

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**UNIT CODE 088-060-30
ANNUAL FINANCIAL STATEMENTS**

April 30, 2011

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

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April 30, 2011

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the City Council
City of Fairview Heights, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview Heights, Illinois as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairview Heights, Illinois as of April 30, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information and schedule of funding progress on pages 3 through 16 and 56 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

COPPER BEND CENTRE
2810 FRANK SCOTT PARKWAY WEST, SUITE 812
BELLEVILLE, ILLINOIS 62223-5092

Honorable Mayor and the City Council
City of Fairview Heights, Illinois

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The statistical section on pages 77 through 84 is presented for purposes of additional analysis and is not a required part of the financial statements. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "J.W. Boyle & Co Ltd".

J.W. BOYLE & CO., LTD.
October 11, 2011

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
Mayoral / Council form of Government
April 30th, 2011

MAYOR

Gail Mitchell

CITY CLERK

Cathy Bryant (deputy interim)

CITY TREASURER

Mark Kupsky

ALDERMEN

WARD I

Gil Klein
Norman Miller

WARD II

Speed Allen
Roger Lowry

WARD III

Pat Baeske
Linda Hoppe

WARD IV

Linda Arnold
Carol Warner

WARD V

Sandy Baldwin
Bonnie Crossley

APPOINTED DIRECTORS

City Administrator
Chief of Police
Director of Public Works
Director of Land Use & Development
Director of Finance
Director of Parks & Recreation
Library Director

Drew Awsumb
Nicholas Gailius
Christopher Volkman
vacant
Scott Borrer
Terry Wilson
Jill Pifer

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

This section of the City of Fairview Heights' annual financial report presents discussion and analysis from City management regarding the City’s financial performance during the fiscal year that ended on April 30, 2011 with selected comparative information.

FINANCIAL HIGHLIGHTS

- During Fiscal Year 2011 the Fund Balances for the City of Fairview Heights increased 14.6% to a total of \$8.6 million. The fund balance is a modified accrual accounting figure, meaning items such as accounts receivable and accounts payable are included. The receivable portion in FY 2011 equals \$4.4 million, and is primarily comprised of three months of sales tax receipts due.
- Of the fund balance total, \$2.4 million is unreserved for general fund usage, a 33.5% increase from FY 2010. The reserved portion is utilized towards rebates and other financing agreements such as sewer improvements and bond payments.
- The “Statement of Activities” reports a change in net assets of \$639,686, which represents a gain from operations. This was due to an increase in sales tax receipts, offset by an increase in operational expenses from \$16.4 to \$17.0 million.
- The City of Fairview Heights is compliant with the GASB 34 reporting model, which requires accounting for depreciation of capital assets within governmental activities. Shown within the “Statement of Net Assets”, the capital asset year-end balance decreased to a total of \$62.1 million (net of depreciation). The decrease is the result of additions to depreciation (\$1.7 million) exceeding additions to the capital asset inventory (\$708,304).
- The combined total of sales tax and home rule sales tax equaled \$11.4 million during FY 2011, which is the largest total since FY 2007. The total represents an increase of 2.5% from FY 2010. The sales tax receipts account for approximately 66% of all governmental revenues.
- The City entered into a refinancing agreement during the year related to the 2001 general obligation bond for the City’s conference center and infrastructure. The refinancing lowered the interest rate, yet maintained the retirement date of FY 2021. A detailed explanation of the City’s long-term debt may be found within Note 5 of the annual financial statements.
- FY 2011 is the first full year of available data to state the “other post employment benefits” (OPEB) liability. The OPEB figure represents the estimated cost for continuation of healthcare benefits for eligible retired employees. The net OPEB obligation currently equals \$560,407 and is shown as a non-current liability within the statement of net assets as part of the post employment liability of \$934,768. Details on OPEB can be found within Note 14 of the annual financial statements.
- The employer portion of the City’s annual required contribution (ARC) for the police pension fund was below the required level for the second consecutive year. The actual contribution of \$741,047 was 73.4% of the ARC level of \$1,009,702. Overall, the police pension fund has a funded ratio of 59.8% (detail provided within the required supplementary information).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances.
- For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most financially significant funds.
- The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole – The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City’s finances is “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. The accrual method recognizes expenditures and revenues when they are measurable. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Reporting the City’s Most Significant Funds - Fund Financial Statements

Some funds are required to be established by State law and bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes (such as the Hotel / Motel Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City’s two types of funds use different accounting approaches. The City of Fairview Heights does not have an enterprise fund of any type.

- *Governmental funds* – Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flows into and out of these funds and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations shown within the “Basic Financial Statements” section. The general corporate fund includes general government, public safety, streets and public works, and culture and recreation.

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

- *Fiduciary funds* – The City has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

In the Required Supplementary Information (RSI) section, detailed information is presented for each of the City’s five funds, on a budgetary basis. This information is intended to provide the reader with accountability on an account level, for the City’s actual spending versus the adopted budget. Also included in the RSI section is detail on the funding progress on the City’s two retirement plans and other post employment benefits (OPEB).

In the statistical section, detailed historical data can also be found regarding property values, debt service, and other miscellaneous statistics about the City of Fairview Heights. The tables are intended to provide the user with information beyond the realm of the traditional auditing requirements. The City’s three tax increment financing districts (TIF’s) are included in the City’s annual financial statements and also have separate audited financial statements available.

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The majority of the City of Fairview Heights' \$72.5 million in assets relates to the City's investment in infrastructure throughout the years. Of that total \$37.7 million is comprised of infrastructure such as streets. A major factor in the City's improved cash position during FY 2011 was due to a decline in capital outlay. A number of projects were in the planning and engineering phase during the year, and are expected to begin construction during FY 2012.

The City's liabilities primarily consist of two outstanding general obligation bonds supported by general revenues. The bond related to the City's conference center was refinanced during FY 2011, resulting in a lower interest rate. Other types of liabilities include items such as accrued payroll, compensated absences, and other post employment benefits and pension obligations.

City of Fairview Heights Net Assets
(in millions of dollars)

	2010	2011	Total Percentage Change
Assets			
Cash and Investments	\$ 2.5	\$ 5.0	100.0%
Receivables	4.5	4.4	-2.2%
Restricted Assets: Cash and Invest	2.3	0.9	-60.9%
Fixed Assets, net of depr	62.7	62.1	-1.0%
Misc	-	0.1	
Total Assets	72.0	72.5	0.7%
Liabilities			
Bonds Payable, current	1.0	1.1	10.0%
Other current liabilities	2.1	2.2	4.8%
Bonds Payable, noncurrent	8.1	7.1	-12.4%
Other noncurrent liabilities	0.5	1.1	120.0%
Total Liabilities	11.7	11.5	-1.7%
Net Assets			
Invested in Capital Assets, Net of Debt	53.6	53.9	0.6%
Restricted	2.3	0.9	-60.9%
Unrestricted	4.4	6.3	43.2%
Total Net Assets	60.3	61.1	1.3%
Total Liabilities and Net Assets	\$ 72.0	72.5	0.7%

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

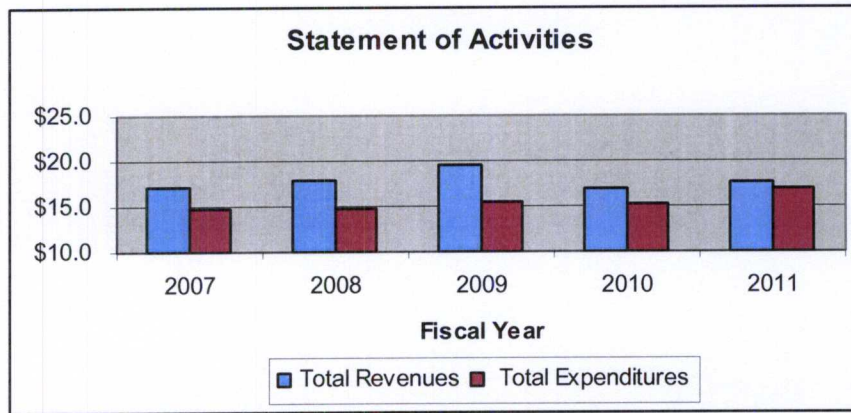
The following table provides a comparison between the activities for FY 2011 and recent years under the GASB statement #34 model. Any surplus realized by the City is utilized by the City of Fairview Heights to meet the City’s fiscal policy in relation to reserves for operations, maintenance, and capital projects.

**Changes in the City of Fairview Heights Activities
(in millions of dollars)**

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues					
Program Revenues					
Charges for Services	\$ 0.6	\$ 0.6	\$ 0.7	\$ 1.0	\$ 1.0
Operating Grants and Contributions	0.4	0.1	0.1	0.1	0.1
Capital Grants and Contributions	0.0	1.2	2.9	-	0.3
General Revenues					
Taxes, General Purposes	15.8	15.4	15.7	15.6	16.1
Investment Earnings	0.3	0.3	0.1	0.0	0.0
Miscellaneous	0.1	0.1	0.1	0.1	0.2
Total Revenues	17.1	17.8	19.6	16.8	17.6
Expenditures					
General Government	3.6	3.2	3.7	4.2	4.6
Public Safety	4.7	4.8	5.0	5.5	5.6
Streets and Public Works	4.6	4.6	4.8	4.7	4.8
Culture and Recreation	1.5	1.6	1.6	1.6	1.6
Interest on long-term Debt	0.5	0.5	0.4	0.4	0.3
Total Expenditures	14.9	14.7	15.6	16.4	17.0
Change in Net Assets	\$ 2.3	\$ 3.1	\$ 4.0	\$ 0.4	\$ 0.6

As seen in the statement of activities, operating revenues have exceeded operating expenses in each of the past five years. The \$600,000 gain in operations was achieved despite a minor increase in expenses, due to the rebound in sales tax receipts. Over the five year period, the 14.3% rate of growth for expenses (\$14.9 million to \$17.0 million) is outpacing the growth rate of revenue, and should be closely monitored.

City of Fairview Heights
FY 2011 Audit – Management's Discussion & Analysis



General Fund Budget Highlights

City budgets are prepared on a cash basis and can be amended during the fiscal year for various reasons. Variances between planned and actual spending may occur due to, among other reasons, changes in capital project timetables. Changes in the city's operating budget have been relatively flat in recent years, as the City adjusted to sales tax receipts and the economy in general. In total, the City received \$102,830 less than anticipated, while spending \$3.5 million less than planned. As stated within note 17 of the annual financial statement the City operated within the legal confines of the budget during the year.

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

BUDGET vs. ACTUAL SUMMARY
FISCAL YEAR 2011

<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 13,602,101	\$ 13,674,886	\$ 13,625,107	\$ (49,779)
Home Rule Fund	1,841,838	1,841,838	1,770,862	(70,976)
Motor Fuel Tax Fund	446,714	519,893	512,407	(7,486)
Hotel / Motel Tax Fund	535,724	535,724	559,643	23,919
Food & Beverage Tax Fund	1,028,280	1,028,280	1,029,770	1,490
Total	\$ 17,454,657	\$ 17,600,621	\$ 17,497,789	\$ (102,832)

<u>Expenditures</u>				
General Fund	\$ 13,737,598	\$ 13,880,124	\$ 12,746,051	\$ 1,134,073
Home Rule Fund	3,345,428	3,224,428	1,758,470	1,465,958
Motor Fuel Tax Fund	953,438	981,438	511,125	470,313
Hotel / Motel Tax Fund	982,581	1,002,581	650,798	351,783
Food & Beverage Tax Fund	848,330	848,330	785,740	62,590
Total	\$ 19,867,375	\$ 19,936,901	\$ 16,452,184	\$ 3,484,717

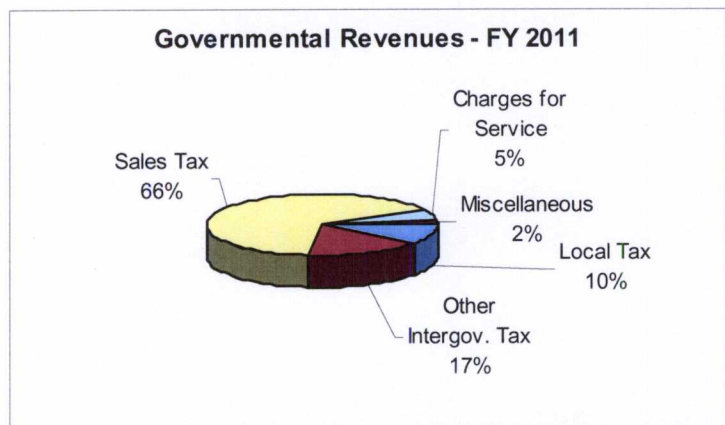
Net Change in Fund Balance *

General Fund	\$ 879,056
Home Rule Fund	12,392
Motor Fuel Tax Fund	1,282
Hotel / Motel Tax Fund	(91,155)
Food & Beverage Tax Fund	244,030
Total Change in Fund Balance	\$ 1,045,605

* Does not include unrecorded assets & liabilities

Governmental Activities - Revenues

Governmental activities account for most of the entire City’s operating activities, as the City does not operate any business-type enterprises such as water or sewer. City revenues are primarily comprised of consumer based taxes such as sales tax and food and beverage tax. Fairview Heights is one of only a few Illinois municipalities that do not levy a property tax. As a home rule community, the City Council maintains some flexibility in its taxing authority and decision making.

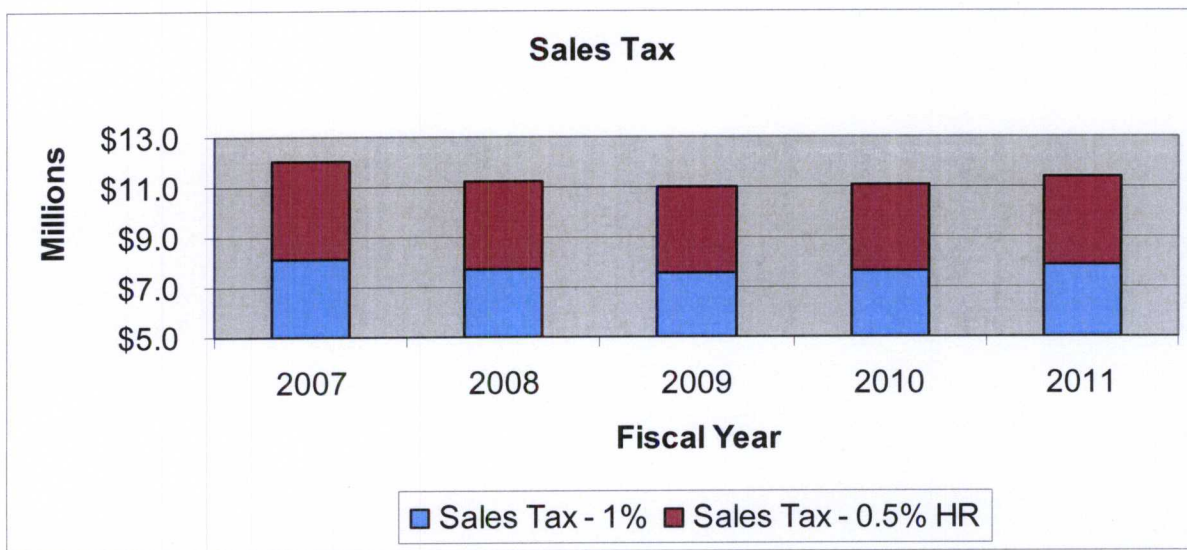


The City’s revenues are dominated by sales tax revenue from the large retail base in Fairview Heights. Intergovernmental revenues include revenues due to the City of Fairview Heights that pass through the State of Illinois. These include, but are not limited to, income tax and other use taxes. Charges for services include building permits and user fees. The “Local Tax” category is

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

comprised of receipts from the City’s Food & Beverage Tax and the Hotel / Motel Tax. Both revenue sources are used to repay G.O. Bonds.

The City’s sales tax collections are primarily comprised of two components: the 1% portion included in the state sales tax rate, and a 0.5% portion passed by the City known as a “Home-Rule” sales tax. The 1% portion and half of the home-rule rate are used to support City operations. By City ordinance, half of the home-rule sales tax collections are to be used for capital expenditures. The FY 2011 receipts of sales tax increased slightly, but are approximately \$700,000 lower than receipts in FY 2007.



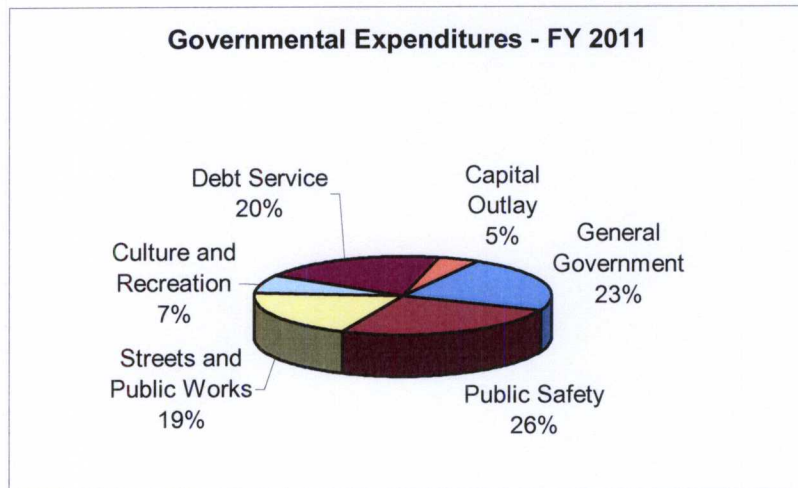
The City also receives a 0.5% sales tax within the “Shoppes of St. Clair” business district. Receipts from the business district tax are used for repayment of a developers bond within the district, and are not used to support City operations. The business district sales tax for FY 2011 was \$91,486 and is not included in the accompanying chart.

Of the City’s entire revenue portfolio, a significant portion is reserved for specific purposes. For example, both the “Food and Beverage Tax” and “Hotel/Motel Tax” receipts are primarily used towards the repayment of general obligation bonds. In addition, the City has three tax incremental financing districts which utilize property tax receipts for specific purposes.

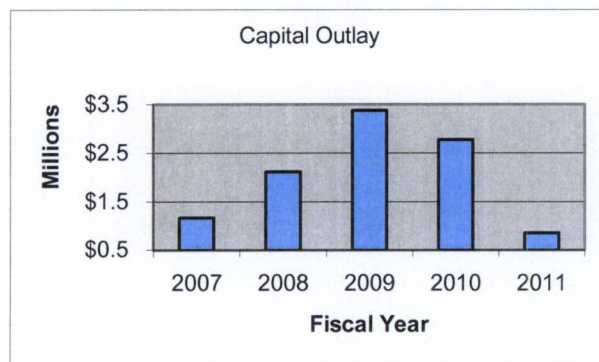
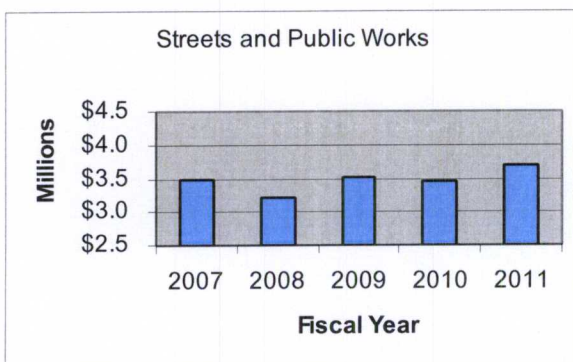
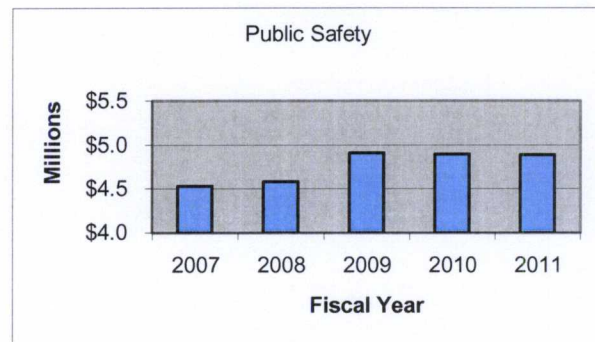
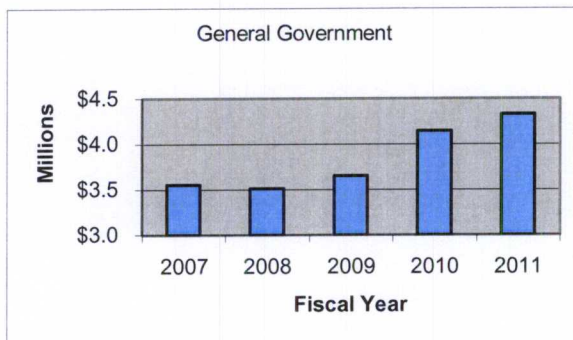
City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

Governmental Activities – Expenditures

Expenditures of Governmental Activities are spread among a wide variety of functions. Among these are public safety functions of the police department and emergency services, the activities of public works department, culture and recreation, and general governmental services. These areas are funded with the aforementioned revenues such as sales tax and intergovernmental revenues.



The debt service category is inflated for FY 2011, due to the full payment of a bond as part of a bond refinancing. See the “Capital Asset and Debt Administration” section for more information. Capital expenditures within Governmental Activities are depreciated over their useful life as a result of the GASB 34 reporting model. Trending information for each of the four primary categories follows.



City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

STATUS OF CITY RESERVES

The governmental funds reported a fund balance of \$8.6 million, an increase of 14.6%. The increase in fund balance is partly due to the City’s TIF districts. The TIF funds are designed to be spent on specific projects within a fixed geographic location, per the terms of the TIF agreements. Another contributing factor in a healthier fund balance is an increase in unreserved cash, due to a decrease in capital outlay of nearly \$2 million.

**City of Fairview Heights
Statement of Governmental Fund Balances**

	Fiscal Year 2010	Fiscal Year 2011	Percent Change
<u>Reserved Funds</u>			
Rebate and Financing Agreements	\$ 597,971	\$ 836,022	39.8%
Sewer Improvements	61,347	84,317	37.4%
<u>Unreserved Funds</u>			
General Funds	1,813,997	2,421,385	33.5%
Special Revenue	5,026,010	5,249,947	4.5%
Totals	\$ 7,499,325	\$ 8,591,671	14.6%

The City Council recently adopted a “Fiscal and Budgetary Guidelines Policy” that has a stated goal to have a 25% (three month) unreserved fund balance for operating expenditures within the General Fund. Cash reserves and contingencies are necessary in order to maintain current levels of service during challenging economic times or other unforeseen events. In the case of Fairview Heights it is especially important due to the City’s lack of a diversified revenue portfolio, and its reliance on sales tax generated from the retail environment. The ratio improved from 13.7% to 18.4% during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City adopted and implemented a new capitalization policy¹ for the FY 2011 audit. Prior to the resolution, assets over \$100 in cost were capitalized. The new resolution established a capitalization threshold of \$15,000. Assets listed on the depreciation schedules based on the previous capitalization threshold will remain until they are disposed of.

At the end of FY 2011, the City had \$62.1 million (net of depreciation) invested in a range of capital assets that included land, machinery and equipment, building, and infrastructure. Infrastructure is valued based on the composite cost. The straight-line depreciation method is used, with a salvage value always being zero.

¹ Resolution 3602-2011

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

City of Fairview Heights Capital Assets
(net of depreciation, in millions of dollars)

	Fiscal Year 2010	Fiscal Year 2011	Percent Change
Land	\$ 9.3	\$ 9.3	0.0%
Construction in Progress	3.0	3.5	14.6%
Buildings	9.0	8.6	-3.7%
Other Improvements	1.1	1.0	-7.5%
Machinery and Equipment	2.4	2.1	-12.7%
Infrastructure	38.0	37.7	-0.8%
Totals	\$ 62.7	\$ 62.1	0.9%

Debt Administration

Detailed information on the City’s debt can be found within “Note 5” of the “Notes to Financial Statements” section. The City of Fairview Heights’s legal debt limit is currently \$27.3 million. This is based on 8.625% of the City’s assessed valuation, less the current G. O. debt and capital lease principal.

The City of Fairview Heights currently has two bonds payable. A 2005 general obligation bond of \$7.5 million was issued to consolidate two previous bonds at a lower interest rate, and provide funds for construction of a new police department. The bond is supported by the 1% “Food and Beverage Tax”, and is scheduled to be retired in 2019. A 2001 general obligation bond of \$4 million was refinanced during the fiscal year. Originally issued to support the construction of a conference center, the bond is backed by the 5% Hotel/Motel Tax receipts received by the City. The refinancing reduced the City’s interest rates over the remaining life of the bond.

Another long-term consideration pertains to the City’s pension obligations. Sworn personnel within the Police Department participate in the police pension fund defined benefit plan, and regular employees participate in the Illinois Municipal Retirement Fund (IMRF). Detailed information that includes plan descriptions and funding progress can be found within Note 13 of the audit and the “Required Supplementary Information” section.

City of Fairview Heights Liabilities
(in millions of dollars)

	Fiscal Year 2010	Fiscal Year 2011	Percent Change
General Obligation Bonds	\$ 9.1	\$ 8.1	-11.0%
Deferred real estate tax Revenue	\$ 0.8	\$ 0.9	12.5%
OPEB and Pension Obligations	\$ 0.5	\$ 1.0	100.0%
Compensated Absences	\$ 0.5	\$ 0.5	0.0%
Totals	\$ 10.8	\$ 10.6	-1.9%

CURRENT EVENTS AND NEXT YEAR’S BUDGET

The City is heavily reliant on the retail industry, and serves as a major retail destination in the St. Louis and southwestern Illinois area. The economic conditions of the past few years have been challenging for the City. Sales tax receipts in FY 2011 did increase 2.5%. However, retail activity within Fairview Heights is nearly identical to the level seen in 2001. During these times the City has been able to maintain the same level of services to the residents of Fairview Heights by using cash reserves and deferring some capital expenditures. Next year’s budget (FY 2011-2012) was passed with a \$2.8 million structural deficit.

Capital expenditures during FY 2010-2011 centered on planning and engineering of future road projects. These projects include improvements to Third Avenue and the I-64 Ramp and Enhancement Projects. The Old Collinsville Road project began during the fiscal year, and will continue during FY 2012. It is estimated to be \$3 million project, and includes total reconstructions and widening a one-mile stretch of an important residential feeder road.

Steps have been taken in recent years by the City Council towards adopting an increased professional approach in local government management by adding key staff members to present and implement a strategic management approach. The first City Administrator was hired in 2006 to manage the day-to-day activity of the City. The first Finance Director was hired in January 2011. It’s anticipated that in the fall of 2011 the City will hire an Economic Development Director who will work directly with the retail community.

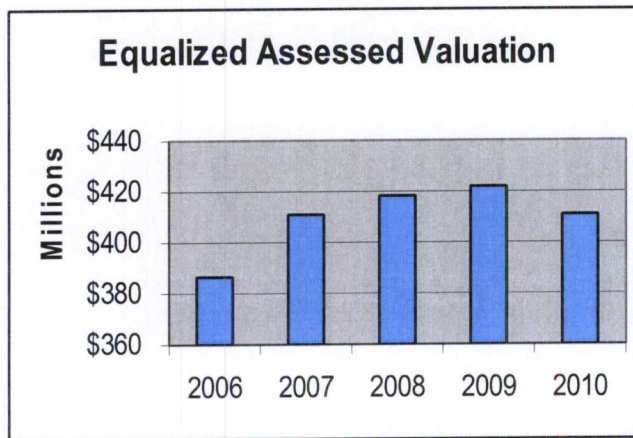
City management currently has several projects completed or underway that will contribute towards the aforementioned approach. The primary project is the development of a Comprehensive Plan for the City of Fairview Heights. To prepare the study the City has hired a professional consulting firm that specializes in all areas of community planning, urban design, and economic development. The firm will facilitate discussion among all Fairview Heights stakeholders, and prepare a plan that will serve as a guiding tool for the City for many years to come. The plan is expected to be completed by the fall of 2012. Upon adoption by the City Council, City staff will be charged with implementing the goals and objectives within the study.

Other examples of a more strategic approach relate to policies and procedures. The City Council recently adopted a “Fiscal and Budgetary Guidelines Policy”. The policy is a series of philosophical statements and goals that are intended to provide guidance in budgeting and financial decision making. The City also expects to adopt a comprehensive multi-year Capital Improvements Plan (CIP) as part of the FY 2012-2013 budget process. The CIP will include a five year projection of all capital expenditures and accompanied by extensive narratives on project scope, funding sources, and justification.

Further approaches currently underway include using tools and assessments from external sources. Staff is beginning to implement an assessment study from the International City/County Management Association (ICMA) which will provide insight into the fiscal strength of the City. The metrics within the ICMA indicators report will help the City identify fiscal warning signs, and provide justification for decisions made in response to any issues identified. The City is

City of Fairview Heights
FY 2011 Audit – Management’s Discussion & Analysis

currently performing an IT audit through a local consultant group affiliated with the justice community and local governments.



As of June 2011, the City’s Equalized Assessed Value decreased 2.6% to a total of \$411.3 million. The average growth rate of EAV during the past 5 years has been 3.3%. Typically the EAV is used by municipalities in the creation of a property tax levy. While the City does not currently issue such a levy, the EAV remains an important metric used to assess the economic health of the City as a whole. A detailed table of EAV data can be found in the statistical section of the audit.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional financial information please contact the Director of Finance, City of Fairview Heights, 10025 Bunkum Road, Fairview Heights, IL 62208.

General information relating to the City of Fairview Heights may be found at www.cofh.org.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Statement of Net Assets
April 30, 2011**

ASSETS

Current assets		
Cash and cash equivalents	\$ 2,666,061	
Certificates of deposit	2,345,053	
Receivables	4,426,016	
Restricted cash and cash equivalents	<u>920,339</u>	
Total current assets	10,357,469	
Noncurrent assets		
Unamortized bond issuance costs	83,323	
Capital assets, net	<u>62,067,721</u>	
Total noncurrent assets	<u>62,151,044</u>	
Total assets		\$ 72,508,513

LIABILITIES

Current liabilities		
Accounts payable	456,366	
Accrued payroll	298,819	
Accrued interest payable	96,009	
Compensated absences, current	500,519	
Deferred real estate tax revenue	853,847	
Capital lease payable, current	13,679	
Bonds payable, current	<u>1,055,000</u>	
Total current liabilities	3,274,239	
Noncurrent liabilities		
Compensated absences, non-current	39,712	
Capital lease payable, non-current	31,469	
Other postemployment benefit and pension obligation	934,768	
IMRF pension obligation	86,580	
Bonds payable, non-current	<u>7,085,000</u>	
Total noncurrent liabilities	<u>8,177,529</u>	
Total liabilities		<u>11,451,768</u>

NET ASSETS

Invested in capital assets, net of related debt	53,882,573	
Restricted	920,339	
Unrestricted	<u>6,253,833</u>	
Total net assets		<u>\$ 61,056,745</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Statement of Activities
For the Year Ended April 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government					
Executive department	\$ 4,015,067	\$ 113,196	\$ -	\$ -	\$ (3,901,871)
Municipal complex	602,569	194,606	-	-	(407,963)
Public safety					
Police	5,599,377	465,795	37,803	-	(5,095,779)
Emergency services and disaster agency	23,698	-	1,901	-	(21,797)
Street and public works					
Engineering/streets	2,290,231	-	73,179	264,000	(1,953,052)
Public works maintenance	651,804	-	-	-	(651,804)
Land use and development	1,875,699	199,924	-	-	(1,675,775)
Culture and recreation					
Parks	864,942	13,325	-	-	(851,617)
Library	524,223	-	17,207	-	(507,016)
Tourism	185,888	-	-	-	(185,888)
Interest on long-term debt	341,939	-	-	-	(341,939)
Total governmental activities	\$ 16,975,437	\$ 986,846	\$ 130,090	\$ 264,000	(15,594,501)
General revenues					
Taxes					
Sales tax					7,852,568
Home rule tax					3,526,108
Food and beverage tax					1,029,885
Hotel and motel tax					560,135
State income tax					1,304,049
Use tax					244,055
Property tax					804,895
Franchise taxes					219,919
Motor fuel tax					426,300
Business district tax					91,486
Investment earnings					13,418
Miscellaneous					161,369
Total general revenues					<u>16,234,187</u>
Change in net assets					639,686
Net assets, beginning of year (restated)					<u>60,417,059</u>
Net assets, end of year					<u>\$ 61,056,745</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Balance Sheet
Governmental Funds
April 30, 2011**

	<u>General</u>	<u>Home Rule</u>	<u>State Motor Fuel Tax</u>	<u>Hotel and Motel Tax</u>	<u>Food and Beverage</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,137,764	\$ 434,548	\$ 246,513	\$ 316,134	\$ 531,102	\$ 2,666,061
Certificates of deposit	-	1,125,000	350,000	200,053	670,000	2,345,053
Receivables	3,372,806	845,444	34,779	72,224	100,763	4,426,016
Due from other funds	429,119	384	-	-	885,275	1,314,778
Restricted cash	<u>877,085</u>	<u>43,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>920,339</u>
Total assets	<u>\$ 5,816,774</u>	<u>\$ 2,448,630</u>	<u>\$ 631,292</u>	<u>\$ 588,411</u>	<u>\$ 2,187,140</u>	<u>\$ 11,672,247</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 323,213	\$ 111,982	\$ 737	\$ -	\$ 20,434	\$ 456,366
Accrued payroll	298,819	-	-	-	-	298,819
Deferred revenue	1,010,613	-	-	-	-	1,010,613
Due to other funds	<u>885,659</u>	<u>428,722</u>	<u>-</u>	<u>397</u>	<u>-</u>	<u>1,314,778</u>
Total liabilities	2,518,304	540,704	737	397	20,434	3,080,576
Fund balances						
Reserved for:						
Rebate and financing agreements	792,768	43,254	-	-	-	836,022
Sewer improvements	84,317	-	-	-	-	84,317
Unreserved, reported in						
General funds	2,421,385	-	-	-	-	2,421,385
Special revenue funds	<u>-</u>	<u>1,864,672</u>	<u>630,555</u>	<u>588,014</u>	<u>2,166,706</u>	<u>5,249,947</u>
Total fund balances	<u>3,298,470</u>	<u>1,907,926</u>	<u>630,555</u>	<u>588,014</u>	<u>2,166,706</u>	<u>8,591,671</u>
Total liabilities and fund balances	<u>\$ 5,816,774</u>	<u>\$ 2,448,630</u>	<u>\$ 631,292</u>	<u>\$ 588,411</u>	<u>\$ 2,187,140</u>	<u>\$ 11,672,247</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
April 30, 2011**

Total fund balance - total governmental funds		\$ 8,591,671
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets of \$96,189,711 net of accumulated depreciation of \$34,121,990 are not financial resources and, therefore, are not reported in the funds.	\$ 62,067,721	
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income tax	156,766	
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Deferred charge on debt issuance costs, net of accumulated amortization	83,323	
Certain liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at April 30, 2011, were:		
Compensated absences	(540,231)	
Accrued interest on bonds payable	(96,009)	
Capital lease payable	(45,148)	
Other post employment benefit and pension obligation	(934,768)	
IMRF pension obligation	(86,580)	
General obligation bonds payable	<u>(8,140,000)</u>	<u>52,465,074</u>
Net assets of governmental activities		<u>\$ 61,056,745</u>

See accompanying notes to financial statements.

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended April 30, 2011**

	General	Home Rule	State Motor Fuel Tax	Hotel and Motel Tax	Food and Beverage	Total Governmental Funds
Revenues						
Sales taxes	\$ 7,852,568	\$ -	\$ -	\$ -	\$ -	\$ 7,852,568
Food and beverage taxes	-	-	-	-	1,029,885	1,029,885
Home rule taxes	1,763,054	1,763,054	-	-	-	3,526,108
Income taxes	1,441,099	-	-	-	-	1,441,099
Property taxes	804,895	-	-	-	-	804,895
Use taxes	244,055	-	-	-	-	244,055
Hotel and motel taxes	-	-	-	560,135	-	560,135
Utility/franchise taxes	219,919	-	-	-	-	219,919
Motor fuel taxes	-	-	426,300	-	-	426,300
Business district taxes	91,486	-	-	-	-	91,486
Licenses and permits	280,462	-	-	-	-	280,462
Grant	56,911	-	73,179	-	-	130,090
Fines and fees	392,934	-	-	-	-	392,934
Rental	194,606	-	-	-	-	194,606
Interest income	1,903	5,538	1,205	991	3,781	13,418
Miscellaneous	270,713	-	9,950	-	-	280,663
Total revenues	<u>13,614,605</u>	<u>1,768,592</u>	<u>510,634</u>	<u>561,126</u>	<u>1,033,666</u>	<u>17,488,623</u>
Expenditures						
Current						
General government						
Mayor's department	858,934	173,898	-	-	20,434	1,053,266
Clerk's department	2,485,810	-	-	-	-	2,485,810
Finance department	294,278	43	44	-	1,152	295,517
Municipal complex	479,607	17,257	-	-	-	496,864
Public Safety						
Police	4,847,989	16,740	-	-	-	4,864,729
Emergency services and disaster agency	20,750	-	-	-	-	20,750
Streets and public works						
Engineering/streets	806,090	367,526	14,272	-	-	1,187,888
Public works maintenance	523,170	114,645	-	-	-	637,815
Land use and development	499,815	5,608	-	-	-	505,423
Sales tax rebates	583,639	256,303	-	-	-	839,942
Tax increment financing	530,142	-	-	-	-	530,142
Culture and recreation						
Parks	785,782	20,485	-	-	-	806,267
Library	471,713	-	-	-	-	471,713
Tourism	-	-	-	109,956	-	109,956
Debt service						
Principal	89,040	133,560	-	2,720,000	572,400	3,515,000
Interest	25,388	38,082	-	131,414	163,208	358,092
Capital outlay	56,160	322,243	431,546	49,536	-	859,485
Total expenditures	<u>13,358,307</u>	<u>1,466,390</u>	<u>445,862</u>	<u>3,010,906</u>	<u>757,194</u>	<u>19,038,659</u>
Excess (deficiency) of revenues over expenditures (carried forward)	\$ 256,298	\$ 302,202	\$ 64,772	\$ (2,449,780)	\$ 276,472	\$ (1,550,036)

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
(Continued)
For the Year Ended April 30, 2011**

	General	Home Rule	State Motor Fuel Tax	Hotel and Motel Tax	Food and Beverage	Total Governmental Funds
Excess (deficiency) of revenues over expenditures (brought forward)	\$ 256,298	\$ 302,202	\$ 64,772	\$ (2,449,780)	\$ 276,472	\$ (1,550,036)
Other financing sources (uses)						
Capital lease proceeds	56,160	-	-	-	-	56,160
Proceeds of refunding bonds	-	-	-	2,630,000	-	2,630,000
Refunding bond issuance costs	-	-	-	(43,778)	-	(43,778)
Transfers out	-	(336,615)	-	(170,740)	(48,980)	(556,335)
Transfers in	<u>556,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>556,335</u>
Total other financing sources (uses)	<u>612,495</u>	<u>(336,615)</u>	<u>-</u>	<u>2,415,482</u>	<u>(48,980)</u>	<u>2,642,382</u>
Net change in fund balances	868,793	(34,413)	64,772	(34,298)	227,492	1,092,346
Fund balances, beginning of year	<u>2,429,677</u>	<u>1,942,339</u>	<u>565,783</u>	<u>622,312</u>	<u>1,939,214</u>	<u>7,499,325</u>
Fund balances, end of year	<u>\$ 3,298,470</u>	<u>\$ 1,907,926</u>	<u>\$ 630,555</u>	<u>\$ 588,014</u>	<u>\$ 2,166,706</u>	<u>\$ 8,591,671</u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended April 30, 2011

Net change in fund balances - total governmental funds	\$ 1,092,346
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported depreciation expense. This is the amount by which depreciation of \$1,738,966 exceeded capital assets of \$1,152,366 in the current period.	\$ (586,600)
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In the statement of activities, the remaining basis of assets disposed of are reported, where as in governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of \$42,486, net of related accumulated depreciation of \$42,036.	(450)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Decrease in income tax	(137,050)

Capital lease proceeds provide current financial resources to governmental funds, but issuing capital leases increases long-term liabilities in the statement of net assets. While repayment of lease principal is an expenditure in the governmental funds it reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayment.	(45,148)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Payment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	921,576
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in compensated absences of \$78,893, the net decrease in accrued interest of \$23,355, the net increase in IMRF pension obligation of \$86,580, and the net increase in other postemployment benefit and pension obligation of \$462,870.	(604,988)	(452,660)
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Change in net assets of governmental activities	\$	<u>639,686</u>
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See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

Statement of Fiduciary Net Assets - Fiduciary Funds
April 30, 2011

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets		
Pooled cash and cash equivalents	\$ 650,011	\$ -
Non-pooled cash	<u>-</u>	<u>210,885</u>
Total cash	650,011	210,885
Interest and dividends receivable	34,642	-
Investments, at fair value		
Common stock	6,648,434	-
Mutual funds	1,708,011	-
Government securities/fixed income	<u>8,672,751</u>	<u>-</u>
Total investments	<u>17,029,196</u>	<u>-</u>
Total assets	<u>17,713,849</u>	<u>\$ 210,885</u>
Liabilities		
Due to participants	<u>-</u>	<u>\$ 210,885</u>
Total liabilities	<u>-</u>	<u>\$ 210,885</u>
Net assets held in trust for pension benefits	<u>\$ 17,713,849</u>	

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Statement of Changes in Fiduciary Net Assets - Fiduciary Fund
Police Pension Trust Fund
For the Year Ended April 30, 2011**

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 741,047
Plan members	<u>258,180</u>
Total contributions	999,227
Miscellaneous income	2,538
Investment income	
Net appreciation in fair value of investments	887,759
Realized gain on sale of investments	606,332
Interest	239,075
Dividends	<u>113,937</u>
	1,847,103
Less: investment expense	<u>(81,266)</u>
Total investment income	<u>1,765,837</u>
Total additions	2,767,602
Deductions	
Retirement benefits	862,898
Disability	128,820
Contribution refunds	116,993
Administrative expenses	<u>28,912</u>
Total deductions	<u>1,137,623</u>
Change in net assets	1,629,979
Beginning of year	<u>16,083,870</u>
End of year	<u><u>\$ 17,713,849</u></u>

See accompanying notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

Notes to Financial Statements April 30, 2011

1. Summary of significant accounting policies

A. General statement

The City of Fairview Heights (the "City") was incorporated on October 2, 1969.

The City provides the following services: general government planning and zoning, police protection, parks and recreation, library, road improvements, and road maintenance. The City is governed by an elected Mayor and City Council members by wards.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

B. Financial reporting entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City reporting entity, as set forth in Section 2100 of GASB's – Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- ☐ the organization is legally separate (can sue and be sued in their own name)
- ☐ the City holds the corporate powers of the organization
- ☐ the City appoints a voting majority of the organization's board
- ☐ the City is able to impose its will on the organization
- ☐ the organization has the potential to impose a financial benefit/burden on the City
- ☐ there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Fairview Heights, Illinois has no component units.

As required by generally accepted accounting principles, these financial statements present the City and all related organizations for which the City exercises financial accountability. The Police Pension fund has been included as a fiduciary fund due to the fiduciary responsibility exercised over this Pension fund.

C. Basis of presentation

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services (2) operating grants and contributions which finance annual operating activities including restricted investment income and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The statements present each major fund as a separate column on the fund financial statements. The City does not have any non-major funds. The City does not have any proprietary funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General fund

General fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not to be paid through other funds are paid from the General fund.

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

<u>Fund</u>	<u>Brief Description</u>
Home rule fund	A fund established by city ordinance to account for home rule tax revenues and expenditures as legally restricted for City use.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

<u>Fund</u>	<u>Brief Description</u>
State motor fuel tax fund	A fund established to account for state motor fuel tax revenues and expenditures as legally restricted for motor fuel tax purposes.
Hotel and motel tax fund	A fund established by city ordinance to account for hotel and motel tax revenues and expenditures as legally restricted.
Food and beverage fund	A fund established by city ordinance to account for food and beverage tax revenues and expenditures as legally restricted.

Other fund types

The City also reports the following fund types:

Pension trust fund - The pension trust fund reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions. The City's pension trust fund is limited to eligible police officers.

Agency funds - The agency funds account for fiduciary assets held by the City in custodial capacity as an agent on behalf of others. The City's agency funds are used to account for various deposits and escrow monies.

D. Measurement focus/basis of accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel and motel taxes, home rule taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

E. Budgetary control

The City Council is required to adopt an annual budget and appropriations ordinance for the City. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. The budgets for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

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

1. Prior to April 1 the Budget Director submits to the City Council, a proposed operating budget for the fiscal year commencing the following May 1. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. Budget revisions at this level are subject to final review by the City Council.
2. Prior to May 1, the budget is legally enacted through passage of an ordinance.
3. The Budget Director is authorized to transfer budgeted amounts between departments within any funds; however, any amendments that alter the total expenditures of any fund must be approved by the City Council.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

4. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
5. The budget figures shown in the financial statements represent the final authorized amounts as revised during the year.

The City amended its budget during the year.

F. Cash and cash equivalents

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

The City Council adopted formal deposit and investment policies. These policies apply to all City funds not contained in pension trusts. The City Treasurer manages all unrestricted investments. Pension trust funds have investment policies separately approved by their respective oversight boards.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund manager based on quoted sales price of the underlying securities. Cash deposits are reported at carrying amounts which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in Note 2.

Investment income related to other immaterial residual balances in certain other funds is assigned and transferred to the general fund.

G. Capital assets, depreciation, and amortization

The City's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$15,000 or more as purchase or construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation is computed using the straight-line method based on various estimated useful asset lives as follows:

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Building	20 years
Improvements	20 years
Equipment, furniture and fixtures	5 years
Water system	40 years
Sewer, sidewalks, streets and roads	40 years

H. Compensated absences

Full-time, part-time, and permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure and departments (police contract varies) within the city. Sick leave accrues to full-time, permanent employees to specified maximums. Permanent part-time employees under Local 148 receive sick time to specified maximums. Generally vacation must be used on a calendar year basis or it is lost. Employees are entitled to a percentage of accrued vacation upon termination. Sick leave carries over, but is lost if the employee quits, but may be credited towards IMRF when they retire. The police contract includes a buyout of sick leave upon retirement. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued liabilities in the government-wide and fiduciary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

I. Long-term, deferred debt expense, and bond discounts/premiums

In the government-wide financial statements outstanding debt is reported as liabilities. Bond issuance costs, bond discounts and premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources in the current period. Issuance costs are reported as expenditures.

J. Net assets

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

1. Summary of significant accounting policies (continued)

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Program revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

1. General government - Licenses, permits and administration fees. Rental of municipal buildings.
2. Public safety - Fine revenue, outside employment; operating and capital grants includes U.S. Department of Justice, State of Illinois, Illinois Emergency Management Agency.
3. Streets and public works - Permit and developer fees; commercial vehicle and gasoline excise tax shared by the state; operating grants from Illinois Department of Revenue.
4. Culture and recreation - Rental income, recreation fees and operating grants including state per capita tax.

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

L. Internal and interfund balances and activities

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund financial statements

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

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government - wide financial statements

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

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental activities columns of the statement of net assets, except for the residual amounts due between governmental activities, which are reported as internal balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

M. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash, certificates of deposit, and investments

As of April 30, 2011, the City had the following certificates of deposit:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Associated Bank - Certificate of Deposit	5/12/2011	\$ 90,000
Associated Bank - Certificate of Deposit	5/12/2011	90,000
Associated Bank - Certificate of Deposit	5/12/2011	90,000
Associated Bank - Certificate of Deposit	5/12/2011	80,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	80,000
Associated Bank - Certificate of Deposit	5/12/2011	80,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Sub-total (carried forward)		\$ 935,000

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Cash and certificates of deposit (continued)

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Sub-total (brought forward)		\$ 935,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	50,053
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	90,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	75,000
Associated Bank - Certificate of Deposit	5/12/2011	90,000
Associated Bank - Certificate of Deposit	5/12/2011	90,000
Associated Bank - Certificate of Deposit	5/12/2011	85,000
Associated Bank - Certificate of Deposit	5/12/2011	<u>85,000</u>
Total		<u>\$ 2,345,053</u>

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 105 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation Insurance (FDIC). Deposited funds may be invested in financial institutions with an established record of fiscal health and service and a long history of dealing with public funds. Collateral agreements must be approved prior to deposit of funds as provided by law.

Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

At April 30, 2011, the book balance of the City's cash and investments was \$6,142,338 and the bank balance was \$6,353,769. Of the bank balance, \$2,699,320 was covered by federal depository insurance and \$3,654,449 was covered by collateralized securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust and \$-0- was uncollateralized.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Cash and certificates of deposit (continued)

Book balance

Reconciliation to government-wide statement of net assets
and statement of fiduciary net assets:

Government-wide statement of net assets	
Cash and cash equivalents	\$ 3,586,400
Certificates of deposit	2,345,053
Statement of fiduciary net assets:	
Non-pooled cash	<u>210,885</u>
	<u>\$ 6,142,338</u>

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practical, investments are matched with anticipated cash flows. The City currently has limited investments to certificate of deposits with short-term maturities to help limit its exposure to fair value losses from increasing rates.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City currently carries operating cash balances and investments in several financial institutions and requires collateral for all amounts over the insured limits. Money market accounts are also used as an intermediary investment to mitigate risk.

Investment policies

City policy

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes and the City Charter. City funds may be invested in: (1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged or obligations to the payment of which the full faith and credit of the State is pledged; (2) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in the City when secured by appropriate collateral; (3) with certain limitations; negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations; (4) public treasurers' investment pool administered by the Illinois State Treasurer; and (5) other available bank investments, pass books, and savings accounts provided securities are pledged to secure those funds.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Cash and certificates of deposit (continued)

Pension Trust policy

The City's pension trust is the police pension fund.

The Pension Trust is permitted to invest in securities as authorized by the legal list contained in the Illinois Pension Code Section 3-135 and subsequent amendments and by the Public Funds Investment Act (30 ILCS 235/0.01). All investments made by the Pension Trust were authorized.

Investment policies provide for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by the pension board. Overall investment guidelines provide for diversification and allow investments as described above. The plan addresses custodial credit risk with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items, and provides periodic accounting to the pension board.

Asset allocation guidelines for the plan are as follows:

	<u>Minimum</u>	<u>Maximum</u>
Equities	15%	35%
Fixed income (greater than one year)	35%	65%
Cash equivalents	0%	5%

The composition of pension trust fund investments at fair value is shown on the following table, collateral risk categories are not included:

<u>Description</u>	<u>Market Value</u>	<u>Cost</u>
Domestic common stocks	\$ 6,648,434	\$ 5,181,663
U.S. Treasury notes	2,314,319	2,314,554
FHLMC	3,121,134	3,100,470
FNMA	3,237,298	3,225,488
Mutual funds	<u>1,708,012</u>	<u>1,716,186</u>
	<u>\$ 17,029,197</u>	<u>\$ 15,538,361</u>

Credit risk - The fund limits credit risk based on its investment policy by investing in top rated securities generally in government and government agency securities.

The City was in compliance with all investment policies at April 30, 2011.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Property taxes receivable

The City has not levied any property taxes in the current or prior years. The City receives from the townships, one-half of the township road tax produced by the property within the limits of the municipality. Within one year of receipt of the money, the amount must either be budgeted or returned. These governments levy taxes annually prior to December 31 of each year. Property taxes are attached as an enforceable lien on property as of January 1st. Property taxes are mailed in the year following the assessment year. 2009 property taxes were payable in two installments; July 14, 2010 and September 8, 2010. The County Treasurer bills and collects the property taxes. The City receives its portion from these governments after those dates. Taxes recorded in these financial statements are from the 2009 and prior tax levies.

4. Capital assets

Changes in capital assets

The following provides a summary of changes in capital assets:

	Balance at May 1, 2010	Additions	Retirements	Balance at April 30, 2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 9,270,628	\$ -	\$ -	\$ 9,270,628
Construction in progress	3,010,274	666,958	(222,896)	3,454,336
Total Capital assets not being depreciated	12,280,902	666,958	(222,896)	12,724,964
Other capital assets				
Buildings	13,506,320	-	-	13,506,320
Other improvements	2,882,552	-	-	2,882,552
Machinery and equipment	9,822,147	116,356	(42,486)	9,896,017
Infrastructure	56,587,910	591,948	-	57,179,858
Total other capital assets at historical costs	82,798,929	708,304	(42,486)	83,464,747
Less accumulated depreciation for				
Buildings	4,537,153	333,877	-	4,871,030
Other improvements	1,808,961	83,718	-	1,892,679
Machinery and equipment	7,447,305	420,491	(42,036)	7,825,760
Infrastructure	18,631,641	900,880	-	19,532,521
Total accumulated depreciation	32,425,060	1,738,966	(42,036)	34,121,990
Other capital assets, net	50,373,869	(1,030,662)	(450)	49,342,757
Governmental activities capital assets, net	\$ 62,654,771	\$ (363,704)	\$ (223,346)	\$ 62,067,721

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

4. Capital assets (continued)

For the year ended April 30, 2011, the City received donated streets of \$264,000.

Depreciation expense was charged to functions as follows in the statement of activities:

Primary government

Governmental activities

General government

Executive \$ 48,746

Municipal complex 86,137

Police safety

Police 328,809

EDSA 2,948

Street and public works

Engineering/streets 1,071,028

Public works maintenance 13,989

Land use and development 192

Culture and recreation

Parks 58,675

Library 52,510

Tourism 75,932

Total depreciation for governmental activities \$ 1,738,966

5. Long-term debt

Long-term debt supporting governmental activities

General obligation bonds are issued by the City for various municipal projects. These bonds are secured by property taxes, with the levy annually abated and payments made from the general revenues of the City. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the City. The City has no debt outstanding subject to legal debt limitations. The City's borrowing capacity is restrained by maintaining the City's debt at a reasonable level. Other debt issued to support governmental activities is repaid as follows: compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the general fund; lease obligations are primarily paid from the general fund.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. Long-term debt (continued)

Changes in long-term debt

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

Description and Purpose	Balance May 1, 2010	Issued	Retired	Balance April 30, 2011	Due Within One Year
Governmental activities					
Compensated absences	\$ 461,338	\$ 468,501	\$ 389,608	\$ 540,231	\$ 500,519
General obligation bonds	9,025,000	2,630,000	3,515,000	8,140,000	1,055,000
Total	<u>\$ 9,486,338</u>	<u>\$ 3,098,501</u>	<u>\$ 3,904,608</u>	<u>\$ 8,680,231</u>	<u>\$ 1,555,519</u>

The City has general obligation debt service requirements at April 30, 2011, on bond issues as follows:

1. A general obligation bond issue of \$4,000,000 dated March 15, 2001, provides for the serial retirement of the principal at varying rates annually over the life of the issue with final payment on January 1, 2021. Interest is payable on these bonds on January 1 and July 1 of each year at rates varying from 4.45 percent to 5.00 percent. Proceeds from this issue were used to construct a 20,000 square foot conference center and infrastructure. On January 1, 2011 \$2,525,000 of the issue was advanced refunded with General Obligation Bonds Series 2010.
2. A general obligation bond issue of \$7,455,000 dated September 15, 2005, provides for the serial retirement of the principal at varying rates annually over the life of the issue with final payment on January 1, 2019. Interest is payable on these bonds on January 1 and July 1 of each year at rates varying from 2.75 percent to 4.00 percent per annum with an average interest rate of 3.62 percent. The proceeds from this issue were used to advance refund \$1,890,000 of General Obligation Bonds Series 1999 dated October 1, 1999, with an average rate of 5.3 percent and \$5,355,000 of General Obligation Bonds Series 2000 dated November 1, 2000, with an average interest rate of 5.33 percent.
3. A general obligation bond issue of \$2,630,000 dated January 1, 2011, provides for the serial retirement of the principal at varying rates over the life of the issue with final payment on January 1, 2021. Interest is payable on these bonds on January 1 and July 1 of each year at rates varying from 2 percent to 3.125 percent per annum with an average interest rate of 2.59 percent. The proceeds of this issue were used to advance refund \$2,525,000 of General Obligation Bonds Series 2001 dated March 15, 2001.

A deferred amount on refunding of \$115,697 is included in the government-wide financial statements as part of the general obligation bonds. This amount is being amortized over the life of the bonds. An amount of \$7,202 was added to interest expense in the government-wide statements leaving a balance of \$83,323 at April 30, 2011.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. Long-term debt (continued)

The annual debt service requirements of the City for retirement of General Obligation bond principal and payment of interest coupons by fiscal year were as follows at April 30, 2011:

Payable During the Year Ended	General Obligation Bond Series DTD 9/15/05		
	Total	Principal	Interest
April 30, 2012	\$ 1,025,840	\$ 825,000	\$ 200,840
April 30, 2013	1,018,202	845,000	173,202
April 30, 2014	1,029,050	885,000	144,050
April 30, 2015	1,022,632	910,000	112,632
April 30, 2016	1,026,233	950,000	76,233
April 30, 2017	646,558	605,000	41,558
April 30, 2018	258,870	240,000	18,870
April 30, 2019	259,750	250,000	9,750
	<u>\$ 6,287,135</u>	<u>\$ 5,510,000</u>	<u>\$ 777,135</u>

Payable During the Year Ended	General Obligation Bond Series DTD 1/1/11		
	Total	Principal	Interest
April 30, 2012	\$ 504,076	\$ 230,000	\$ 274,076
April 30, 2013	473,701	240,000	233,701
April 30, 2014	444,749	245,000	199,749
April 30, 2015	418,431	255,000	163,431
April 30, 2016	381,676	260,000	121,676
April 30, 2017	346,541	265,000	81,541
April 30, 2018	328,289	275,000	53,289
April 30, 2019	315,919	280,000	35,919
April 30, 2020	302,769	285,000	17,769
April 30, 2021	304,219	295,000	9,219
	<u>\$ 3,820,370</u>	<u>\$ 2,630,000</u>	<u>\$ 1,190,370</u>

Payable During the Year Ended	Total All Bonds		
	Total	Principal	Interest
April 30, 2012	\$ 1,529,916	\$ 1,055,000	\$ 474,916
April 30, 2013	1,491,903	1,085,000	406,903
April 30, 2014	1,473,799	1,130,000	343,799
April 30, 2015	1,441,063	1,165,000	276,063
April 30, 2016	1,407,909	1,210,000	197,909
April 30, 2017	993,099	870,000	123,099
April 30, 2018	587,159	515,000	72,159
April 30, 2019	575,669	530,000	45,669
April 30, 2020	302,769	285,000	17,769
April 30, 2021	304,219	295,000	9,219
	<u>\$ 10,107,505</u>	<u>\$ 8,140,000</u>	<u>\$ 1,967,505</u>

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. Interfund receivables, payables and transfers

Generally, outstanding balances between funds are reported as "due to/from other funds" including outstanding charges by one fund to another for services or goods outstanding at year-end, and other miscellaneous, receivable/payables between funds.

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Governmental activities/major governmental funds	Governmental activities/major governmental funds	
General fund	Home rule fund	\$ 384
Hotel and motel fund	General fund	397
General fund	Food & beverage fund	885,275
Home rule fund	General fund	<u>428,722</u>
	Total due to	<u>\$ 1,314,778</u>

The following is a summary of transfers during the year ended April 30, 2011:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Food and beverage fund	General fund	\$ 48,980
Hotel and motel fund	General fund	170,740
Home rule fund	General fund	<u>336,615</u>
		<u>\$ 556,335</u>

The food and beverage transfer was used to reimburse the general fund for the salary of the employees for the collection of the food and beverage tax.

The hotel and motel transfer was used to reimburse the general fund for the salary of the employees for the collection of the hotel and motel tax.

The home rule transfer was used to reimburse the general fund for the salary of the employees for the collection of the home rule tax.

7. Sales tax rebates

Pursuant to Ordinance Number 1037-2001, and as subsequently amended, approving the Lincoln Place Phase II Businesses District Plan, the City authorized a sales tax rebate program with the developer (The Koman Group). The agreement calls for the City to pay the developer 80 percent of the sales tax collected from stores located in the development. The City pursuant to Ordinance 1079-2002 provided for the issuance of a developer note in the amount of \$5,045,000 plus interest at 6.5 percent payable annually on April 28 for 20 years from the date of the note. The note was dated February 5, 2002, with the first installment to be paid April, 2002. The City made a current payment

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Sales tax rebates

of \$314,110. Cash representing the amount of rebate due under terms of this agreement has been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payments under this agreement was \$58,411. The developer (The Koman Group) sold the notes listed here underlying the sales tax rebate agreements to the Southwestern Illinois Development Authority (SWIDA) during the April 30, 2003 year. SWIDA issued bonds supported by the payment of the notes. The only change relating to the City based on this sale was a change in the location for the payments. The City's payments and all subsequent payments will be made to UMB Bank NA as trustee for the bond holder. The balance owed is not presented in the accompanying financial statements because they are considered to be commitments and will not be a liability unless certain events occur in the future.

Pursuant to Ordinance Number 1273-05 authorizing a sales tax rebate program with PK Fairview, LLC requiring a payment equal to 75 percent of the incremental sales tax revenue arising from sales by retailers in the development, the City is responsible for reimbursing up to \$1,500,000 in costs and had received documentation of \$1,041,654. The agreement began on November 15, 2005 and continues thereafter for a maximum period of 10 years. The City made payments under this agreement of \$25,287 by April 30, 2011. Cash representing the amount of rebate due under terms of this agreement has been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payment under this agreement was \$17,412. The balance owed is not presented in the accompanying financial statements because they are considered to be commitments and will not be a liability unless certain events occur in the future.

Pursuant to Ordinance Number 1259-2005 authorizing a pledge of limited incremental sales tax revenues and the creation of business district tax with the developer (Shoppes at St. Clair Square, LLC), the City is responsible to pay the developer 100 percent of all sales tax revenue within the development. The City is entitled to receive annually for a maximum of 20 years of which the increase in the aggregate amount of sales and similar taxes paid to the City arising from sales within the redevelopment project area over and above the amount of such taxes paid to the City during the calendar year preceding the agreement, minus any amounts paid under the TIF revenue. The business district tax the City imposed is 1/2 percent sales tax on all retailers and serviceman operating within the Business District Area. The City agrees to reimburse the developer for verified reimbursable redevelopment project costs in an amount not to exceed \$5,000,000 plus insurance costs. The developer shall delineate the portion that shall be TIF notes, business district tax notes, and/or limited incremental sales tax notes. The developer has requested \$1,316,000 as business district tax notes for a term of 23 years. The remaining balance of \$3,684,000 is pledged by TIF revenues and limited incremental sales tax revenues. The City made payments under this agreement of \$346,222 by April 30, 2011. Cash representing the amount of rebate due under the terms of this agreement have been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payment under this agreement was \$71,727. The balance owed is not presented in the accompanying financial statements because they are considered to be commitments and will not be a liability unless certain events occur in the future.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

8. Tax increment financing districts

Pursuant to Ordinances 1168-03, 1169-03, 1170-03 and 1186-04 and as subsequently amended approving the Redevelopment Plan of Tax Increment Financing District #1 authorizing reimbursement of development costs under the "TIF Act" with the developer (Freeburg Commercial Ventures L.L.C.). The agreement calls for the City to pay the developer TIF revenues which represent the amount attributable to the increase in the current equalized assessed valuation. The TIF note cannot exceed a maximum of \$1,000,000 of approved development costs and will extend for 23 years from issuance. The City made payments under this agreement of \$166,963 by April 30, 2011. Cash representing the amount of taxes due under terms of this agreement has been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payments under this agreement was \$15,188.

Pursuant to Ordinance 1259-2005 approving the redevelopment plan authorizing reimbursement of development costs under the "TIF Act" with the developer (Shoppes at St. Clair, LLC). The agreement calls for the City to pay the developer TIF revenues which represent the amount attributable to the increase in the current equalized assessed valuation. The TIF note in conjunction with the limited incremental sales tax note is for \$3,684,000 and will be for a term of 23 years from issuance. The City made payments under this agreement of \$359,759 by April 30, 2011. Cash representing the amount of taxes due under the terms of this agreement has been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payments under this agreement was \$0-. The City signed an Intergovernmental Cooperation Agreement with the other Taxing Districts located within the TIF area. In an effort to replace tax revenues lost by the Taxing Districts and facilitate the redevelopment of the TIF area and the Business District in accordance with the TIF plan, the proposed business district plan, the TIF Act and the Business District Act, the City hereby pledges and agrees to pay from the limited incremental sales tax revenues to the Taxing Districts an amount equal to 66.67 percent of the Business District tax revenues but not more than a maximum amount equal to 75 percent of the TIF revenues. The distribution percentage share for each Taxing District is based on their respective portion of the real estate tax rate at the time of the agreement to the total of all the Taxing Districts. The City made payments under this agreement of \$61,061 by April 30, 2011.

Pursuant to Ordinances 1379-07, 1380-07, and 1381-07 approving the Tax Increment Redevelopment Plan and Project for the Lincoln Trail Redevelopment Project Area authorizing reimbursement of development costs under the "TIF Act" with the developers. The agreement calls for the City to pay the developers TIF revenues which represent the amount attributable to the increase in the current equalized assessed valuation. The City made payments under this agreement of \$0- by April 30, 2011. Cash representing the amount of taxes due under terms of this agreement have been set aside and restrictions have been placed on the accounts. At April 30, 2011, the amount of cash restricted for current and future payments under this agreement was \$673,284.

9. Lease revenue

The City has a lease agreement with the Illinois State Police for the rental of part of its municipal complex to be used for the Forensic Science Laboratory. This is a lease for five years and rent

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. Lease revenue (continued)

under this agreement will be paid in monthly increments of \$13,027. The lease provides annual increases of 2 percent.

The City has a lease agreement with Crown Castle International Corp. for rental of a parcel of property on which an antenna and equipment base is stationed. The terms of the agreement are based on 5 year increments. After each 5 year period, the next term will be automatically renewed for 5 years unless canceled by either party. Rent under this agreement will be paid in annual installments of \$10,000 and increase at each renewal date as set forth in the contract. This contract was amended to provide additional space at a total cost of \$4,800 for the initial term and to provide for a sublease to provide \$400 per month to the City. The lease provides annual increases.

The City has a lease agreement with AT&T Mobility for rental of a parcel of property on which communications equipment will be stationed. The terms of this agreement are based on 5 year increments. After each 5 year period, the next term will be automatically renewed for 5 years unless canceled by either party. Rent under this agreement will be paid in monthly increments of \$480 and increase at each renewal date as set forth in the contract.

The City has a lease agreement with the Fountains at Fairview Heights L.L.C. for rental of a conference/convention center located in the Fountains of Fairview Development. This is a lease for 20 years and rent under this agreement is \$1 due and payable on the first day of each year.

The City has a lease agreement with Clear Wireless L.L.C. for rental of a parcel of property on which communications equipment will be stationed. The terms of this agreement are based on 5 year increments. After each 5 year period, the next term will be automatically renewed for 5 years unless canceled by either party. Rent under this agreement will be paid in monthly increments of \$500 and increase annually as set forth in the contract.

Minimal rentals on leases for the next five years are as follows:

5/1/11 - 4/30/12	\$ 203,980
5/1/12 - 4/30/13	207,375
5/1/13 - 4/30/14	210,873
5/1/14 - 4/30/15	117,958
5/1/15 - 4/30/16	47,401

Several of the leases included in the balances shown in the previous schedule include rental amounts that are determined annually based on formulas prescribed in the individual lease agreements. The minimum future rentals for these leases were determined using the rates in effect at fiscal year-end.

10. Operating leases

The City has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. For the year ended April 30, 2011, rentals approximated \$57,031 for such leases. These leases primarily support governmental activities.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

10. Operating leases (continued)

Minimum rentals on leases for future years are as follows:

5/1/11 - 4/30/12	\$ 61,912
5/1/12 - 4/30/13	61,010
5/1/13 - 4/30/14	14,404
5/1/14 - 4/30/15	2,520
5/1/15 - 4/30/16	-

11. Capital leases

The City entered into a capital lease agreement with Associated Bank on July 2, 2010, to purchase 15 Panasonic Tough book computers with a cost of \$56,160. This lease has an interest rate of 3.78 percent and requires monthly payments of \$1,262 for a period of four years.

Minimum lease payments for future years are as follows:

	Total	Principal	Interest
5/1/11 - 4/30/12	\$ 15,148	\$ 13,679	\$ 1,469
5/1/12 - 4/30/13	15,149	14,205	944
5/1/13 - 4/30/14	15,149	14,751	398
5/1/14 - 4/30/15	2,525	2,513	12

12. Restricted assets

The City, pursuant to ordinances establishing sales tax rebate agreements and tax increment financing agreements, was required to establish bank accounts to be used to hold the income generated by these agreements between payment dates. The balance of \$836,022 represents amounts due and payable either currently or in the future based on the terms of these agreements. The funds are not available for use by the City until the rebates have been paid in full or the time period for payments has elapsed.

The City restricted a portion of the real estate tax collected under the Bunkum Road tax increment financing agreement for future sewer projects. At April 30, 2011, an amount of \$84,317, was restricted to pay for the future sewer projects.

13. Retirement plans

Illinois Municipal Retirement Fund defined benefit pension plan

Plan Description - The City'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 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.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Retirement plans (continued)

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 statute requires 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 2010 was 9.64 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 11.55 percent. 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.

Annual Pension Cost - For fiscal year ending April 30, 2011, the City's actual contributions for pension cost for the Regular plan members were \$374,249. Its required contribution for fiscal year 2011 was \$436,231.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2011	\$ 436,231	86 %	\$ 86,580
4/30/2010	370,974	94	24,083
4/30/2009	322,406	100	-

The following table shows the components of the City's annual pension cost for the year ended April 30, 2011, the actual amount contributed to the Plan, and changes in the City's net pension obligation to the Plan.

Annual required contribution	\$ 436,231
Interest on net pension obligation	1,806
Adjustment to annual required	(1,291)
Annual pension cost	436,746
Contributions made	(374,249)
Increase in net pension obligation	62,497
Net pension obligation, May 1, 2010	24,083
Net pension obligation, April 30, 2011	\$ 86,580

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3 percent 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

**CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

13. Retirement plans (continued)

investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on open 30 year basis.

Funded status and funding progress - As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 74.40 percent funded. The actuarial accrued liability for benefits was \$11,982,387 and the actuarial value of assets was \$8,914,464, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,067,923. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$3,749,626 and the ratio of UAAL to the covered payroll was 82 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.

Police pension fund defined benefit pension plan

Plan description

Police sworn personnel are covered by the police pension fund which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the police pension fund for the year ended April 30, 2010, was \$2,754,211 out of a total payroll of \$6,952,743. At April 30, 2010, the Police Pension membership consisted of:

Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	22
Nonvested	18
Total	60

The following is a summary of the police pension fund as provided for in the Illinois Compiled Statutes:

The police pension fund provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50 percent of such salary for each additional year of service over 20 years up to 30 years, and 1 percent of such salary for each additional year of service over 30 years,

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Retirement plans (continued)

to a maximum of 75 percent of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the City has until the year 2033 to fully fund the past service cost for the police pension fund. For the year ended April 30, 2010, the City's contribution was 18.92 percent of covered payroll. The City contributed an additional \$220,000 to the pension plan which was 7.99 percent of covered payroll.

Summary of significant accounting policies and plan asset matters

Basis of accounting

The pension trust fund financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method used to value investments

Securities are carried at fair market value. Investment income is recognized on an accrual basis. Gains and losses on sales and exchanges are recognized on the transaction date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities not listed on an established market are reported at estimated fair values based on underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Significant investments

The following are investments (other than U.S. government and U.S. government-guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits at April 30, 2011:

	Cost	Market
Europacific Growth fund	\$ 1,716,186	\$ 1,708,011

Related party transactions

There are no related party transactions that need to be disclosed.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Retirement plans (continued)

Trend Information

Actuarial Valuation Date	Actual Contributions	Annual Required Contribution	Percentage of ARC Contribution	Net Pension Obligation
4/30/2011	\$ 741,047	\$ 1,009,702	73.39 %	\$ 374,761
4/30/2010	766,419	952,871	80.43	105,934
4/30/2009	745,154	722,245	103.17	(78,928)

The following table shows the components of the City's annual pension cost for the year ended April 30, 2011, the actual amount contributed to the Plan, and changes in the City's net pension obligation to the Plan.

Annual required contribution	\$ 1,009,702
Interest on net pension obligation	6,886
Adjustment to annual required contribution	<u>(6,714)</u>
Annual pension cost	1,009,874
Contributions made	<u>(741,047)</u>
Increase in net pension obligation	268,827
Net pension obligation, May 1, 2010	<u>105,934</u>
Net pension obligation, April 30, 2011	<u>\$ 374,761</u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information may be found in Required Supplementary Information. For the three years 2008, 2009, and 2010 available assets were sufficient to fund 69.84 percent, 56.05 percent, and 59.78 percent, respectively, of the unfunded actuarial accrued liability. Unfunded actuarial accrued liability represents, 268.50 percent, 428.89 percent, and 392.18 percent of the annual payroll for the participating members covered by the police pension fund for 2008, 2009, and 2010, respectively.

Showing unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three years ended 2008, 2009, and 2010 the City's contribution to the police pension fund, all made in accordance with actuarially determined requirements, were 28.90 percent, 29.40 percent, and 26.91 percent, respectively, of annual covered payroll.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides an indication of funding status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees Retirement System (PERS). Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Retirement plans (continued)

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

14. Other postemployment benefit plan

Plan description - The City of Fairview Heights' defined other postemployment benefit plan (OPEB) Plan is a single-employer defined benefit healthcare Plan that is administered by the City and covers retired employees of the City and their dependents. The Plan provides for the continuation of health care benefits for eligible retired employees. The City has the authority to establish and amend benefit provisions of the plan. The Plan does not issue a separate publicly available report.

Funding policy - The Plan makes available to all employees who retire and their dependents the option to continue healthcare coverage under the City's group health program by contributing the monthly premium. Retirees contribute 100 percent of the premium for the level and type of coverage. The City pays 100 percent of the premium for duty-disabled police officers and their families. For the 2011 fiscal year, the annual pay-as-you-go cost is approximately \$85,662 (1.5 percent of payroll).

As of April 30, 2011, the Plan has seven retirees and two disabled officers receiving benefits and ninety-three active participants, of which seventy-three are not yet eligible to receive benefits.

Annual OPEB cost and net OPEB obligation - The City engaged an actuarial firm to determine the estimated obligation associated with OPEB as of April 30, 2011, as well as the annual required contribution (ARC) for funding this obligation in accordance with the parameters of GASB Statement No. 45 for employers with more than one hundred total plan members. Based on this report, including assumptions that the ARC is not fully funded, the ARC for the City in fiscal year 2011 was \$360,623. The City's annual OPEB cost is calculated based on the ARC. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year ended April 30, 2011, the actual amount contributed to the plan, and changes in the City's net OPEB obligation to the plan:

	Police	Municipal	Total
Annual required contribution	\$ 306,102	\$ 57,933	\$ 364,035
Interest on OPEB obligation	13,123	1,149	14,272
Adjustment to annual required contribution	(16,260)	(1,424)	(17,684)
Annual OPEB cost (expense)	302,965	57,658	360,623
Contributions made	(47,572)	(38,090)	(85,662)
Increase in net OPEB obligation	255,393	19,568	274,961
Net OPEB obligation - May 1, 2010	262,458	22,988	285,446
Net OPEB obligation - April 30, 2011	<u>\$ 517,851</u>	<u>\$ 42,556</u>	<u>\$ 560,407</u>

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. Other postemployment benefit plan (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended April 30, 2011 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
04/30/11	\$ 360,623	23.80%	\$ 560,407
04/30/10	364,035	21.60	285,446

Fiscal year ended 2010 is the year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, three year comparative data is not available. In future years, three-year trend information will be presented.

Funded status and funding progress - The funded status of the Plan based on the most recent actuarial valuation as of April 30, 2011 is as follows:

	<u>Police</u>	<u>Municipal</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 3,315,863	\$ 697,787	\$ 4,013,650
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,315,863</u>	<u>\$ 697,787</u>	<u>\$ 4,013,650</u>
Funded ratio (actuarial value of plan assets / AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	\$ 3,099,827	\$ 2,449,542	\$ 5,549,369
UAAL as a percentage of covered payroll	107.00%	28.50%	72.30%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year ended April 30, 2010 was the year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only two years are presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial methods and assumptions - The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the City and employees) and include the types of benefits provided at the time of

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. Other postemployment benefit plan (continued)

each valuation and the historical pattern of benefit costs to the City to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuation for the fiscal year ended April 30, 2011, the entry age normal cost method was used.

The following simplifying assumptions were made:

Retirement age for active employees - Active plan members were assumed to retire at age 50 (police) or 55 (municipal) or the first year thereafter in which the member would qualify for benefits. If an employee would not yet qualify for 5 years of benefits, then the employee is assumed to work until he/she has accumulated enough years of vested service to obtain benefits until they reach Medicare eligibility (age 65).

Mortality - Life expectancies were based on mortality tables according to the 1994 Group Annuity Mortality Tables for Males and Females.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in health insurance premiums initially used a select rate of 9 percent, with a reduction to the ultimate rate of 5 percent after five years. Rates include a 2.5 percent general inflation assumption.

Health insurance premiums - Health insurance premiums for employees for the year ended April 30, 2011 were used as the basis for the calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 5 percent was used. In addition, a simplified version of the unit credit cost method was used. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years as a level dollar amount.

15. Contingent liabilities

A. Litigation

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

In the opinion of management, all other such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

**CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

15. Contingent liabilities (continued)

B. Federal and state grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

C. State motor fuel fund

This fund is under the direct supervision of state authorities and is subject to audit and review by them. Therefore, this report does not constitute final approval. Under current procedures, the allotments of the City are being received from the State of Illinois each month. These allotments, however, may be expended only for specific projects that have been approved by the Department of Transportation, State of Illinois.

D. Capital improvements

The City has entered into construction contracts for approximately \$270,000 for road and bridge improvements. The City is in the preliminary design and planning phases for various other capital improvements.

16. Deferred compensation plan

The City has two deferred compensation plans set up in accordance with the Internal Revenue Code Section 457. The plans are administered by independent plan administrators through administrative service agreements. Employees defer a portion of their salary until future years.

Deferred compensation is not available to employees until termination, retirement, death or financial hardship. The City's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The City approved plan amendments such that plan assets are held in trust, with the City serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purposes. The City's beneficial ownership of plan assets will be held for the future exclusive benefit of the plan for the exclusive benefit of participants and beneficiaries and as such the total of these investments are not included in this statement.

It is the opinion of the City's legal counsel that the City, as trustee, has no liability for plan losses but does have the duty of due care that would be required of an ordinary prudent investor.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. Over expenditures of budget

The City operated within the legal confines of the budget during the year ended April 30, 2011.

18. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters for which the City purchases commercial insurance or participates in a risk management association, which is a statewide association of local governments that share costs and risk by membership with no direct assessment based on specific annual claims of participants. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years. The City is responsible for remitting its required contributions each year and reduces risk of loss through these payments. Management believes such coverage is sufficient to preclude any significant unissued losses to the City.

19. Subsequent events

The City entered into contracts totaling \$126,000 for various road improvements.

On August 23, 2011 the City entered into an Intergovernmental agreement with Caseyville Township to pay a portion of the costs incurred by the Township resulting from providing sanitary sewer services to Weinel Hills. The agreement calls for the City to pay the Township \$85,000 per year in two lump sums of \$42,500 for twenty years once said sewer services have begun under the agreement.

19. New pronouncements

In February 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement will require the City to classify governmental funds into five different classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The provisions of this statement must be implemented by the City no later than the fiscal year beginning May 1, 2011. The City has not yet determined the effect this statement will have on its financial statement.

20. Beginning balance restated

Net assets on the government-wide statement of activities as of May 1, 2010, has been restated to properly include bond issuance costs. The restatement had no effect on the fund financial statements.

Net assets as of April 30, 2010, as previously reported	\$ 60,323,565
Bond issuance costs	<u>93,494</u>
Net assets as of May 1, 2010, as restated	<u>\$ 60,417,059</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Permits				
Building permits	\$ 100,000	\$ 100,000	\$ 70,178	\$ (29,822)
Plumbing permits	1,500	1,500	1,065	(435)
Electric permits	4,215	4,215	4,895	680
Septic, sewer and aeration	100	100	-	(100)
Demo, satellite and grade	1,000	1,000	830	(170)
Sign permits	7,732	7,732	8,526	794
Aeration tap in fee	100	100	-	(100)
Building maintenance permits	32,000	32,000	30,280	(1,720)
Total permits	146,647	146,647	115,774	(30,873)
Income tax				
Income tax	1,555,527	1,555,527	1,440,271	(115,256)
Interest	2,832	2,832	1,903	(929)
Total income taxes	1,558,359	1,558,359	1,442,174	(116,185)
Miscellaneous revenue				
Liquor licenses	53,000	53,000	54,210	1,210
Miscellaneous	100,000	100,000	145,505	45,505
Total miscellaneous revenue	153,000	153,000	199,715	46,715
Other taxes				
Hotel and motel collection tax	30,000	30,000	31,831	1,831
Koman sales tax rebate II	320,000	320,000	-	(320,000)
Total other taxes	350,000	350,000	31,831	(318,169)
Use taxes				
Sales tax	6,964,194	6,964,194	7,862,301	898,107
Home rule tax	1,858,622	1,858,622	1,765,325	(93,297)
Use tax	202,212	202,212	255,935	53,723
Road and bridge allotments	49,800	49,800	44,730	(5,070)
Tax increment financing - Bunkum Road	88,719	88,719	183,237	94,518
Tax increment financing - Shoppes at St. Clair	307,607	307,607	327,054	19,447
Total use taxes	9,471,154	9,471,154	10,438,582	967,428
Sub-total revenue (carried forward)	\$ 11,679,160	\$ 11,679,160	\$ 12,228,076	\$ 548,916

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Sub-total revenue (brought forward)	\$ 11,679,160	\$ 11,679,160	\$ 12,228,076	\$ 548,916
Grants				
Franchises	241,809	241,809	219,665	(22,144)
Shoppes at St. Clair (Sales Tax)	461,000	461,000	-	(461,000)
PK Capital (Sales Tax)	35,000	35,000	-	(35,000)
Business district	89,757	89,757	96,519	6,762
Special grants	123,807	196,592	83,894	(112,698)
E.S.D.A. grant	<u>3,762</u>	<u>3,762</u>	<u>3,745</u>	<u>(17)</u>
Total grants	955,135	1,027,920	403,823	(624,097)
Charges for service				
City services	1,000	1,000	73	(927)
Police reports	3,000	3,000	5,830	2,830
Use of copy/fax equipment	500	500	166	(334)
Bulk trash pick-up	<u>1,000</u>	<u>1,000</u>	<u>1,204</u>	<u>204</u>
Total charges for services	5,500	5,500	7,273	1,773
Police revenue				
Police fines	253,304	253,304	370,486	117,182
Residential rental license fee	102,150	102,150	83,850	(18,300)
Police outside employment	100,000	100,000	89,129	(10,871)
Licenses - other than liquor	<u>25,000</u>	<u>25,000</u>	<u>26,328</u>	<u>1,328</u>
Total police revenue	480,454	480,454	569,793	89,339
TIF district III				
TIF district 3-Lincoln Trail	214,503	214,503	249,874	35,371
Bond proceeds interest	1,000	1,000	-	(1,000)
Zoning - sale of development code	<u>300</u>	<u>300</u>	<u>30</u>	<u>(270)</u>
Total TIF district III	215,803	215,803	249,904	34,101
Other financing sources				
Zoning permits	3,000	3,000	300	(2,700)
Waste haulers' fee	1,500	1,500	1,500	-
Food and beverage transfer	45,225	45,225	-	(45,225)
Users' fees - parks	20,000	20,000	13,325	(6,675)
Rents, leases, sharecrop	30,000	30,000	36,408	6,408
Forensic lab payments	156,324	156,324	114,707	(41,617)
Sales tax rebate application fee	5,000	5,000	-	(5,000)
MFT transfer	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources	266,049	266,049	166,240	(99,809)
Total revenue	\$ 13,602,101	\$ 13,674,886	\$ 13,625,109	\$ (49,777)

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Executive department				
Boards and committees	\$ 50	\$ 50	\$ -	\$ 50
Legal fees	1,400	1,400	-	1,400
Advertising and public notices	12,000	10,800	8,454	2,346
Membership dues	436	1,636	1,469	167
Subscriptions - books	225	225	73	152
Election expenses	2,000	2,000	550	1,450
Office furniture and equipment	201	201	189	12
Public relations	2,202	2,202	1,945	257
Petty cash	75	75	15	60
Maintenance to equipment	1	1	-	1
Miscellaneous	50	50	-	50
Travel and meeting expense	1,776	1,776	1,754	22
Equipment rental	31,250	31,250	27,222	4,028
Semi-monthly salaries	149,980	149,980	147,742	2,238
Elected and appointed officials	15,600	15,600	12,956	2,644
Overtime compensation	200	200	-	200
Christmas bonus	600	600	600	-
Supplies	9,200	11,200	6,574	4,626
Educational expense	1	1	-	1
Technical and outside services	3,400	3,950	2,891	1,059
Insurance liability	901,500	903,705	863,305	40,400
Insurance deductible	28,000	42,000	41,654	346
Health and life insurance	1,412,680	1,409,260	1,277,873	131,387
Bonds and notary fees	75	75	30	45
Retirement funds	29,100	29,100	27,453	1,647
Postage	14,500	12,500	12,500	-
Total executive department	\$ 2,616,502	\$ 2,629,837	\$ 2,435,249	\$ 194,588

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Mayor's department				
Boards and committees	\$ 3,500	\$ 3,500	\$ -	\$ 3,500
Legal fees	206,300	399,365	293,014	106,351
Advertising and public notices	500	500	-	500
Membership dues	1,880	1,955	1,645	310
Subscriptions - books	590	590	536	54
Office furniture and equipment	500	500	490	10
Computers	139,100	126,100	115,761	10,339
Public relations	401	401	-	401
Petty cash	50	50	46	4
Maintenance to equipment	150	150	-	150
Miscellaneous	50	50	-	50
Travel and meeting expense	2,502	2,427	1,814	613
Elected officials expense	800	800	-	800
Equipment rental	29,000	29,000	28,914	86
Semi-monthly salaries	246,214	246,473	246,472	1
Elected and appointed officials	117,600	117,600	117,600	-
Christmas bonus	600	600	600	-
Supplies	1,000	1,000	573	427
Educational expense	250	250	100	150
Phone expense	30,000	43,000	42,709	291
Technical and outside services	3,010	3,010	888	2,122
Bonds, notary fees	50	50	-	50
Safety program	675	1,511	836	675
Retirement funds	52,500	60,399	60,399	-
Total mayor's department	\$ 837,222	\$ 1,039,281	\$ 912,397	\$ 126,884

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Treasurer's department				
Legal fees	\$ 300	\$ 300	\$ -	\$ 300
Audit fees	44,550	40,054	37,550	2,504
Membership dues	550	750	750	-
Subscription - books	200	200	-	200
Office furniture and equipment	50	50	-	50
Petty cash	1	1	-	1
Travel and meetings	1,502	1,502	120	1,382
Semi-monthly salaries	162,306	162,375	162,372	3
Elected and appointed officials	15,600	15,600	15,600	-
Overtime compensation	100	100	-	100
Christmas bonus	450	450	450	-
Supplies	2,500	2,500	2,234	266
Educational expense	500	300	-	300
Technical and outside services	6,000	7,800	7,451	349
Unemployment insurance	50,975	35,011	35,010	1
Uniform purchase	1	1	-	1
Retirement funds	33,750	33,750	29,889	3,861
Total treasurer's department	\$ 319,335	\$ 300,744	\$ 291,426	\$ 9,318

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Police department				
Boards and committees	\$ 13,075	\$ 20,075	\$ 17,750	\$ 2,325
Membership dues	1,649	1,684	1,669	15
Subscriptions - books	1,200	1,165	1,012	153
Equipment - rolling stock	-	102,000	91,021	10,979
Equipment accessories	-	19,770	-	19,770
Office furniture and equipment	3,900	3,900	3,581	319
Computers	1	1	-	1
Public relations	3,952	4,552	3,842	710
Petty cash	300	300	84	216
Maintenance to equipment	56,350	51,277	49,578	1,699
Maintenance to radio	9,000	8,915	6,276	2,639
Travel and meeting expense	2,500	4,000	3,604	396
Buildings rental	2,002	2,002	2,000	2
Equipment rental	25,500	25,900	24,348	1,552
Holiday premium pay	82,500	79,629	69,618	10,011
Semi-monthly salaries	3,398,222	3,233,614	3,162,945	70,669
Overtime compensation	209,300	244,300	230,335	13,965
Shift premium	10,000	10,000	9,401	599
Christmas bonus	7,900	7,900	6,700	1,200
Supplies	19,800	19,800	18,806	994
Educational expense	32,951	24,451	22,016	2,435
Technical and outside services	37,850	56,050	41,524	14,526
Bonds and notary fees	1,000	1,085	1,075	10
Uniform purchase	21,500	23,300	21,008	2,292
Uniform cleaning	4,000	4,000	3,274	726
Retirement funds	900,401	907,349	870,490	36,859
Postage	3,800	3,800	3,800	-
Total police department	\$ 4,848,653	\$ 4,860,819	\$ 4,665,757	\$ 195,062

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works - engineering				
Membership dues	\$ 880	\$ 880	\$ 397	\$ 483
Subscription - books	200	200	-	200
Public relations	1	1	-	1
Petty cash	100	100	20	80
Maintenance to equipment	2,500	1,000	200	800
Miscellaneous	100	100	-	100
Travel and meeting expense	1,500	1,500	30	1,470
Semi-monthly salaries	498,703	450,317	394,760	55,557
Overtime compensation	5,000	15,800	12,991	2,809
Shift premium	25	25	-	25
Christmas bonus	1,800	1,500	1,500	-
Supplies	800	800	261	539
Educational expense	2,500	2,500	1,090	1,410
Bonds and notary fees	200	200	99	101
Uniform purchase	5,500	5,500	4,024	1,476
Retirement funds	86,184	65,570	65,568	2
Total public works - engineering	\$ 605,993	\$ 545,993	\$ 480,940	\$ 65,053

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works - maintenance				
Vehicle operating costs	\$ 119,000	\$ 101,200	\$ 91,336	\$ 9,864
Membership dues	180	180	139	41
Subscriptions - books	500	500	-	500
Equipment accessories	11,500	11,500	10,258	1,242
Maintenance to rolling stock	20,500	30,500	26,260	4,240
Maintenance to radio	3,000	1,000	574	426
Miscellaneous	100	100	-	100
Travel and meeting expense	1	1	-	1
Equipment rental	200	200	-	200
Semi-monthly salaries	227,620	232,851	232,637	214
Overtime compensation	4,000	6,800	6,526	274
Christmas bonus	600	600	600	-
Supplies	99,500	104,500	101,943	2,557
Educational expense	1,800	1,800	1,276	524
Technical and outside services	3,500	4,000	3,763	237
Uniform purchase	1,500	1,500	700	800
Uniform rental	3,000	3,000	2,285	715
Retirement funds	41,060	42,560	42,285	275
Total public works - maintenance	\$ 537,561	\$ 542,792	\$ 520,582	\$ 22,210

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Parks department				
Capital improvements	\$ -	\$ 60,000	\$ -	\$ 60,000
Membership dues	20	20	15	5
Equipment accessories	250	250	-	250
Travel and meeting expense	1	1	-	1
Equipment rental	500	500	44	456
Semi-monthly salaries	667,681	654,681	622,704	31,977
Overtime compensation	10,000	10,000	5,513	4,487
Shift premium	200	200	87	113
Christmas bonus	1,800	1,800	1,650	150
Supplies	28,000	28,000	27,093	907
Educational expense	350	350	20	330
Electric utility	7,200	7,200	2,770	4,430
Sewer utility	1,000	1,000	37	963
Water utility	4,400	4,400	380	4,020
Sanitation service	6,250	6,250	5,262	988
Uniform purchase	2,700	2,700	2,027	673
Retirement funds	115,780	115,780	109,502	6,278
Safety program	1,500	1,500	-	1,500
Total parks department	\$ 847,632	\$ 894,632	\$ 777,104	\$ 117,528

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Municipal complex				
Renovation or remodeling	\$ 3,000	\$ 200	\$ -	\$ 200
Long term debt	114,428	114,428	114,428	-
Membership dues	100	100	-	100
Equipment accessories	5,700	5,700	-	5,700
Office furniture and equipment	5,700	4,700	3,165	1,535
Maintenance to equipment	7,000	7,000	5,566	1,434
Miscellaneous	100	100	-	100
Travel and meeting expense	100	100	-	100
Equipment rental	300	300	69	231
Semi-monthly salaries	297,835	229,161	209,918	19,243
Overtime compensation	2,500	5,300	5,012	288
Shift premium	1,200	1,200	546	654
Christmas bonus	750	450	450	-
Supplies	34,300	34,300	29,622	4,678
Educational expense	1,500	-	-	-
Electric utility	150,000	150,000	126,049	23,951
Telephone utility	-	-	(110)	110
Sewer utility	9,500	12,300	10,308	1,992
Water utility	21,000	21,000	20,406	594
Gas utility	7,000	7,000	6,792	208
Technical and outside services	20,000	23,000	17,011	5,989
Uniform purchase	4,000	4,000	1,780	2,220
Retirement funds	53,350	40,350	38,056	2,294
Total municipal complex	\$ 739,363	\$ 660,689	\$ 589,068	\$ 71,621

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Land use and development				
Boards and committees	\$ 400	\$ 400	\$ 371	\$ 29
Legal fees	1,500	1,455	1,265	190
Advertising and public notices	550	550	49	501
Membership dues	1,830	1,830	1,128	702
Subscriptions - books	1,850	1,850	543	1,307
Office furniture and equipment	500	500	209	291
Petty cash	60	105	105	-
Maintenance to equipment	1,000	1,000	381	619
Travel and meeting expense	3,300	3,300	2,542	758
Survey and engineer fees	1	1	-	1
Semi-monthly salaries	383,700	371,250	364,226	7,024
Elected and appointed officials	46,901	46,901	36,073	10,828
Overtime compensation	7,500	7,500	5,253	2,247
Shift premium	50	50	-	50
Christmas bonus	600	600	600	-
Supplies	7,375	7,375	3,602	3,773
Educational expense	250	5,150	4,900	250
Technical and outside services	28,665	58,665	10,324	48,341
Economic development committee	90	90	-	90
Uniform purchase	1,500	1,500	1,390	110
Retirement funds	72,594	70,144	65,842	4,302
Sales tax rebate	816,000	816,000	587,210	228,790
TIF expenditure	501,867	501,867	496,974	4,893
Total land use and development	\$ 1,878,083	\$ 1,898,083	\$ 1,582,987	\$ 315,096

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Library department				
Membership dues	\$ 425	\$ 315	\$ 283	\$ 32
Subscriptions - books	77,800	77,687	77,651	36
Public relations	2,000	2,000	1,999	1
Maintenance to equipment	1,300	1,300	1,216	84
Travel and meeting expense	1,500	1,500	1,254	246
Semi-monthly salaries	283,912	283,918	283,916	2
Overtime compensation	1,000	1,000	572	428
Shift premium	1,300	1,145	1,138	7
Christmas bonus	300	300	300	-
Supplies	12,000	12,000	11,941	59
Telephone utility	2,040	2,040	1,984	56
Technical and outside services	23,408	22,988	22,955	33
Retirement funds	49,513	50,305	50,301	4
Library grant	21,957	21,957	12,365	9,592
Total library department	\$ 478,455	\$ 478,455	\$ 467,875	\$ 10,580

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
General Fund (Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Emergency services and disaster agency				
Membership dues	\$ 45	\$ 45	\$ -	\$ 45
Subscriptions - books	25	25	-	25
Public relations	250	250	-	250
Maintenance to equipment	6,000	6,000	2,725	3,275
Miscellaneous	50	50	-	50
Travel and meeting expense	250	250	-	250
Elected and appointed officials	5,126	5,286	5,283	3
Supplies	650	490	369	121
Educational expenses	1	1	-	1
Telephone utility	950	950	894	56
Technical and outside services	15,200	15,200	13,320	1,880
Retirement funds	100	100	76	24
Contingencies	1	1	-	1
Postage	150	150	-	150
Emergency disaster services	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total emergency services and disaster agency	<u>28,799</u>	<u>28,799</u>	<u>22,667</u>	<u>6,132</u>
 Total expenditures	 <u>13,737,598</u>	 <u>13,880,124</u>	 <u>12,746,052</u>	 <u>1,134,072</u>
 Net change in fund balance	 <u>\$ (135,497)</u>	 <u>\$ (205,238)</u>	 879,057	 <u>\$ 1,084,295</u>
Reconciliation of budgetary basis to government fund statement of changes in fund balance				
Effect of unrecorded assets			415,960	
Effect of unrecorded liabilities			(426,224)	
Beginning fund balance			<u>2,429,677</u>	
Ending fund balance			<u>\$ 3,298,470</u>	

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Home Rule Fund
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Home rule tax revenues	\$ 1,619,515	\$ 1,619,515	\$ 1,765,324	\$ 145,809
Interest	3,126	3,126	5,538	2,412
Koman sales tax rebate II	142,500	142,500	-	(142,500)
Shoppes at St. Clair (sales tax rebate)	<u>76,697</u>	<u>76,697</u>	<u>-</u>	<u>(76,697)</u>
Total revenue	1,841,838	1,841,838	1,770,862	(70,976)
Expenditures				
Mayor's department				
Legal fees	137,816	137,816	133,898	3,918
Semi-monthly salaries	-	65,001	15,194	49,807
Phone utility	40,000	40,000	40,000	-
Retirement funds	<u>-</u>	<u>11,239</u>	<u>2,773</u>	<u>8,466</u>
Total treasurer's department	177,816	254,056	191,865	62,191
Treasurer's department				
Semi-monthly salaries	65,001	-	-	-
Supplies	100	100	43	57
Retirement funds	<u>11,239</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total treasurer's department	76,340	100	43	57
Police department				
Equipment accessories	<u>25,000</u>	<u>18,000</u>	<u>16,740</u>	<u>1,260</u>
Total police department	\$ 25,000	\$ 18,000	\$ 16,740	\$ 1,260

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Home Rule Fund
(Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public works - engineering				
Equip - rolling stock	\$ 12,003	\$ 12,003	\$ 11,191	\$ 812
Equipment accessories	2,500	2,500	2,498	2
Survey and engineer fees	1,000	1,000	853	147
Equipment rental	1,900	1,900	440	1,460
Semi-monthly salaries	270,169	270,169	270,169	-
Supplies	200,000	200,000	155,993	44,007
Electric utility	190,001	190,001	165,433	24,568
Technical and outside services	43,000	43,000	30,598	12,402
Retirement funds	48,479	48,479	48,479	-
Capital improvements	<u>1,639,808</u>	<u>1,559,808</u>	<u>325,670</u>	<u>1,234,138</u>
Total public works - engineering	2,408,860	2,328,860	1,011,324	1,317,536
Public works - maintenance				
Vehicle operating costs	90,000	90,000	81,734	8,266
Maintenance to rolling stock	<u>35,000</u>	<u>34,000</u>	<u>32,911</u>	<u>1,089</u>
Total public works - maintenance	125,000	124,000	114,645	9,355
Parks department				
Electric utility	9,000	9,000	8,975	25
Sewer utility	1,250	1,250	1,245	5
Water utility	5,500	5,500	5,349	151
Sanitation service	<u>5,000</u>	<u>5,000</u>	<u>4,916</u>	<u>84</u>
Total parks department	20,750	20,750	20,485	265
Municipal complex department				
Renovation or remodeling	<u>26,500</u>	<u>18,500</u>	<u>17,257</u>	<u>1,243</u>
Total municipal complex department	\$ 26,500	\$ 18,500	\$ 17,257	\$ 1,243

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Home Rule Fund
(Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Land use and development				
Semi-monthly salaries	\$ 25,000	\$ -	\$ -	\$ -
Technical and outside services	65,000	65,000	5,608	59,392
Retirement funds	4,323	4,323	-	4,323
Sales tax rebate	<u>219,197</u>	<u>219,197</u>	<u>208,863</u>	<u>10,334</u>
Total land use and development	313,520	288,520	214,471	74,049
Debt service	<u>171,642</u>	<u>171,642</u>	<u>171,642</u>	<u>-</u>
Total expenditures	<u>3,345,428</u>	<u>3,224,428</u>	<u>1,758,472</u>	<u>1,465,956</u>
Net change in fund balance	<u>\$ (1,503,590)</u>	<u>\$ (1,382,590)</u>	12,390	<u>\$ 1,394,980</u>
Reconciliation of budgetary basis to government fund statement of changes in fund balance				
Effect of unrecorded assets			222,729	
Effect of unrecorded liabilities			(269,532)	
Beginning fund balance			<u>1,942,339</u>	
Ending fund balance			<u>\$ 1,907,926</u>	

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
State Motor Fuel Tax Fund
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Motor fuel tax allotment	\$ 443,163	\$ 443,163	\$ 438,023	\$ (5,140)
Grants	-	73,179	73,179	-
Interest	<u>3,551</u>	<u>3,551</u>	<u>1,205</u>	<u>(2,346)</u>
Total revenue	446,714	519,893	512,407	(7,486)
Expenditures				
Maintenance to equipment	6,000	6,000	3,423	2,577
Supplies	100	100	44	56
Electric utility	12,000	12,000	10,363	1,637
Capital improvements	<u>935,338</u>	<u>963,338</u>	<u>497,295</u>	<u>466,043</u>
Total expenditures	<u>953,438</u>	<u>981,438</u>	<u>511,125</u>	<u>470,313</u>
Net change in fund balance	<u>\$ (506,724)</u>	<u>\$ (461,545)</u>	1,282	<u>\$ 462,827</u>
Reconciliation of budgetary basis to government fund statement of changes in fund balance				
Effect of unrecorded assets			(1,773)	
Effect of unrecorded liabilities			65,263	
Beginning fund balance			<u>565,783</u>	
Ending fund balance			<u>\$ 630,555</u>	

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Hotel and Motel Tax Fund
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Hotel and motel tax revenue	\$ 534,689	\$ 534,689	\$ 558,652	\$ 23,963
Interest	1,035	1,035	991	(44)
Total revenues	535,724	535,724	559,643	23,919
Expenditures				
Executive department				
Public relations	3,300	3,300	2,376	924
Total executive department	3,300	3,300	2,376	924
Mayor's department				
Membership dues	5,000	5,000	5,000	-
Public relations	110,000	110,000	110,000	-
Salaries	-	1	-	1
Total mayor's department	115,000	115,001	115,000	1
Treasurer's department				
Audit fees	1,100	1,100	1,100	-
Semi-monthly salaries	1	-	-	-
Supplies	100	100	-	100
Total treasurer's department	1,201	1,200	1,100	100
Police department				
Equipment - rolling stock	25,500	25,500	25,335	165
Semi-monthly salaries	125,642	125,642	125,642	-
Overtime	9,200	9,200	9,200	-
Technical and outside services	300	300	195	105
Retirement fund	27,950	27,950	27,950	-
Total police department	188,592	188,592	188,322	270
Parks department				
Computers	1,000	1,202	1,201	1
Public relations	5,002	5,002	5,000	2
Overtime compensation	7,500	7,500	6,777	723
Supplies	6,800	6,598	5,922	676
Electric utility	1,800	1,800	1,796	4
Sewer utility	250	250	222	28
Water utility	1,100	1,100	-	1,100
Sanitation service	1,250	1,250	1,248	2
Retirement funds	2,100	2,100	1,170	930
Total parks department	\$ 26,802	\$ 26,802	\$ 23,336	\$ 3,466

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Hotel and Motel Tax Fund
(Continued)
For the Year Ended April 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Land use and development department				
Salaries	\$ 1	\$ 15,001	\$ -	\$ 15,001
Economic development committee	31,270	31,270	31,270	-
Retirement funds	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total land use and development department	31,272	46,272	31,270	15,002
Capital improvements	290,000	295,000	24,201	270,799
Debt service	<u>326,414</u>	<u>326,414</u>	<u>265,192</u>	<u>61,222</u>
Total expenditures	<u>982,581</u>	<u>1,002,581</u>	<u>650,797</u>	<u>351,784</u>
Net change in fund balance	<u>\$ (446,857)</u>	<u>\$ (466,857)</u>	(91,154)	<u>\$ 375,703</u>
Reconciliation of budgetary basis to government fund statement of changes in fund balance				
Effect of unrecorded assets			1,483	
Effect of unrecorded liabilities			55,373	
Beginning fund balance			<u>622,312</u>	
Ending fund balance			<u>\$ 588,014</u>	

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Budgetary Comparison Schedule (Budgetary Basis)
Food and Beverage Tax Fund
For the Year Ended April 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Food and beverage tax	\$ 1,024,592	\$ 1,024,592	\$ 1,025,988	\$ 1,396
Interest	<u>3,688</u>	<u>3,688</u>	<u>3,782</u>	<u>94</u>
Total revenue	1,028,280	1,028,280	1,029,770	1,490
Expenditures				
Semi-monthly salaries	41,680	41,680	41,680	-
Retirement fund	7,300	7,300	7,300	-
Audit fees	1,100	1,100	1,100	-
Supplies	100	100	52	48
Unemployment insurance	150	150	-	150
Debt service	<u>798,000</u>	<u>798,000</u>	<u>735,608</u>	<u>62,392</u>
Total expenditures	<u>848,330</u>	<u>848,330</u>	<u>785,740</u>	<u>62,590</u>
Net change in fund balance	<u>\$ 179,950</u>	<u>\$ 179,950</u>	244,030	<u>\$ 64,080</u>
Reconciliation of budgetary basis to government fund statement of changes in fund balance				
Effect of unrecorded assets			3,896	
Effect of unrecorded liabilities			(20,434)	
Beginning fund balance			<u>1,939,214</u>	
Ending fund balance			<u>\$ 2,166,706</u>	

See independent auditors' report and notes to financial statements.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

**Schedule of Funding Progress
April 30, 2011**

Illinois Municipal Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 8,914,464	\$ 11,982,387	\$ 3,067,923	74.40 %	\$ 3,749,626	81.82 %
12/31/2009	9,225,939	11,480,492	2,254,553	80.36	3,812,448	59.14
12/31/2008	9,714,218	11,761,583	2,047,365	82.59	3,632,481	56.36

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$9,617,665 . On a market basis, the funded ratio would be 80.27 percent.

**Police Pension Fund
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age Normal Cost (b)	Unfunded (Overfunded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll ((b-a)/c)
4/30/2010	\$ 16,052,886	\$ 26,854,412	\$ 10,801,526	59.78 %	\$ 2,754,211	392.18 %
4/30/2009	14,260,036	25,439,620	11,179,584	56.05	2,606,658	428.89
4/30/2008	16,360,384	23,282,790	6,922,406	69.84	2,578,209	268.50

**Other Post Employment Benefit Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (b)	Unfunded (Overfunded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2011	\$ -	\$ 4,013,650	\$ 4,013,650	0 %	\$ 5,549,369	72.30 %
4/30/2010	-	3,773,878	3,773,878	0	5,361,709	70.40

See independent auditors' report and notes to financial statements.

STATISTICAL SECTION

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

GENERAL GOVERNMENTAL REVENUES BY SOURCE
FOR THE LAST TEN FISCAL YEARS
INCLUDES ALL GOVERNMENTAL FUND TYPES

YEAR ENDING APRIL 30th	INTERGOV- ERNMENTAL	FOOD & BEVERAGE TAX	HOTEL / MOTEL TAX	CHARGES FOR SERVICES	LICENSE AND PERMITS	UTILITY / FRANCHISE TAXES	FINES AND FEES	INTEREST	GRANTS	MISC	TOTAL
2002	\$ 11,390,882	\$ 891,211	\$ 416,666	\$ 118,837	\$ 126,419	\$ 202,655	\$ 225,164	\$ 405,373	\$ 524,211	\$ 554,818	\$ 14,856,236
2003	11,523,991	919,143	482,474	112,704	131,168	205,486	204,037	146,156	298,537	75,804	14,099,500
2004	11,387,768	949,222	528,645	117,180	236,545	208,781	228,079	59,318	193,260	76,832	13,985,630
2005	11,922,244	952,966	581,351	119,822	240,056	270,509	229,262	76,534	492,751	90,228	14,975,723
2006	13,509,584	984,297	603,176	122,336	350,855	258,359	254,667	158,590	215,140	169,954	16,626,958
2007	13,948,711	992,855	608,594	134,331	236,645	214,862	152,986	267,694	374,462	212,866	17,144,006
2008	13,394,677	1,006,626	598,278	140,199	261,184	240,716	144,840	316,605	180,184	415,246	16,698,555
2009	13,844,027	1,031,616	584,653	144,880	283,538	241,809	130,041	109,615	129,024	244,346	16,743,549
2010	13,570,995	1,016,829	522,347	172,450	285,736	223,427	364,645	14,185	124,562	200,687	16,495,863
2011	14,386,511	1,029,885	560,135	194,606	280,462	219,919	392,934	13,418	130,090	280,663	17,488,623

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

INTERGOVERNMENTAL TAX REVENUES BY SOURCE
FOR THE LAST TEN FISCAL YEARS
INCLUDES ALL GOVERNMENTAL FUND TYPES

YEAR ENDING APRIL 30th	SALES TAX	HOME RULE SALES TAX	BUSINESS DISTRICT SALES TAX	ILLINOIS INCOME TAX	MOTOR FUEL TAX	PROPERTY TAX	USE TAX	TOTAL
2002	\$ 8,059,485	\$ 1,801,437	\$ -	\$ 1,045,689	\$ 440,612	\$ 43,659	\$ -	\$ 11,390,882
2003	8,217,092	1,848,641	-	977,922	436,569	43,767	-	11,523,991
2004	8,173,444	1,827,923	-	906,918	435,820	43,663	-	11,387,768
2005	8,040,062	2,342,548	-	1,047,582	447,258	44,794	-	11,922,244
2006	8,170,985	3,690,023	-	1,162,903	440,830	44,843	-	13,509,584
2007	8,157,598	3,848,970	-	1,252,802	436,217	59,681	193,443	13,948,711
2008	7,714,173	3,563,886	-	1,346,869	448,816	102,885	218,048	13,394,677
2009	7,551,644	3,455,522	85,575	1,483,993	439,732	589,770	237,791	13,844,027
2010	7,622,883	3,480,874	89,319	1,005,848	425,270	746,407	200,394	13,570,995
2011	7,852,568	3,526,108	91,486	1,441,099	426,300	804,895	244,055	14,386,511

COMMENTS

Prior to 2009, the "Business District Sales Tax" is shown within the "Sales Tax" column.

Prior to 2007, "Use Tax" was listed under "Illinois Income Tax".

"Property Tax" revenue is limited to TIF and "Road and Bridge" distributions via St. Clair County. The City of Fairview Heights historically has not issued a property tax levy.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS
INCLUDES ALL GOVERNMENTAL FUND TYPES

YEAR ENDING APRIL 30th	GENERAL GOVERNMENT	STREETS AND			CULTURE AND RECREATION	CAPITAL OUTLAY	DEBT SERVICE		TOTAL
		PUBLIC SAFETY	PUBLIC WORKS						
2002	\$ 3,965,786	\$ 3,886,518	\$ 3,349,124	\$ 1,720,880	\$ 5,036,855	\$ 218,210	\$ 18,177,373		
2003	3,935,523	3,806,109	3,483,679	1,622,953	6,642,051	250,595	19,740,910		
2004	4,146,636	3,771,069	3,401,790	1,587,673	2,388,027	435,124	15,730,319		
2005	4,269,562	3,719,217	3,611,498	1,131,695	1,169,898	552,069	14,453,939		
2006	4,769,276	4,023,177	3,352,923	1,278,676	1,547,598	564,729	15,536,379		
2007	3,556,374	4,532,480	3,486,282	1,295,822	1,172,905	1,404,996	15,448,859		
2008	3,513,595	4,579,787	3,227,171	1,415,926	2,115,778	1,345,949	16,198,206		
2009	3,654,681	4,907,906	3,519,936	1,453,212	3,380,214	1,348,791	18,264,740		
2010	4,146,085	4,895,151	3,452,803	1,405,291	2,772,679	1,344,463	18,016,472		
2011	4,331,457	4,885,479	3,701,210	1,387,936	859,485	3,873,092	19,038,659		

COMMENTS

FY 2011 "Debt Service" includes the refinancing of an existing bond related to the Fountains Conference Center.

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

RATE SETTING EAV

FOR THE LAST TEN FISCAL YEARS

	<u>FARM</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>MINERAL</u>	<u>STATE RR</u>	<u>TOTAL</u>	<u>% CHANGE</u>
2001	\$ 5,555,644	\$ 133,388,581	\$ 123,039,296	\$ 660,701	\$ 871	\$ -	\$ 262,645,093	3.5%
2002	5,592,619	143,230,680	128,444,937	691,154	1,431	-	277,960,821	5.8%
2003	6,312,786	156,076,227	140,174,400	698,631	1,818	-	303,263,862	9.1%
2004	6,457,199	164,182,537	149,930,009	737,505	1,818	1,406	321,310,474	6.0%
2005	6,941,999	183,873,204	159,450,273	794,984	1,818	1,495	351,063,773	9.3%
2006	7,479,412	202,450,121	175,997,514	868,048	1,818	1,686	386,798,599	10.2%
2007	8,001,295	215,220,857	186,797,543	912,518	1,818	2,020	410,936,051	6.2%
2008	7,860,205	223,278,350	186,742,668	632,619	1,870	2,709	418,518,421	1.8%
2009	7,986,593	227,193,105	186,397,654	653,815	1,870	3,111	422,236,148	0.9%
2010	7,916,904	224,047,514	178,657,696	658,411	1,870	3,814	411,286,209	-2.6%
Ten Year Avg								5.0%

CITY OF FAIRVIEW HEIGHTS, ILLINOISCOMPUTATION OF LEGAL DEBT MARGIN
APRIL 30, 2011

ASSESSED VALUATION FOR 2010	<u>\$ 411,286,209</u>
STATUTORY DEBT LIMITATION: 8.625% of Assessed Valuation	\$ 35,473,436
TOTAL GENERAL OBLIGATION DEBT	<u>8,187,971</u>
LEGAL DEBT MARGIN	<u>\$ 27,285,465</u>

CITY OF FAIRVIEW HEIGHTS, ILLINOIS

RATIO OF NET GENERAL DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>YEAR ENDING APRIL 30th</u>	<u>POPULATION</u>	<u>ASSESSED VALUATION</u>	<u>GENERAL BONDED DEBT</u>	<u>RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUATION</u>	<u>BONDED DEBT PER CAPITA</u>
2002	16,851	\$ 262,645,093	\$ 15,200,522	0.058	\$ 902.05
2003	16,851	277,960,821	14,563,300	0.052	864.24
2004	16,851	303,263,862	13,902,500	0.046	825.03
2005	16,851	321,310,474	13,285,000	0.041	788.38
2006	16,851	351,063,773	12,710,823	0.036	754.31
2007	16,851	386,798,599	11,750,000	0.030	697.29
2008	16,851	410,936,051	10,880,000	0.026	645.66
2009	16,851	418,518,421	10,050,538	0.024	596.44
2010	16,851	422,236,148	9,025,000	0.021	535.58
2011	17,078	411,286,209	8,187,971	0.020	479.45

CITY OF FAIRVIEW HEIGHTS, ILLINOIS
PROPERTY TAX RATES PER \$100 OF ASSESSED VALUATION
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS (UNAUDITED)

TABLE 7

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct City Rates										
City of Fairview Heights	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Library - City of Fairview Heights	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Overlapping Rates										
St. Clair County	0.9488	0.9439	1.0120	0.9909	0.9715	1.0090	0.9120	0.9161	0.9168	0.9158
French Village Fire	0.5060	0.5247	0.6360	0.6726	0.6691	0.6571	0.6504	0.6929	0.7137	0.7605
Fairview Caseyville TWP Fire	0.3194	0.3154	0.3029	0.3022	0.2931	0.2791	0.2777	0.2857	0.3728	0.3984
Northwest SCC Fire	0.3526	0.3568	0.3562	0.3558	0.3466	0.3659	0.4781	0.4784	0.4848	0.4945
Northwest SCC Bonds	0.1569	0.1464	0.1385	0.1195	0.1079	0.0927	0.0880	0.0839	0.0849	0.0884
East Side Fire	0.1861	0.1895	0.1815	0.1787	0.1749	0.1703	0.1648	0.1657	0.1754	0.1861
O'Fallon - SHI - Casey Fire	0.2911	0.2742	0.3000	0.3096	0.3829	0.4106	0.3785	0.3822	0.4013	0.4162
East Side Health	0.1814	0.1762	0.1723	0.1903	0.1627	0.1534	0.1498	0.1330	0.1297	0.1339
East St. Louis Park	0.3175	0.3247	0.3311	0.3550	0.4879	0.4711	0.4711	0.4713	0.4330	0.4599
Townships										
Caseyville Township	0.1180	0.1314	0.1378	0.1346	0.1271	0.1187	0.1102	0.1031	0.1065	0.1122
St. Clair Township	0.0670	0.0618	0.0561	0.0517	0.0478	0.0453	0.0426	0.0395	0.0420	0.0501
Canteen Township	0.4559	0.5055	0.5070	0.5159	0.4928	0.4798	0.4631	0.4604	0.4621	0.4596
Road & Bridge										
Caseyville Road	0.1587	0.1510	0.1492	0.1515	0.1370	0.1217	0.1096	0.1033	0.1017	0.1023
St. Clair Road	0.2722	0.2666	0.2611	0.2563	0.2500	0.2455	0.2406	0.2311	0.2352	0.2243
Canteen Road	0.3491	0.3670	0.3670	0.3670	0.3505	0.3383	0.3380	0.3413	0.3379	0.3358
Schools										
SWC # 522	0.3006	0.2948	0.3408	0.3474	0.3483	0.3589	0.3689	0.3574	0.3608	0.3689
Grant Dist # 110	2.5353	2.4980	2.5984	3.0837	2.9768	3.0610	3.1244	3.2556	3.6380	3.9457
Belleville HS # 201	1.8926	1.8838	1.9528	1.9673	1.9768	2.0291	1.9658	1.9620	1.9753	1.9700
Wolf Branch # 113	3.2925	4.0476	3.8004	3.8912	3.7706	3.6397	3.6325	3.5070	3.5447	3.5748
O'Fallon Dist # 90	2.6874	2.7900	2.7919	2.8308	2.9568	2.9568	2.9568	2.9568	3.0518	3.0657
O'Fallon HS # 203	1.7234	1.8091	1.8920	1.9371	1.9819	1.9819	1.9427	1.8999	1.9187	1.9819
Pontiac Dist # 105	2.4631	2.4298	2.4487	2.4748	2.4909	2.3682	2.3884	2.3942	2.4239	2.3540
Central Dist # 104	2.9404	2.8917	3.2715	3.1388	3.1623	3.1600	3.1600	3.1600	3.1600	3.2578
Collinsville Unit #10	4.5512	4.4252	4.3867	4.4290	4.3884	4.3329	4.3319	4.2511	4.2674	4.2613
East St. Louis Unit #189	7.5486	7.5474	7.5488	7.5482	7.4150	7.5484	7.5410	7.5406	7.4908	7.5332
Signal Hill Dist # 181	4.4711	4.4957	4.7616	4.8942	4.7921	4.8376	4.7828	4.7917	4.8374	4.8778

**CITY OF FAIRVIEW HEIGHTS, ILLINOIS
MISCELLANEOUS STATISTICS
APRIL 30, 2011**

Date of Incorporation	1969
Form of Government	Mayoral/Council
Number of Employees:	
Total	152
Full Time	110
Total Area	11.2 Square Miles
Number of Dwelling Units	7,876
Estimated Population	17,078
Postal Code	62208
Area Code	618

Police Protection:	
Number of Policemen and Officers	43
Number of Police Vehicles	38
Community and Storm Notification System	

Culture and Recreation:	
Public Library	1
Parks	6
Ball Diamonds Available	2
Volleyball Courts Available	3
Senior Citizen Centers	1

Large Item Pick Up – March, July and November
Voters Registration
Notary Service

FACILITIES AND SERVICES NOT INCLUDED IN THE REPORTING ENTITY:

Fire Protection:	
Number of Stations	3
626 Lincoln Highway	
10045 Bunkum Road	
2904 North 89 th Street	

Ambulance:	
Abbott Lifeforce	
Medstar	

Education:	
Elementary	2
Middle School	2
Parochial	1

Utilities:	
Electric – Ameren CIPS	
Gas – Ameren IP	
Sanitary Sewers – Caseyville Township Sewers	
Water – Caseyville Water	
O'Fallon Water	
Illinois American	
Waste Haulers	11

Recycling Center	1
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