16,299)                |
| Public works and transportation  | 199,163                  | -   | (199,163)  | -                           | (199,163)               |
| Total governmental activities    | <u>485,792</u>           | <u>2,400</u>                                | <u>(483,392)</u>                                   | <u>-</u>                    | <u>(483,392)</u>        |
| <b>Business-type activities:</b> |                          |   |  |                             |                         |
| Waterworks Fund                  | 151,249                  | 190,727                                     | -  | 39,478                      | 39,478                  |
| Sewerage Fund                    | 53,026                   | 160,168                                     | -  | 107,142                     | 107,142                 |
| Total business-type activities   | <u>204,275</u>           | <u>350,895</u>                              | <u>-</u>   | <u>146,620</u>              | <u>146,620</u>          |
| <b>Total</b>                     | <b>\$ <u>690,067</u></b> | <b>\$ <u>353,295</u></b>                    | <b><u>(483,392)</u></b>                            | <b><u>146,620</u></b>       | <b><u>(336,772)</u></b> |
| <b>General revenues:</b>         |                          |   |  |                             |                         |
| Local taxes and revenue          |                          |   | 93,290   | -                           | 93,290                  |
| Intergovernmental                |                          |   | 244,028  | -                           | 244,028                 |
| Miscellaneous                    |                          |   | 2,329  | -                           | 2,329                   |
| Investment earnings              |                          |   | 15,789   | 30,976                      | 46,765                  |
| Total general revenues           |                          |   | <u>355,436</u>                                     | <u>30,976</u>               | <u>386,412</u>          |
| Change in net assets             |                          |   | <u>(127,956)</u>                                   | <u>177,596</u>              | <u>49,640</u>           |
| Net assets - beginning           |                          |   | <u>1,934,357</u>                                   | <u>1,928,581</u>            | <u>3,862,938</u>        |
| Net assets - ending              |                          |   | <u>\$ 1,806,401</u>                                | <u>\$ 2,106,177</u>         | <u>\$ 3,912,578</u>     |

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

**VILLAGE OF DUNLAP, ILLINOIS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**April 30, 2010**

|                           | General           | Special Revenue   | Total                 |
|---------------------------|-------------------|-------------------|-----------------------|
|                           |                   | Motor Fuel<br>Tax | Governmental<br>Funds |
| <b>Assets</b>             |                   |                   |                       |
| Cash and cash equivalents | \$ 160,524        | \$ -              | \$ 160,524            |
| Investments               | 559,493           | 342,015           | 901,508               |
| Receivable                | 973               | -                 | 973                   |
| Due from other funds      | 86,783            | -                 | 86,783                |
| <b>Total assets</b>       | <b>\$ 807,773</b> | <b>\$ 342,015</b> | <b>\$ 1,149,788</b>   |
| <b>Fund Equity</b>        |                   |                   |                       |
| Unrestricted fund equity  | \$ 807,773        | \$ 342,015        | \$ 1,149,788          |
| <b>Total fund equity</b>  | <b>807,773</b>    | <b>342,015</b>    | <b>1,149,788</b>      |
| <br>                      |                   |                   |                       |
| <b>Total fund equity</b>  | <b>\$ 807,773</b> | <b>\$ 342,015</b> |                       |

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.

656,613

Net assets of governmental activities

\$ 1,806,401

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

**VILLAGE OF DUNLAP, ILLINOIS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED APRIL 30, 2010**

|                                      | General           | Special Revenue   | Total                 |
|--------------------------------------|-------------------|-------------------|-----------------------|
|                                      |                   | Motor Fuel<br>Tax | Governmental<br>Funds |
| Revenues                             |                   |                   |                       |
| Local taxes                          | \$ 72,192         | \$ -              | \$ 72,192             |
| Intergovernmental                    | 210,917           | 33,111            | 244,028               |
| Licenses and permits                 | 2,400             | -                 | 2,400                 |
| Franchise fees                       | 21,098            | -                 | 21,098                |
| Interest                             | 15,351            | 438               | 15,789                |
| Miscellaneous                        | 2,329             | -                 | 2,329                 |
| Total revenues                       | <u>324,287</u>    | <u>33,549</u>     | <u>357,836</u>        |
| Expenditures                         |                   |                   |                       |
| Current                              |                   |                   |                       |
| General government                   | 259,092           | -                 | 259,092               |
| Public safety                        | 16,299            | -                 | 16,299                |
| Public works and transportation      | 160,469           | -                 | 160,469               |
| Capital outlay                       | 18,460            | -                 | 18,460                |
| Total expenditures                   | <u>454,320</u>    | <u>-</u>          | <u>454,320</u>        |
| Excess of revenues over expenditures | (130,033)         | 33,549            | (96,484)              |
| Net change in fund equity            | (130,033)         | 33,549            | (96,484)              |
| Prior year fund equity               | <u>937,806</u>    | <u>308,466</u>    | <u>1,246,272</u>      |
| Current year ending fund equity      | <u>\$ 807,773</u> | <u>\$ 342,015</u> | <u>\$ 1,149,788</u>   |

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

**VILLAGE OF DUNLAP, ILLINOIS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2010**

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Net change in fund equity of Governmental Funds \$ (96,484)

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 costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period net of trade-ins.

(31,472)

Change in net assets of governmental activities

\$ (127,956)

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

VILLAGE OF DUNLAP, ILLINOIS  
 PROPRIETARY FUNDS  
 BALANCE SHEET - MODIFIED CASH BASIS  
 April 30, 2010

|  | Business-type Activities - Enterprise Funds |                     |                     |
|--|---|---------------------|---------------------|
|  | Waterworks                                  | Sewerage            | Totals              |
|  | Fund  | Fund                |                     |
| <b>Assets</b>                            |   |                     |                     |
| <b>Current assets</b>                    |   |                     |                     |
| Cash and cash equivalents                | \$ 207,858                                  | \$ 326,227          | \$ 534,085          |
| Investments                              | 233,937                                     | 724,875             | 958,812             |
| Other receivable                         | 11,619                                      | -                   | 11,619              |
| Due from other funds                     | 625   | -                   | 625                 |
| <b>Total current assets</b>              | <u>454,039</u>                              | <u>1,051,102</u>    | <u>1,505,141</u>    |
| Other receivable, net of current portion | <u>81,330</u>                               | <u>-</u>            | <u>81,330</u>       |
| <b>Capital assets</b>                    |   |                     |                     |
| Cost                                     | 532,637                                     | 1,041,582           | 1,574,219           |
| Accumulated depreciation                 | <u>(377,002)</u>                            | <u>(590,103)</u>    | <u>(967,105)</u>    |
|  | 155,635                                     | 451,479             | 607,114             |
| <b>Total assets</b>                      | <u>\$ 691,004</u>                           | <u>\$ 1,502,581</u> | <u>\$ 2,193,585</u> |
| <b>Liabilities and Net Assets</b>        |   |                     |                     |
| <b>Current liabilities</b>               |   |                     |                     |
| Due to other funds                       | \$ 13,712                                   | \$ 73,696           | \$ 87,408           |
| <b>Total current liabilities</b>         | <u>13,712</u>                               | <u>73,696</u>       | <u>87,408</u>       |
| <b>Net Assets</b>                        |   |                     |                     |
| Investment in capital assets             | 155,635                                     | 451,479             | 607,114             |
| Unrestricted                             | <u>521,657</u>                              | <u>977,406</u>      | <u>1,499,063</u>    |
| <b>Total net assets</b>                  | <u>677,292</u>                              | <u>1,428,885</u>    | <u>2,106,177</u>    |
| <b>Total liabilities and net assets</b>  | <u>\$ 691,004</u>                           | <u>\$ 1,502,581</u> | <u>\$ 2,193,585</u> |

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

**VILLAGE OF DUNLAP, ILLINOIS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED APRIL 30, 2010**

|                                       | Business-type Activities - Enterprise Funds |                     |                     |
|---------------------------------------|---|---------------------|---------------------|
|                                       | Waterworks                                  | Sewerage            | Totals              |
|                                       | Fund  | Fund                |                     |
| Operating revenues                    |   |                     |                     |
| Charges for services                  | \$ 190,727                                  | \$ 160,168          | \$ 350,895          |
| Total operating revenues              | <u>190,727</u>                              | <u>160,168</u>      | <u>350,895</u>      |
| Operating expenses                    |   |                     |                     |
| Personal services                     | 21,441                                      | 12,600              | 34,041              |
| Employee benefits                     | 2,015                                       | 973                 | 2,988               |
| Contractual services                  | 111,511                                     | 11,688              | 123,199             |
| Commodities                           | 5,937                                       | 1,266               | 7,203               |
| Other                                 | 691   | 616                 | 1,307               |
| Depreciation                          | 9,654                                       | 25,883              | 35,537              |
| Total operating expenses              | <u>151,249</u>                              | <u>53,026</u>       | <u>204,275</u>      |
| Operating income                      | 39,478                                      | 107,142             | 146,620             |
| Nonoperating revenues                 |   |                     |                     |
| Interest income                       | 7,962                                       | 23,014              | 30,976              |
| Total nonoperating revenues           | <u>7,962</u>                                | <u>23,014</u>       | <u>30,976</u>       |
| Net income before operating transfers | 47,440                                      | 130,156             | 177,596             |
| Increase in net assets                | 47,440                                      | 130,156             | 177,596             |
| Net assets at beginning of year       | <u>629,852</u>                              | <u>1,298,729</u>    | <u>1,928,581</u>    |
| Net assets at end of year             | <u>\$ 677,292</u>                           | <u>\$ 1,428,885</u> | <u>\$ 2,106,177</u> |

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

VILLAGE OF DUNLAP, ILLINOIS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED APRIL 30, 2010

|   | Business-type Activities - Enterprise Funds |                   |                   |
|---|---|-------------------|-------------------|
|   | Waterworks                                  | Sewerage          | Totals            |
|   | Fund  | Fund              |                   |
| Cash flows from operating activities      |   |                   |                   |
| Receipts from customers                   | \$ 190,727                                  | \$ 160,168        | \$ 350,895        |
| Receipts from accounts receivable         | 11,619                                      | -                 | 11,619            |
| Payments to suppliers                     | (118,139)                                   | (13,570)          | (131,709)         |
| Payments to employees                     | (23,456)                                    | (13,573)          | (37,029)          |
| Net cash provided by operating activities | <u>60,751</u>                               | <u>133,025</u>    | <u>193,776</u>    |
| Cash flows from investing activities      |   |                   |                   |
| Purchase of investments                   | (132,132)                                   | (21,949)          | (154,081)         |
| Purchase of capital assets                | (35,645)                                    | (1,410)           | (37,055)          |
| Interest received                         | 7,962                                       | 23,014            | 30,976            |
| Net cash (used for) investing activities  | <u>(159,815)</u>                            | <u>(345)</u>      | <u>(160,160)</u>  |
| Net change in cash and cash equivalents   | (99,064)                                    | 132,680           | 33,616            |
| Cash and cash equivalents                 |   |                   |                   |
| Beginning of year                         | <u>306,922</u>                              | <u>193,547</u>    | <u>500,469</u>    |
| End of year                               | <u>\$ 207,858</u>                           | <u>\$ 326,227</u> | <u>\$ 534,085</u> |

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

**VILLAGE OF DUNLAP, ILLINOIS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED APRIL 30, 2010**

|   | Business-type Activities - Enterprise Funds |                   |                   |
|---|---|-------------------|-------------------|
|   | Waterworks<br>Fund                          | Sewerage<br>Fund  | Totals            |
| Cash flows from operating activities  |   |                   |                   |
| Operating income  | \$ 39,478                                   | \$ 107,142        | \$ 146,620        |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities |   |                   |                   |
| Depreciation  | 9,654                                       | 25,883            | 35,537            |
| Change in assets and liabilities  |   |                   |                   |
| Receivables   | 11,619                                      | -                 | 11,619            |
| Total adjustment  | <u>21,273</u>                               | <u>25,883</u>     | <u>47,156</u>     |
| Net cash provided by operating activities   | <u>\$ 60,751</u>                            | <u>\$ 133,025</u> | <u>\$ 193,776</u> |

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

VILLAGE OF DUNLAP, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2010

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Village of Dunlap, Illinois (the "Village") have been prepared on the modified cash basis of accounting. Consequently, revenue is recognized when received rather than when susceptible to accrual or earned, and expenses are recognized when checks or cash are disbursed rather than when the obligation is incurred. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund.

Consequently, these financial statements omit recognition of taxes receivable, accounts payable and other accrued items. Generally accepted accounting principles require the accounting records to be maintained on the accrual basis which recognizes income when earned and expenses when incurred.

The more significant of the Village's accounting policies are described below.

**A. Reporting Entity**

In accordance with Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the accompanying financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Village (as distinct from legal relationship).

Statement No. 14 defines the governmental financial reporting entity as being made up of two parts, the primary government and those component units for which the primary government is financially accountable. A primary government has an elected governing board; a legally separate status (i.e., must have its own name, must be able to sue or be sued and must be able to buy, sell or lease property); and is fiscally independent (i.e., must have final authority to approve or modify its budget, set its own tax rates and issue bonded debt). The primary government is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists; i.e., there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The following entities operate within the Village's boundaries; however, they are financially independent and have separately elected or appointed Boards of Trustees of which the Village exercises no oversight responsibility in management of financial matters.

Dunlap Fire Protection District  
Dunlap Public Library District  
Prospect Cemetery Association

Therefore, the above entities are not considered component units for which the primary government (the Village) is financially accountable. The Village has no component units (by definition) to be reported under its governmental financial reporting entity.

**B. Government-wide and Fund Financial Statements**

Government-wide financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are

VILLAGE OF DUNLAP, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Government-wide and Fund Financial Statements (Continued)

supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements: Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are presented in separate columns.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the cash basis of accounting, as are the governmental and proprietary fund statements. Consequently, revenue and related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The Village reports the following government funds:

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Revenue Funds* are utilized to account for revenues derived from specific sources (other than special assessments, expendable trusts or major capital projects) which are usually required by law or regulation to be accounted for in separate funds.

The Village reports the following proprietary fund type:

The *Enterprise Funds*, which consist of the Waterworks Fund and the Sewerage Fund, are used to account for the operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

In accordance with GASB Statement No. 20, the Village has elected to apply to its Enterprise Fund activity all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions.

VILLAGE OF DUNLAP, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on all capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets and Budgetary Accounting

Budgets for the governmental funds and proprietary funds are prepared on the cash basis and adopted through the annual appropriation ordinance. Expenditures are controlled at the fund level. All appropriations lapse at year-end. The Appropriation Ordinance for the fiscal year ended April 30, 2010, was adopted on June 10, 2009. The Appropriation Ordinance was not amended. The Motor Fuel Tax Fund did not operate under an approved budget during the fiscal year.

The Village follows these procedures in adopting the appropriations ordinance reflected in the financial statements:

1. The Village Treasurer and Village Clerk submit to the Village Board a proposed appropriation ordinance for the fiscal year commencing the following May 1. The appropriation ordinance includes proposed expenditures and the means of financing them and must be adopted prior to July 31 of each year.
2. The tentative appropriation ordinance is made available for public inspection for at least thirty days prior to final action thereon.
3. A notice is published in a newspaper serving the Village stating the time and place the tentative appropriation ordinance can be inspected and also the time and place of the public hearing.
4. Public hearings are conducted to obtain taxpayer comments.
5. The tentative appropriation ordinance is then legally enacted through passage of the ordinance.
6. The Village Board is authorized to transfer between line items within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Board after a public hearing.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village's proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

VILLAGE OF DUNLAP, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2010

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**Note 1. Summary of Significant Accounting Policies (Continued)**

F. Investments

Investments are stated at cost, which approximates market.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as having a useful life greater than one year with an initial, individual cost of \$1,000 or more for all capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Description</u>  | <u>Years</u> |
|---------------------|--------------|
| Buildings and wells | 15 - 40      |
| Pumps and equipment | 5 - 10       |

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expense initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expense in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers.

J. Subsequent Events

The Village has evaluated subsequent events and transactions for potential recognition or disclosure through October 11, 2010. No items requiring disclosures were present.

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

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**Note 2. Reconciliation of Government-wide and Fund Financial Statements**

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

The government funds statement of revenues, expenditures and changes in fund equity includes a reconciliation between net changes in fund equity – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives and reported as depreciation expense.”

The details of this \$31,472 difference are as follows:

|  |    |          |
|--|----|----------|
| Capital outlay net of trade-in   | \$ | 18,460   |
| Depreciation expense   |    | (49,932) |
| Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities | \$ | (31,472) |

**Note 3. Deposits and Investments**

The Village maintains cash and investment accounts for each fund. Investment balances represent certificates of deposit with financial institutions and deposits in Illinois Funds. The Village is authorized by state statute and its own local ordinances to invest in obligations of the United States Treasury, agencies, instrumentalities, savings accounts and certificates of deposit. The following details the Village's cash and investments as of April 30, 2010:

|  |    |           |
|--|----|-----------|
| Illinois Funds   | \$ | 342,015   |
| Demand Deposits, Certificates of Deposit, and Money Market Funds |    | 2,212,914 |
| Total cash and investments                                       | \$ | 2,554,929 |

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the Village's investment in the funds is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The Village's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the Village and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2010, none of the Village's bank deposits were uninsured or uncollateralized.

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**Note 3. Deposits and Investments (continued)**

**B. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

**Note 4. Other Receivable**

On October 22, 1979, the Village entered into an agreement with Peoria Water Company NKA Illinois-American Water Company. This contract allowed the Village to purchase water from Peoria Water Company on behalf of the Village's customers. As a condition to this water purchase contract, the Village was required to pay a connection fee to Peoria Water Company. Upon the completion of the connecting line and within one year of the Farmers Home Administration loan closing, Peoria Water Company agreed to repay to the Village of Dunlap "in cash and without interest, the full amount of the final and actual connection fee, in thirty-nine equal annual installments."

On November 10, 1982, this water purchase contract was amended to read "said final connection fee of Four Hundred Forty-one Thousand Five Hundred Eight and 13/100 Dollars (\$441,508.13) is to be repaid by Seller To Purchaser without interest in Thirty-eight (38) equal annual installments of Eleven Thousand Six Hundred Eighteen and 64/100 Dollars (\$11,618.64) beginning April 1, 1981."

As of April 30, 2010, eight payments remain to be paid to the Village. These payments total \$92,949.

**Note 5. Capital Assets**

Capital asset activity for the year ended April 30, 2010, was as follows:

**A. Governmental Activities:**

|   | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|---|----------------------|-------------|-----------|-------------------|
| Capital assets, not being depreciated       |                      |             |           |                   |
| Land  | \$ 125,640           | \$ -        | \$ -      | \$ 125,640        |
| Capital assets, being depreciated           |                      |             |           |                   |
| Buildings and improvements                  | 354,454              | -           | -         | 354,454           |
| Northpark                                   | 101,132              | -           | -         | 101,132           |
| Capital equipment                           | 386,196              | 18,460      | -         | 404,656           |
| Total capital assets being depreciated      | 841,782              | 18,460      | -         | 860,242           |
| Less accumulated depreciation for           |                      |             |           |                   |
| Buildings and improvements                  | 115,042              | 9,535       | -         | 124,577           |
| Northpark                                   | 24,573               | 6,742       | -         | 31,315            |
| Capital equipment                           | 139,722              | 33,655      | -         | 173,377           |
| Total accumulated depreciation              | 279,337              | 49,932      | -         | 329,269           |
| Total capital assets being depreciated, net | 562,445              | (31,472)    | -         | 530,973           |
| Governmental activities capital assets, net | \$ 688,085           | \$ (31,472) | \$ -      | \$ 656,613        |

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**Note 5. Capital Assets (Continued)**

**B. Business-type Activities:**

|  | Beginning<br>Balance | Increases | Decreases | Ending<br>Balance |
|--|----------------------|-----------|-----------|-------------------|
| Capital assets, not being depreciated        |                      |           |           |                   |
| Land   | \$ 3,183             | \$ -      | \$ -      | \$ 3,183          |
| Capital assets, being depreciated            |                      |           |           |                   |
| Distribution System                          | 1,438,133            | -         | -         | 1,438,133         |
| Capital equipment                            | 95,848               | 37,055    | -         | 132,903           |
| Total capital assets being depreciated       | 1,533,981            | 37,055    | -         | 1,571,036         |
| Less accumulated depreciation for            |                      |           |           |                   |
| Distribution System                          | 856,368              | 31,145    | -         | 887,513           |
| Capital equipment                            | 75,200               | 4,392     | -         | 79,592            |
| Total accumulated depreciation               | 931,568              | 35,537    | -         | 967,105           |
| Total capital assets being depreciated, net  | 602,413              | 1,518     | -         | 603,931           |
| Business-type activities capital assets, net | \$ 605,596           | \$ 1,518  | \$ -      | \$ 607,114        |

**C. Depreciation Expense**

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

|   |           |
|---|-----------|
| Governmental activities:                              |           |
| General government                                    | \$ 11,238 |
| Public works and transportation                       | 38,694    |
| Total depreciation expense - governmental activities  | \$ 49,932 |
| Business-type activities:                             |           |
| Waterworks Fund                                       | \$ 9,654  |
| Sewerage Fund   | 25,883    |
| Total depreciation expense - business-type activities | \$ 35,537 |

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**Note 6. Property Taxes**

The Village's property taxes are levied each calendar year on all taxable real property located in the Village. Property taxes attach as an enforceable lien on property as of January 1 of the levy year. The total amount of the levy was \$57,116. The levy was adopted on November 11, 2009. The Village reports on the modified cash basis of accounting; therefore, there has been no tax receivable calculation recognized on these financial statements. Installment due dates for collection of property taxes are June 1, 2010, and September 1, 2010. The Village receives the bulk of its property taxes from Peoria County during the months of June, July and September.

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

|                        | Maximum<br>Percent<br>2009 Levy | Rate per<br>\$100 | Extension |
|------------------------|---------------------------------|-------------------|-----------|
| General corporate      | 0.3300                          | 0.0764            | \$ 24,586 |
| Police protection      | 0.0750                          | 0.0249            | 8,000     |
| Audit                  | As needed                       | 0.0138            | 4,450     |
| IMRF                   | As needed                       | 0.0249            | 8,000     |
| Social security        | As needed                       | 0.0152            | 4,900     |
| Workmen's compensation | As needed                       | 0.0218            | 7,000     |
| Unemployment insurance | As needed                       | 0.0006            | 180       |
| Totals                 |                                 | 0.1774            | \$ 57,116 |

**Note 7. Retirement Commitments**

Plan description - The Village of Dunlap's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village'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](http://www.imrf.org).

Funding policy - As set by statute, the Village's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 11.62 percent of annual covered payroll. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual pension cost - For fiscal year ending December 31, 2009, the Village's annual pension cost of \$12,294 for the Regular plan was equal to your employer's required and actual contributions.

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

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**Note 7. Retirement Commitments (Continued)**

Three-year trend information for the Regular Plan is as follows:

| Fiscal<br>Year<br><u>Ending</u> | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br><u>Contributed</u> | Net<br>Pension<br><u>Obligation</u> |
|---------------------------------|---------------------------------|--|-------------------------------------|
| 12/31/09                        | \$ 12,294                       | 100%                                       | \$ -                                |
| 12/31/08                        | 11,079                          | 100%                                       | -                                   |
| 12/31/07                        | 10,290                          | 100%                                       | -                                   |

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 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 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Village's 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 15% corridor between the actuarial and market value of assets. The Village Regular Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 27 years.

Funded status and funding progress – As of December 31, 2009, the most recent actuarial valuation date, the Regular Plan was 59.50 percent funded. The actuarial accrued liability for benefits was \$250,609 and the actuarial value of assets was \$149,106, resulting in an underfunded actuarial accrued liability (UAAL) of \$101,503 and the ratio of the UAAL to the covered payroll was 96 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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.

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

**Note 8. Restricted Balances – Special Tax Levies**

The Village Board levies, on an annual basis, for special taxes. These specific levies are collected and deposited into the General Fund even though they are restricted for specific purposes. The following monies were collected and lawfully disbursed during the fiscal year.

Restricted balances are as follows:

|  | Restricted<br>Fund<br>Balance |           |               |    | Restricted<br>Fund<br>Balance |
|--|-------------------------------|-----------|---------------|----|-------------------------------|
|  | May 1, 2009                   | Receipts  | Disbursements |    | April 30, 2010                |
| Special Tax Levies:                              |                               |           |               |    |                               |
| Police protection                                | \$ -                          | \$ 7,968  | \$ 7,968      | \$ | -                             |
| Audit  | -                             | 4,432     | 4,432         | -  | -                             |
| IMRF   | -                             | 7,968     | 7,968         | -  | -                             |
| Social security                                  | -                             | 4,879     | 4,879         | -  | -                             |
| Worker's compensation<br>and liability insurance | -                             | 6,971     | 6,971         | -  | -                             |
| Unemployment insurance                           | -                             | 180       | 180           | -  | -                             |
| Subtotal   | \$ -                          | \$ 32,398 | \$ 32,398     | \$ | -                             |

**Note 9. Intergovernmental Agreements**

The Village contracts its police services with the County of Peoria. Under the agreement, the Village paid \$1,358 per month for police services.

The Village also contracts its animal impoundment service with the City of Peoria. No fee was paid for this service during the current fiscal year.

**Note 10. Risk of Loss**

The Village is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The Village purchases commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 11. Deficit Fund Equity**

As of April 30, 2010, no individual fund had a deficit fund balance.

**VILLAGE OF DUNLAP, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2010**

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**Note 12. Legal Debt Margin**

|                                    |               |
|------------------------------------|---------------|
| Total 2009 assessed valuation      | \$ 32,193,394 |
| Statutory debt limitation (8.625%) | \$ 2,776,680  |
| Outstanding long-term debt         | -             |
| Legal debt margin                  | \$ 2,776,680  |

**VILLAGE OF DUNLAP, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDING APRIL 30, 2010**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Covered<br>Payroll | UAAL as<br>a Percentage<br>of Covered<br>Payroll |
|--------------------------------|---------------------------------|-----------------------------------|---|-----------------|--------------------|--|
| 12/31/09                       | \$ 149,106                      | \$ 250,609                        | \$ 101,503                                    | 59.50%          | \$ 105,803         | 95.94%   |
| 12/31/08                       | 126,745                         | 211,089                           | 84,344  | 60.04%          | 96,260             | 87.62%   |
| 12/31/07                       | 120,075                         | 174,638                           | 54,563  | 68.76%          | 87,572             | 62.31%   |

On a market value basis, the actuarial value of assets as of December 31, 2009, is \$145,679. On a market basis, the funded ratio would be 58.13%

**VILLAGE OF DUNLAP, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - MODIFIED CASH BASIS**  
**ACTUAL AND BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2010**

|                                       | <u>Actual</u>     | <u>Original/Final<br/>Budget</u> | <u>Over<br/>(Under)<br/>Budget</u> |
|---------------------------------------|-------------------|----------------------------------|------------------------------------|
| Revenues                              |                   |                                  |                                    |
| Local taxes                           | \$ 72,192         | \$ 73,000                        | \$ (808)                           |
| Intergovernmental                     | 210,917           | 233,263                          | (22,346)                           |
| Licenses and permits                  | 2,400             | 2,400                            | -                                  |
| Franchise fees                        | 21,098            | 15,500                           | 5,598                              |
| Interest                              | 15,351            | 30,000                           | (14,649)                           |
| Miscellaneous                         | 2,329             | 500                              | 1,829                              |
| Total revenues                        | <u>324,287</u>    | <u>354,663</u>                   | <u>(30,376)</u>                    |
| Expenditures                          |                   |                                  |                                    |
| General government                    |                   |                                  |                                    |
| Personal services                     | 28,874            | 30,880                           | (2,006)                            |
| Employee benefits                     | 9,959             | 10,000                           | (41)                               |
| Contractual services                  | 206,706           | 157,800                          | 48,906                             |
| Commodities                           | 4,856             | 2,500                            | 2,356                              |
| Other                                 | 8,697             | 14,856                           | (6,159)                            |
| Total general government              | <u>259,092</u>    | <u>216,036</u>                   | <u>43,056</u>                      |
| Capital outlay                        | <u>18,460</u>     | <u>84,000</u>                    | <u>(65,540)</u>                    |
| Provision for contingencies           | <u>-</u>          | <u>10,000</u>                    | <u>(10,000)</u>                    |
| Public safety                         |                   |                                  |                                    |
| Personal services                     | 16,299            | 20,000                           | (3,701)                            |
| Contractual services                  | -                 | -                                | -                                  |
| Total public safety                   | <u>16,299</u>     | <u>20,000</u>                    | <u>(3,701)</u>                     |
| Public works and transportation       |                   |                                  |                                    |
| Personal services                     | 90,665            | 86,000                           | 4,665                              |
| Contractual services                  | -                 | 100,000                          | (100,000)                          |
| Commodities                           | 69,804            | 18,000                           | 51,804                             |
| Total public works and transportation | <u>160,469</u>    | <u>204,000</u>                   | <u>(43,531)</u>                    |
| Total expenditures                    | <u>454,320</u>    | <u>534,036</u>                   | <u>(79,716)</u>                    |
| Net change in fund equity             | (130,033)         | <u>\$ (179,373)</u>              | <u>\$ 49,340</u>                   |
| Prior year fund equity                | <u>937,806</u>    |                                  |                                    |
| Current year ending fund equity       | <u>\$ 807,773</u> |                                  |                                    |

VILLAGE OF DUNLAP, ILLINOIS

Schedule of Taxes

April 30, 2010

|                          | 2006<br>Levy  | 2007<br>Levy  | 2008<br>Levy  | 2009<br>Levy  |
|--------------------------|---------------|---------------|---------------|---------------|
| Total assessed valuation | \$ 23,492,495 | \$ 28,535,771 | \$ 31,212,472 | \$ 32,193,394 |
| Tax levy:                |               |               |               |               |
| General corporate        | \$ 19,343     | \$ 19,343     | \$ 21,936     | \$ 24,586     |
| Police protection        | 8,000         | 8,000         | 8,000         | 8,000         |
| Audit                    | 2,000         | 4,450         | 4,450         | 4,450         |
| IMRF                     | 8,000         | 8,000         | 8,000         | 8,000         |
| Social Security          | 4,900         | 4,900         | 4,900         | 4,900         |
| Workmen's compensation   | 7,000         | 7,000         | 7,000         | 7,000         |
| Unemployment insurance   | 180           | 180           | 180           | 180           |
| Total tax levy           | \$ 49,423     | \$ 51,873     | \$ 54,466     | \$ 57,116     |
| Tax rates:               |               |               |               |               |
| General corporate        | .0823         | .0678         | .0703         | .0764         |
| Police protection        | .0341         | .0280         | .0256         | .0249         |
| Audit                    | .0085         | .0156         | .0143         | .0138         |
| IMRF                     | .0341         | .0280         | .0256         | .0249         |
| Social Security          | .0209         | .0172         | .0157         | .0152         |
| Workmen's compensation   | .0298         | .0245         | .0224         | .0218         |
| Unemployment insurance   | .0008         | .0006         | .0006         | .0006         |
| Total tax rates          | .2105         | .1818         | .1745         | .1774         |
| Taxes extended:          |               |               |               |               |
| General corporate        | \$ 19,344     | \$ 19,344     | \$ 21,936     | \$ 24,586     |
| Police protection        | 8,002         | 8,001         | 8,003         | 8,000         |
| Audit                    | 2,002         | 4,452         | 4,451         | 4,450         |
| IMRF                     | 8,002         | 8,001         | 8,003         | 8,000         |
| Social Security          | 4,900         | 4,902         | 4,900         | 4,900         |
| Workmen's compensation   | 7,001         | 7,003         | 7,001         | 7,000         |
| Unemployment insurance   | 181           | 183           | 181           | 180           |
| Total taxes extended     | \$ 49,432     | \$ 51,886     | \$ 54,475     | \$ 57,116     |
| Net taxes collected      | \$ 49,342     | \$ 51,151     | \$ 54,241     | \$ -          |
| Road and bridge tax      | 17,548        | 18,720        | 17,951        | -             |
| Total taxes collected    | \$ 66,890     | \$ 69,871     | \$ 72,192     | \$ -          |