

**BRAY, DRAKE, LILES & RICHARDSON LLP**

KARL E. DRAKE, CPA  
CURTIS D. LILES, CPA  
R. NEIL RICHARDSON, CPA

*Certified Public Accountants*  
1606 N. Willow View Road, Suite 1E  
Urbana, Illinois 61802-7446

Phone 217/337-0004  
Fax 217/337-5822

JAMES P. BRAY, CPA (RETIRED)

September 4, 2007

**FILED**

NOV 21 2007

*Mark Sheldon*  
CHAMPAIGN COUNTY CLERK

President and Board of Trustees,  
Village of Pesotum and  
Daniel W. Hynes, Comptroller  
State of Illinois

**Independent Auditor's Report on State  
of Illinois Annual Financial Report**

We have audited the financial statements of the Village of Pesotum, Pesotum, Illinois for the fiscal year ended April 30, 2007, which is included under separate cover, with this supplemental report. In our report dated September 4, 2007, we expressed an unqualified opinion on the financial statements.

The accompanying supplemental annual financial report, filed electronically, has been derived from the financial statements that we audited. In our opinion, the information set forth in the accompanying financial report presents fairly, in all material respects, the information from which it has been derived.

This supplemental annual financial report is intended solely for filing with the State of Illinois Comptroller's Office, and is not intended for any other purpose.

The statements in this report are in the format prescribed by the State of Illinois Comptroller's Office, and consequently, are not intended to and do not present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

*Bray, Drake, Liles & Richardson LLP*  
BRAY, DRAKE, LILES & RICHARDSON LLP

# FY 2007 Annual Financial Report **FILED**

## Multi-Purpose Long Form

NOV 21 2007

CC Copy - 9/7/2007 11:12:51AM

*Mark Sheldon*  
CHAMPAIGN COUNTY CLERK

DO NOT SEND THIS PAPER COPY - THIS IS YOUR COPY.

MAKE SURE YOU HAVE CLICKED THE SUBMIT BUTTON IN THE COMPTROLLER CONNECT PROGRAM. THIS WILL PROVIDE THE COMPTROLLER'S OFFICE WITH A COPY OF YOUR ANNUAL FINANCIAL REPORT.

Unit Name: Pesotum Village

County: CHAMPAIGN

Unit Code: 010/070/32

I attest that, to the best of my knowledge, this report represents a complete and accurate statement of the financial position of Pesotum Village as of the end of this fiscal year.

Written signature of government official  
Tim Lecher, President  
Please Sign

Date

PLEASE CROSS OUT ALL INCORRECT INFORMATION AND PROVIDE CORRECTIONS

► **STEP 1: ENTER CONTACT INFORMATION**

Is the following information correct and complete?

Yes  No

A. Contact Person (elected or appointed official responsible for filling out this form):		B. Chief Executive Officer (elected or appointed official responsible for the executive administration, i.e. mayor, supervisor, or chairman):		C. Chief Financial Officer (elected or appointed official responsible for maintaining the government's financial records):	
Tim	Lecher	Tim	Lecher	Brad	Frankovich
President		President		Treasurer	
PO Box 200		PO Box 200		PO Box 200	
Pesotum		Pesotum		Pesotum	
IL		IL		IL	
61863		61863		61863	
Phone: 2178672275		Phone: 2178672275		Phone: 2178672275	
Fax		Fax		Fax	
E-mail:		E-mail		E-mail:	

If the Chief Executive Officer and the Chief Financial Officer are the same person as the Contact Person, please check this box and skip to Step 2. If not, please do not leave columns B and C blank.

Unit Name: Pesotum Village

Unit Code Number: 010/070/32

**STEP 2: VERIFY FISCAL YEAR END**

FY END DATE: 04/30/2007

If the fiscal year end date, listed above, is incorrect, cross out the incorrect date and provide the correct date. Official documentation of this change must be sent to the Chicago office before the fiscal year end date is officially changed.

**STEP 3: GASB 34, ACCOUNTING SYSTEM, DEBT, UTILITY, HOME RULE AND TIF**

A. Has your government implemented GASB 34 in FY 2007 reporting or in previous reporting years?  X  Yes   No

If Yes:

- Governments who have implemented GASB 34 and are using "other basis of accounting" (OCBOA) such as "Cash Basis" and "Modified Cash Basis" as their accounting system will now be able to select these types as their accounting system.
- Please fill out the Alternative Assets & Liabilities page, located on page F1(b)

**B. Which type of accounting system does Pesotum Village use:**

Cash - with no assets (Cash Basis)  X  Modified Accrual/Accrual  
  Cash - with assets (Modified Cash Basis)   Combination (explain)

C. Does the government have debt this reporting fiscal year?   Yes  X  No

**D. If "Yes", indicate the type(s) of debt.**

G.O. Bonds   Revenue Bonds  
  Alternate Revenue Bonds   Contractual Commitments  
  Other

E. Does Pesotum Village own a public utility company?  X  Yes   No

F. Is Pesotum Village a home rule unit?   Yes  X  No

G. Does Pesotum Village have a Tax Increment Finance (TIF) district?   Yes  X  No

Unit Name: Pesotum Village

Unit Code Number: 010/070/32

► **STEP 4: POPULATION, EAV AND EMPLOYEES**

^What is the total <b>population</b> of Pesotum Village?	559
What is the total <b>EAV</b> of Pesotum Village?	\$ 6,720,505
*How many <b>full time employees</b> are paid?	1
*How many <b>part time employees</b> are paid?	4
What is the <b>total salary</b> paid to all employees?	\$ 62,290

^Or provide estimated population

\*Do not include contractual employees.

► **STEPS 5 AND 6: COMPONENT UNITS AND APPROPRIATIONS**

**Provide the appropriation for the primary government listed in the first row of the table below.**

In the remaining rows, provide the names of all component units along with their appropriations. Indicate if the component units are blended or discretely presented, its fiscal year end date and if the component unit was funded with governmental fund types or enterprise fund types. If the component units are already indicated, that data is based on forms submitted last year. If you have more component units than the rows provided below, please indicate them on an attachment.

If you need assistance with the terms indicated below, refer to the *Chart of Accounts and Definitions* and the *How to Fill Out An AFR* documents.

Name of Unit/Component	Appropriation	Type of Component Unit	FISCAL YEAR END	Enterprise Fund Type or Governmental Fund Type
<b><u>FUNDS SHOULD NOT BE LISTED HERE</u></b>				
Pesotum Village	\$514,611		04/30	
<b>Total Appropriations</b>	\$514,611			

Unit Name: Pesotum Village

Unit Code Number. 010/070/32

► **STEP 7: AUDITS**

Provide CPA's information if Pesotum Village is required to submit an audit to the Office of the Comptroller.

Firm Name:	Bray, Drake, Liles & Richardson LLP
CPA's first name:	Curtis
CPA's last name:	Liles
CPA's Title:	Partner
Address:	1606 N. Willow View Road Suite 1E
City:	Urbana
State:	IL
ZIP:	61802-7446
Phone:	217-337-0004
Fax:	217-337-5822
Email:	curt@bdlrcpa.com
State Registration Number:	066-0002934

► **STEP 8: OTHER GOVERNMENTS**

Indicate any payments Pesotum Village made to other governments for services or programs (include programs performed on a reimbursement, cost-sharing basis or federal payroll taxes).

Intergovernmental agreements - indicate how much was paid	0
Federal government payroll taxes	4,765
All other intergovernmental payments	0

Unit Name: Pesotum Village

Unit Code Number: 010/070/32

► **STEP 9: FUND LISTING & ACCOUNT GROUPS**

**A. List all funds and how much was spent in FY 2007 for each fund. Also, indicate the Fund Type (Fund Types are at the top of each column beginning on page F1). If any fund names appear below, the data is based on forms submitted last year. Please make all necessary corrections. If you have more fund names than the rows provided below, please indicate them on an attachment.**

Fund Name	Expenditure	Fund Type	FY End
General Fund Fund	135,283	General Fund	04/30
Motor Fuel Tax Fund	11,799	Special Revenue Fund	04/30
Water Fund Fund	60,697	Enterprise Fund	04/30
<b>Total Expenditures</b>	207,779		

**B. Does Pesotum Village have assets or liabilities that should be recorded as a part of Account Groups?** See Chart of Accounts and Definitions and the How to Fill Out An AFR documents for more information about Account Groups.

     Yes                        X   No

**STEP 10: GOVERNMENTAL ENTITIES**

List of governmental entities that are part of or related to the primary government. Exclude component units detailed in Steps 5 & 6. Most small governments do not have governmental entities.

Entity Name	Relationship

**STEP 11: REPORTING**

Check any state or local entity where financial reports are filed.

<b>STATE AGENCIES</b>	
___ - Board of Education	___ - Board of Higher Education
___ - DCCA	___ - Department of Insurance
<b>OTHER STATE OR LOCAL OFFICES</b>	
<input checked="" type="checkbox"/> - Illinois Comptroller	___ - Secretary of State
___ - General Assembly - House	___ - General Assembly - Senate
<input checked="" type="checkbox"/> - County Clerk	___ - Circuit Clerk
___ - Governor's Office	___ - Other - _____

## Assets

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
<b>Current Assets</b>		Report In Whole Numbers			
101t	Cash and Cash Equivalent	68,173	26,527	0	0
102t	Investments	325,239	49,149	0	0
115t	Receivables	57,453	4,226	0	0
109t	Inventories	0	0	0	0
112t	Other Assets (Explain)	4,700	0	0	0
<b>Non-Current Assets</b>		Report In Whole Numbers			
116t	Capital Assets/Net of Accumulated Depreciation	115,235	4,250	0	0
117t	Other Capital Assets	83,300	142,335	0	0
120t	<b>TOTAL ASSETS</b>	654,100	226,487	0	0

## Liabilities

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
<b>Current Liabilities</b>		Report In Whole Numbers			
122t	All Payables	15,543	5,892	0	0
132t	Deferred Revenues	0	0	0	0
128t	Other Liabilities (Explain)	0	0	0	0
<b>Non-Current/Long-Term Liabilities</b>		Report In Whole Numbers			
129t	Due Within One Year	0	0	0	0
130t	Due Beyond One Year	0	0	0	0
131t	Other Non-Current/Long Term Liabilities	0	0	0	0
135t	<b>TOTAL LIABILITIES</b>	15,543	5,892	0	0

## Net Assets

Code	Enter all Amounts in Whole Numbers	Governmental Activity	Business-Like Activity	Fiduciary	Discretely Presented Component Units
143t	Investments in Capital Assets/Net of Related Debt	198,535	146,585	0	0
148t	Net Assets - Restricted	19,170	0	0	0
149t	Net Assets - Unrestricted	420,852	74,010	0	0
146t	<b>TOTAL NET ASSETS</b>	638,557	220,595	0	0
147t	<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	654,100	226,487	0	0

F1b

**Revenues and Receipts**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
<b>Local Taxes</b>		Report in Whole Numbers							
201t	Property Tax	26,144	0	0	0	0	0	0	0
202t	Local Sales Tax	0	0	0	0	0	0	0	0
203t	Utilities Tax	43,126	0	0	0	0	0	0	0
203a	Electric Utilities	14,368	0	0	0	0	0	0	0
203b	Water Utilities	0	0	0	0	0	0	0	0
203c	Communications Utilities	13,235	0	0	0	0	0	0	0
203d	Other Utilities Tax (Explain)	15,523	0	0	0	0	0	0	0
204t	Other Taxes (Explain)	0	0	0	0	0	0	0	0

**Intergovernmental Receipts & State or Federal Grants**

211t	State Income Tax	44,937	0	0	0	0	0	0	0
212t	State Sales Tax	29,508	0	0	0	0	0	0	0
213t	State Motor Fuel Tax	0	15,117	0	0	0	0	0	0
214t	State Replacement Tax	1,069	0	0	0	0	0	0	0
205t	State Gaming Tax(es)	0	0	0	0	0	0	0	0
215t	Other State Sources (Explain)	0	0	0	0	0	0	0	0
215a	General Support	0	0	0	0	0	0	0	0
215b	Public Welfare	0	0	0	0	0	0	0	0
215c	Health and/or Hospitals	0	0	0	0	0	0	0	0
215d	Streets and Highways	0	0	0	0	0	0	0	0
215e	Culture and Recreation	0	0	0	0	0	0	0	0
215f	Housing and Community Dev	0	0	0	0	0	0	0	0
215g	Water Supply System	0	0	0	0	0	0	0	0
215h	Electric/Gas Power System	0	0	0	0	0	0	0	0
215i	Mass Transit	0	0	0	0	0	0	0	0
215j	Other (Explain)	0	0	0	0	0	0	0	0
225t	Federal Sources	0	0	0	0	0	0	0	0
225a	General Support	0	0	0	0	0	0	0	0
225b	Public Welfare	0	0	0	0	0	0	0	0
225c	Health and/or Hospitals	0	0	0	0	0	0	0	0
225d	Streets and Highways	0	0	0	0	0	0	0	0
225e	Culture and Recreation	0	0	0	0	0	0	0	0
225f	Housing and Community Dev	0	0	0	0	0	0	0	0
225g	Water Supply System	0	0	0	0	0	0	0	0

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
------	------------------------------------	---------	-----------------	------------------	--------------	------------	------------------	-----------	--------------------------------------

**Intergovernmental Receipts & State or Federal Grants**

225h	Electric/Gas Power System	0	0	0	0	0	0	0	0
225i	Mass Transit	0	0	0	0	0	0	0	0
225j	Other (Explain)	0	0	0	0	0	0	0	0
226t	Other Intergovernmental (Explain)	0	0	0	0	0	0	0	0

**Other Sources**

231t	Licenses and Permits	1,250	0	0	0	0	0	0	0
233t	Fines and Forfeitures	0	0	0	0	0	0	0	0
234t	Charges for Services	0	0	0	0	41,610	0	0	0
234a	Water Utilities	0	0	0	0	41,610	0	0	0
234b	Gas Utilities	0	0	0	0	0	0	0	0
234c	Electric Utilities	0	0	0	0	0	0	0	0
234d	Transit Utilities	0	0	0	0	0	0	0	0
234e	Sewer Utilities	0	0	0	0	0	0	0	0
234f	Refuse and Disposal Charges	0	0	0	0	0	0	0	0
234g	Parking	0	0	0	0	0	0	0	0
234h	Housing	0	0	0	0	0	0	0	0
234i	Highway or Bridge Tolls	0	0	0	0	0	0	0	0
234j	Culture and Recreation	0	0	0	0	0	0	0	0
234k	Other (Explain)	0	0	0	0	0	0	0	0
235t	Interest	16,092	23	0	0	3,777	0	0	0
236t	Miscellaneous (Explain)	82	517	0	0	0	0	0	0
240t	Total Receipts and Revenue	162,208	15,657	0	0	45,387	0	0	0

**Disbursements, Expenditures and Expenses**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report In Whole Numbers									
<b>251t</b>	<b>General Government</b>	77,459	0	0	0	0	0	0	0
251a	Financial Administration	77,459	0	0	0	0	0	0	0
251b	General Administrative Buildings	0	0	0	0	0	0	0	0
251c	Central Administration	0	0	0	0	0	0	0	0
251d	Other (Explain)	0	0	0	0	0	0	0	0
<b>252t</b>	<b>Public Safety</b>	7,243	0	0	0	0	0	0	0
252a	Police	0	0	0	0	0	0	0	0
252b	Fire	0	0	0	0	0	0	0	0
252c	Regulation - Building Inspection	0	0	0	0	0	0	0	0
252d	Other (Explain)	7,243	0	0	0	0	0	0	0
<b>253t</b>	<b>Corrections</b>	0	0	0	0	0	0	0	0
<b>254t</b>	<b>Judiciary and Legal</b>	0	0	0	0	0	0	0	0
<b>255t</b>	<b>Transportation and Public Works</b>	32,747	11,799	0	0	0	0	0	0
255a	Streets and Highways	32,747	11,799	0	0	0	0	0	0
255b	Airports	0	0	0	0	0	0	0	0
255c	Parking Meters	0	0	0	0	0	0	0	0
255d	Parking Facilities	0	0	0	0	0	0	0	0
255e	Other (Explain)	0	0	0	0	0	0	0	0
<b>256t</b>	<b>Social Services</b>	0	0	0	0	0	0	0	0
256a	Welfare	0	0	0	0	0	0	0	0
256b	Health (Other than hospitals)	0	0	0	0	0	0	0	0
256c	Hospital Operations	0	0	0	0	0	0	0	0
256d	Cemeteries	0	0	0	0	0	0	0	0
256e	Other (Explain)	0	0	0	0	0	0	0	0
<b>257t</b>	<b>Culture and Recreation</b>	2,923	0	0	0	0	0	0	0
257a	Library	0	0	0	0	0	0	0	0
257b	Parks	2,923	0	0	0	0	0	0	0
257c	Other (Explain)	0	0	0	0	0	0	0	0
<b>258t</b>	<b>Housing</b>	0	0	0	0	0	0	0	0
<b>275t</b>	<b>Environment</b>	0	0	0	0	0	0	0	0
275a	Sewage	0	0	0	0	0	0	0	0

**Disbursements, Expenditures and Expenses**

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report In Whole Numbers									
275b	Solid Waste Management	0	0	0	0	0	0	0	0
275c	Other (Explain)	0	0	0	0	0	0	0	0
259t	<b>Debt</b>	0	0	0	0	0	0	0	0
259a	Interest	0	0	0	0	0	0	0	0
259b	Principal	0	0	0	0	0	0	0	0
271t	<b>Public Utility Company</b>	0	0	0	0	51,141	0	0	0
271a	Water	0	0	0	0	51,141	0	0	0
271b	Electric	0	0	0	0	0	0	0	0
271c	Transit	0	0	0	0	0	0	0	0
271d	Other (Explain)	0	0	0	0	0	0	0	0
272t	<b>Depreciation</b>	0	0	0	0	9,556	0	0	0
280t	<b>Capital Outlay</b>	14,911	0	0	0	0	0	0	0
260t	<b>Other Expenditures (Explain)</b>	0	0	0	0	0	0	0	0
270t	<b>Total Expenditures/Expense</b>	135,283	11,799	0	0	60,697	0	0	0

Fund Balances and Other Financing Sources (Uses)

Code	Enter all Amounts in Whole Numbers	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service	Fiduciary	Discretely Presented Component Units
Report in Whole Numbers									
301t	Excess of receipts/revenues over (under) expenditures/expenses (240t-270t)	26,925	3,858	0	0	-15,310	0	0	0
302t	Operating transfers in	0	0	0	0	0	0	0	0
303t	Operating transfers out	0	0	0	0	0	0	0	0
304t	Bond proceeds	0	0	0	0	0	0	0	0
305t	Other (Explain)	0	0	0	0	0	0	0	0
306t	Net increase(decrease) in fund balance (301t + 302t - 303t + 304t + 305t)	26,925	3,858	0	0	-15,310	0	0	0
307t	Previous year fund balance	367,827	15,312	0	0	235,905	0	0	0
308t	Other (Explain)	0	0	0	0	0	0	0	0
310t	Current Year Ending Fund Balance (306t + 307t + 308t)	394,752	19,170	0	0	220,595	0	0	0

Statement of Indebtedness

Debt Instruments for All Funds	Code	Outstanding Beginning of Year	Code	Issued Current Fiscal Year	Code	Retired Current Fiscal Year	Code	Outstanding End of Year
Report in Whole Numbers								
<b>General Obligation Bonds</b>	<b>400</b>		<b>406</b>		<b>412</b>		<b>418</b>	
Water	400a		406a		412a		418a	
Electric	400b		406b		412b		418b	
Transportation	400c		406c		412c		418c	
Housing	400d		406d		412d		418d	
Other (Explain)	400e		406e		412e		418e	
<b>Revenue Bonds</b>	<b>401</b>		<b>407</b>		<b>413</b>		<b>419</b>	
Water	401a		407a		413a		419a	
Electric	401b		407b		413b		419b	
Transportation	401c		407c		413c		419c	
Housing	401d		407d		413d		419d	
Other (Explain)	401e		407e		413e		419e	
<b>Alternate Revenue Bonds</b>	<b>402</b>		<b>408</b>		<b>414</b>		<b>420</b>	
<b>Contractual Commitments</b>	<b>403</b>		<b>409</b>		<b>415</b>		<b>421</b>	
<b>Other (Explain)</b>	<b>404</b>		<b>410</b>		<b>416</b>		<b>422</b>	
<b>Total Debt</b>	<b>405</b>		<b>411</b>		<b>417</b>		<b>423</b>	

Explanation or Comments

\* Pesotum Village Capital Outlay

Code	Function	These are not funds	
		Construction	Land, Structures, and Equipment
601t	General Government	0	2,300
602t	Law Enforcement	0	0
603t	Corrections	0	0
604t	Fire	0	0
605t	Sewerage	0	0
606t	Sanitation and Wastewater	0	0
607t	Parks and Recreation	0	0
608t	Housing and Community Development	0	0
609t	Highways, Roads and Bridges	0	12,611
610t	Parking Facilities	0	0
611t	Welfare	0	0
612t	Hospital	0	0
613t	Water	0	0
614t	Nursing Homes	0	0
615t	Conservation and Natural Resources	0	0
616t	Libraries	0	0
617t	Other	0	0

\*This page should only be filled out if you have spent funds for capital projects or development.

\*The Capital outlay page is requested by the U.S. Census Bureau and is considered optional by the State Comptroller.

\*If you complete this page you WILL NOT have to complete the Survey of Government Finances from the U.S. Census Bureau.

\*If you do NOT complete this page the U.S. Census Bureau will contact you for further information.

**FILED**

NOV 21 2007

*Mark Sheldon*  
CHAMPAIGN COUNTY CLERK

**VILLAGE OF PESOTUM**  
Pesotum, Illinois

**Annual Financial Report**

**For the Year Ended April 30, 2007**

# VILLAGE OF PESOTUM

Pesotum, Illinois

Annual Financial Report  
For the Year Ended April 30, 2007

## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report.....	1
Management Discussion and Analysis (unaudited).....	2-7
<b><i>Basic Financial Statements:</i></b>	
Exhibit A: <u>Statement of Net Assets</u> .....	8
Exhibit B: <u>Statement of Activities</u> .....	9
Exhibit C: <u>Balance Sheet – Governmental Funds</u> .....	10
Exhibit D: <u>Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds</u> .....	11
Exhibit E: <u>Statement of Net Assets – Proprietary Fund</u> .....	12
Exhibit F: <u>Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund</u> .....	13
Exhibit G: <u>Statement of Cash Flows – Proprietary Fund</u> .....	14
<u>Notes to Basic Financial Statements</u> .....	15-26
<b><i>Required Supplementary Information:</i></b>	
Schedule 1: <u>Budgetary Comparison Schedule (Budgetary Basis) – General Fund</u> .....	27
Schedule 2: <u>Budgetary Comparison Schedule (Budgetary Basis) – Motor Fuel Tax Fund</u> .....	28
<u>Notes to Budgetary Comparison Schedules</u> .....	29
<b><i>Supplementary Information:</i></b>	
Schedule 3: <u>Assessed Valuations, Tax Rates, Taxes Extended and Collected</u> .....	30

**BRAY , DRAKE, LILES & RICHARDSON LLP**  
**Certified Public Accountants**

KARL E. DRAKE, CPA  
CURTIS D. LILES, CPA  
R. NEIL RICHARDSON, CPA

1606 N. Willow View Road, Suite 1E  
Urbana, Illinois 61802-7446

Phone 217/337-0004  
Fax 217/337-5822

-----  
JAMES P. BRAY, CPA (Retired)

September 4, 2007

Honorable President and  
Board of Trustees  
Village of Pesotum  
Pesotum, Illinois

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pesotum, Pesotum, Illinois (the Village) as of and for the year ended April 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Pesotum. 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, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Pesotum as of April 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 27 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pesotum's basic financial statements. The accompanying supplementary schedule on page 30 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary schedule on page 30 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bray, Drake, Liles & Richardson LLP*  
BRAY, DRAKE, LILES & RICHARDSON LLP

# VILLAGE OF PESOTUM

## Management's Discussion and Analysis

April 30, 2007

---

As management of the Village of Pesotum (Village), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2007.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$859,152 (*net assets*). Of this amount, \$494,862 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$33,151.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$413,922, an increase of \$30,783. The majority of this amount, \$390,052, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$390,052, or 288% of total general fund expenditures.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the *financial position of the Village is improving or deteriorating*.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, highways and streets, public safety, and culture and recreations. The business-type activities of the Village include the Water Utility Plant.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the *governmental fund balance sheet* and the *governmental fund statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Motor Fuel Tax Fund both of which are considered to be major funds.

The Village adopts an annual appropriated budget for both of its governmental funds. Budgetary comparison statements have been provided for both funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Proprietary funds.** The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses one enterprise fund to account for its Water Utility Plant.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Utility Plant, which is considered to be a major fund of the Village.

The basic proprietary fund financial statements can be found on pages 12-14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-26 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$859,152 at the close of the most recent fiscal year.

A portion of the Village's net assets (40 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table reflects the condensed Statement of Net Assets for 2006 and 2007.

#### Village of Pesotum's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$410,665	\$455,565	\$86,067	\$79,902	\$496,732	\$535,467
Capital assets, net of accumulated depreciation	<u>194,397</u>	<u>198,535</u>	<u>156,141</u>	<u>146,585</u>	<u>350,538</u>	<u>345,120</u>
Total assets	<u>\$605,062</u>	<u>\$654,100</u>	<u>\$242,208</u>	<u>\$226,487</u>	<u>\$847,270</u>	<u>\$880,587</u>
Current liabilities	\$ 14,966	\$ 15,543	\$ 6,303	\$ 5,892	\$ 21,269	\$ 21,435
Total liabilities	<u>\$ 14,966</u>	<u>\$ 15,543</u>	<u>\$ 6,303</u>	<u>\$ 5,892</u>	<u>\$ 21,269</u>	<u>\$ 21,435</u>
Net Assets:						
Invested in capital assets	\$194,397	\$198,535	\$156,141	\$146,585	\$350,538	\$345,120
Restricted by enabling legislation for motor fuel tax funds	15,312	19,170	0	0	15,312	19,170
Unrestricted	<u>380,387</u>	<u>420,852</u>	<u>79,764</u>	<u>74,010</u>	<u>460,151</u>	<u>494,862</u>
Total net assets	<u>\$590,096</u>	<u>\$638,557</u>	<u>\$235,905</u>	<u>\$220,595</u>	<u>\$826,001</u>	<u>\$859,152</u>

**Governmental Activities.** Governmental activities increased the Village's net assets by \$48,461. For the most part, increases in expenses and revenues closely paralleled inflation and growth in the demand for services.

**Business-type Activities.** Business-type activities decreased the Village's net assets by \$15,310. This represents a 6.5% decline in net assets.

The following table summarizes the revenues and expenses of the Village's activities for 2006 and 2007:

### Village of Pesotum's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,628	\$ 1,250	\$42,657	\$ 41,610	\$ 44,285	\$ 42,860
General revenues:						
Property taxes	25,788	27,283	0	0	25,788	27,283
Motor fuel taxes	15,021	15,117	0	0	15,021	15,117
Replacement taxes	826	1,069	0	0	826	1,069
Income taxes	40,300	44,937	0	0	40,300	44,937
Sales taxes	35,331	32,102	0	0	35,331	32,102
Utility taxes	43,151	44,456	0	0	43,151	44,456
Interest income	10,801	16,115	2,217	3,777	13,018	19,892
Miscellaneous income	8,861	9,076	0	0	8,861	9,076
Total revenues	<u>181,707</u>	<u>191,405</u>	<u>44,874</u>	<u>45,387</u>	<u>226,581</u>	<u>236,792</u>
Expenses:						
General government	75,354	78,397	0	0	75,354	78,397
Highways and streets	54,170	52,221	0	0	54,170	52,221
Public safety	7,338	7,243	0	0	7,338	7,243
Culture and recreation	6,057	5,083	0	0	6,057	5,083
Water utility plant	0	0	54,966	60,697	54,966	60,697
Total expenses	<u>142,919</u>	<u>142,944</u>	<u>54,966</u>	<u>60,697</u>	<u>197,885</u>	<u>203,641</u>
Increase in net assets	38,788	48,461	(10,092)	(15,130)	28,696	33,151
Net assets, beginning	551,308	590,096	245,997	235,905	797,305	826,001
Net assets, ending	<u>\$590,096</u>	<u>\$638,557</u>	<u>\$235,905</u>	<u>\$220,595</u>	<u>\$826,001</u>	<u>\$859,152</u>

Revenues for the Village are generated from a number of different sources and for the most part are dependent on different financial factors. The majority of revenue is derived from income, sales and utility taxes.

General government expenses constituted the largest single category of expense within governmental activities totaling \$78,397, or 55 percent of total expenses of \$142,944. Highways and streets expenses were next largest at \$52,221 or 37 percent of total expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$413,922. 94 percent of this amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for motor fuel tax road improvements.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, *unreserved fund balance of the general fund* was \$390,052 and *total fund balance* was \$394,752 as there was \$4,700 held in reserve for prepaid items. Unreserved fund balance represents 288 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$26,925 during the current fiscal year. The reason for this increase was primarily due to a decrease in capital outlay expenditures.

The fund balance of the Motor Fuel Tax Fund increased by \$3,858 during the current fiscal year. The reason for this increase was primarily due to a slight decrease in the amount of work performed to maintain the village streets.

**Proprietary funds.** The only Village proprietary fund is the Water Utility Fund. This fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$74,010. The total decrease in net assets was \$15,310.

The Village is currently in the midst of negotiating a transaction with Illinois American Water's Champaign District (IAWC) for the sale of the Village's water system. The proposed transaction would entail that all underground piping, meters, fire and flushing hydrants would become the property and responsibility of IAWC. The Village will retain ownership but will lease the elevated water storage tank to IAWC for a period of time that will lend itself to the elevated tank being owned and maintained by IAWC. The Village will however retain ownership of the water treatment plant facility to be used however the Village deems necessary. This proposed transaction will lead to a reduction in assets and liabilities to the Village.

### **General Fund Budgetary Highlights**

- During the year there was no change in appropriations between the original and final budget.

At the end of the year there was an anticipated deficiency of revenues over expenditures of \$338,651. The majority of this deficiency was due to anticipated funds to be spent towards a new drainage system within the Village in conjunction with a local Drainage District upgrade project. Due to circumstances occurring within the Drainage District, the proposed drainage work is anticipated to begin in 2008. The source of funds to cover this work is expected to come out of accumulated savings and not through borrowings.

## Capital Asset Administration

**Capital assets.** The Villages investment in capital assets, net of accumulated depreciation, amounts to \$198,535 for its governmental activities and \$146,585 for its business-type activities. This investment in capital assets includes land, buildings, building improvements, and machinery and equipment. Following is a Statement of Capital Assets, net of depreciation (in thousands) for 2006 and 2007:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	\$ 83,300	\$ 83,300	\$ 4,250	\$ 4,250	\$ 87,550	\$ 87,550
Buildings	24,300	24,300	10,536	10,009	34,836	34,309
Other improvements	33,456	30,382	0	0	33,456	30,382
Machinery and equipment	31,589	27,671	0	0	31,589	27,671
Utility property and improvements	0	0	141,355	132,326	141,355	132,326
Infrastructure	<u>21,752</u>	<u>32,882</u>	<u>0</u>	<u>0</u>	<u>21,752</u>	<u>32,882</u>
Total	<u>\$194,397</u>	<u>\$198,535</u>	<u>\$156,141</u>	<u>\$146,585</u>	<u>\$350,538</u>	<u>\$345,120</u>

Additional information on the Village's capital assets can be found in Note 2.B. in the Notes to Basic Financial Statements of this report.

## Economic Factors and Next Year's Budgets and Rates

The main campus of the University of Illinois lies in the center of Champaign County and it provides a great deal of stability to the area's economy, as the University is the area's largest employer (with over 20,000 employees), and is a major purchaser of various goods and services. In addition, Champaign/Urbana is the home of two of the largest hospitals and related clinical practices in East Central Illinois. This stability provided by these organizations helps make the Village's revenues stable.

The equalized assessed value (EAV) of taxable property in the Village for the 2006 levy year was \$6,720,505, which represents one-third market value. Residential properties make up more than 95% of the EAV for the 2006 levy year. Commercial development constitutes less than 5%.

## Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village.

## VILLAGE OF PESOTUM

Pesotum, Illinois

Statement of Net Assets

April 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 68,173	\$ 26,527	\$ 94,700
Investments	325,239	49,149	374,388
Accounts receivable	8,477	4,226	12,703
Property taxes receivable	27,258	-	27,258
Utility taxes receivable	4,338	-	4,338
Due from the State of Illinois	17,380	-	17,380
Prepaid insurance	4,700	-	4,700
Land	83,300	4,250	87,550
Other capital assets, net of accumulated depreciation	<u>115,235</u>	<u>142,335</u>	<u>257,570</u>
Total assets	<u>654,100</u>	<u>226,487</u>	<u>880,587</u>
<b><u>Liabilities:</u></b>			
Accounts payable	11,398	3,856	15,254
Accrued payroll liabilities	<u>4,145</u>	<u>2,036</u>	<u>6,181</u>
Total liabilities	<u>15,543</u>	<u>5,892</u>	<u>21,435</u>
<b><u>Net Assets:</u></b>			
Invested in capital assets	198,535	146,585	345,120
Restricted by enabling legislation for:			
motor fuel tax funds	19,170	-	19,170
Unreserved	<u>420,852</u>	<u>74,010</u>	<u>494,862</u>
Total net assets	<u>\$ 638,557</u>	<u>\$ 220,595</u>	<u>\$ 859,152</u>

## VILLAGE OF PESOTUM

Pesotum, Illinois

**Statement of Activities**

For the Year Ended April 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Governmental Activities	Business-Type Activities		
<b>Governmental activities:</b>						
General government	\$ 78,397	\$ 1,250	\$ (77,147)	\$ -	\$ (77,147)	
Highways and streets	52,221	-	(52,221)	-	(52,221)	
Public safety	7,243	-	(7,243)	-	(7,243)	
Culture and recreation	5,083	-	(5,083)	-	(5,083)	
Total governmental activities	<u>142,944</u>	<u>1,250</u>	<u>(141,694)</u>	<u>-</u>	<u>(141,694)</u>	
<b>Business-type activities:</b>						
Water	<u>60,697</u>	<u>41,610</u>	<u>-</u>	<u>(19,087)</u>	<u>(19,087)</u>	
Total business-type activities	<u>60,697</u>	<u>41,610</u>	<u>(141,694)</u>	<u>(19,087)</u>	<u>(160,781)</u>	
<b>General revenues:</b>						
Taxes:						
Property taxes			27,283	-	27,283	
Motor fuel taxes			15,117	-	15,117	
Replacement taxes			1,069	-	1,069	
Income taxes			44,937	-	44,937	
Sales taxes			32,102	-	32,102	
Utility taxes			44,456	-	44,456	
Interest income			16,115	3,777	19,892	
Miscellaneous income			9,076	-	9,076	
Total general revenues			<u>190,155</u>	<u>3,777</u>	<u>193,932</u>	
Change in net assets			48,461	(15,310)	33,151	
Net assets, beginning			<u>590,096</u>	<u>235,905</u>	<u>826,001</u>	
Net assets, ending			<u>\$ 638,557</u>	<u>\$ 220,595</u>	<u>\$ 859,152</u>	

VILLAGE OF PESOTUM  
Pesotum, Illinois

**Balance Sheet - Governmental Funds**  
April 30, 2007

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 50,241	\$ 17,932	\$ 68,173
Investments	325,239	-	325,239
Property taxes receivable	27,258	-	27,258
Utility taxes receivable	3,008	-	3,008
Due from the State of Illinois	13,548	1,238	14,786
Prepaid insurance	4,700	-	4,700
 Total assets	 <u>\$ 423,994</u>	 <u>\$ 19,170</u>	 <u>\$ 443,164</u>
<b><u>LIABILITIES AND FUND EQUITIES</u></b>			
<b><u>Liabilities:</u></b>			
Accounts payable	\$ 11,398	\$ -	\$ 11,398
Accrued payroll liabilities	4,145	-	4,145
Deferred revenue	13,699	-	13,699
 Total assets	 <u>29,242</u>	 <u>-</u>	 <u>29,242</u>
<b><u>Fund balances:</u></b>			
Reserved for prepaid items	4,700	-	4,700
Reserved for motor fuel tax projects	-	19,170	19,170
Unreserved	390,052	-	390,052
 Total fund balances	 <u>394,752</u>	 <u>19,170</u>	 <u>413,922</u>
 Total liabilities and fund balances	 <u>\$ 423,994</u>	 <u>\$ 19,170</u>	 <u>\$ 427,621</u>

**Reconciliation to Statement of Net Assets:**

Fund balances - total governmental funds	413,922
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities of \$344,845, net of accumulated depreciation of \$146,310, are not financial resources and, therefore, are not reported in the funds.	198,535
Other assets not available to pay for current-period expenditures	26,100
Net assets of governmental activities	<u>\$ 638,557</u>

## VILLAGE OF PESOTUM

Pesotum, Illinois

**Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds**

For the Year Ended April 30, 2007

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 26,144	\$ -	\$ 26,144
Motor fuel taxes	-	15,117	15,117
Replacement income taxes	1,069	-	1,069
Income taxes	44,937	-	44,937
Sales taxes	29,508	-	29,508
Utility taxes	43,126	-	43,126
Liquor licenses	400	-	400
Building permits	850	-	850
Interest income	16,092	23	16,115
Miscellaneous	82	517	599
Total revenues	<u>162,208</u>	<u>15,657</u>	<u>177,865</u>
<b>Expenditures:</b>			
Current			
General government	77,459	-	77,459
Highways and streets	32,747	11,799	44,546
Public safety	7,243	-	7,243
Culture and recreation	2,923	-	2,923
Capital outlay	14,911	-	14,911
Total expenditures	<u>135,283</u>	<u>11,799</u>	<u>147,082</u>
Net change in fund balances	26,925	3,858	30,783
<b>Fund balances, beginning</b>	<u>367,827</u>	<u>15,312</u>	<u>383,139</u>
<b>Fund balances, ending</b>	<u>\$ 394,752</u>	<u>\$ 19,170</u>	<u>\$ 413,922</u>

**Reconciliation to the Statement of Activities:**

Net change in fund balances - total governmental funds \$ 30,783

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

Governmental funds report capital outlays as expenditures while government activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases	14,911
Depreciation expense	(10,773)
Remove revenues related to prior periods	(12,560)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	26,100
	<u>17,678</u>
Change in Net Assets of Governmental Activities	<u>\$ 48,461</u>

VILLAGE OF PESOTUM  
Pesotum, Illinois

Statement of Net Assets - Proprietary Fund  
April 30, 2007

<u>ASSETS</u>	<u>Water Fund</u>
<b><u>Current assets:</u></b>	
Cash and cash equivalents	\$ 26,527
Investments	49,149
Accounts receivable	<u>4,226</u>
Total current assets	79,902
<b><u>Noncurrent assets:</u></b>	
Capital assets:	
Property, plant and equipment	445,118
Accumulated depreciation	<u>(298,533)</u>
Total noncurrent assets	<u>146,585</u>
Total assets	<u>\$ 226,487</u>
 <b><u>LIABILITIES AND FUND EQUITIES</u></b>	
<b><u>Liabilities:</u></b>	
<b><u>Current liabilities:</u></b>	
Accounts payable	\$ 3,856
Accrued payroll liabilities	<u>2,036</u>
Total current liabilities	<u>5,892</u>
<b><u>Net Assets:</u></b>	
Invested in capital assets	146,585
Unrestricted	<u>74,010</u>
Total net assets	<u>\$ 220,595</u>

**VILLAGE OF PESOTUM**

Pesotum, Illinois

**Statement of Revenues, Expenses and Changes in Net Assets-  
Proprietary Fund**

For the Year Ended April 30, 2007

	<u>Water Fund</u>	
<b><u>Operating Revenues:</u></b>		
Charges for services	\$ 41,610	
Total operating revenues		\$ 41,610
<b><u>Operating Expenses:</u></b>		
Personal services	24,527	
Supplies and materials	6,875	
Contractual services	19,739	
Depreciation expense	9,556	
Total operating expenses		60,697
Operating income (loss)		(19,087)
<b><u>Nonoperating Revenues:</u></b>		
Interest	3,777	
Total nonoperating revenues		3,777
Change in nets assets		(15,310)
Total net assets - beginning		235,905
Total net assets - ending		\$ 220,595

**VILLAGE OF PESOTUM**

Pesotum, Illinois

**Statement of Cash Flows - Proprietary Fund**

For the Year Ended April 30, 2007

**Cash Flows From Operating Activities:**

Receipts from customers	\$ 40,829
Payments to suppliers	(29,061)
Payments to employees	<u>(22,491)</u>
Net cash provided by operating activities	<u>(10,723)</u>

**Cash Flows From Investing Activities:**

Interest on investments and bank deposits	<u>1,264</u>
Net cash provided (used) by investing activities	<u>1,264</u>
Net increase (decrease) in cash and cash equivalents	(9,459)
Cash and cash equivalents, beginning of the year	<u>35,986</u>
Cash and cash equivalents, end of the year	<u>\$ 26,527</u>

**Reconciliation of Operating Income (Loss)****To Net Cash Provided (Used) by Operating Activities**

Operating income (loss)	\$ (19,087)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	9,556
(Increase) decrease in accounts receivable	(781)
Increase (decrease) in accounts payable	(2,447)
Increase (decrease) in accrued payroll liabilities	<u>2,036</u>
Total adjustments	<u>8,364</u>
Net cash provided (used) by operating activities	<u>\$ (10,723)</u>

**VILLAGE OF PESOTUM**  
**Pesotum, Illinois**

**Notes to Basic Financial Statements**  
April 30, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C., these financial statements conform to generally accepted accounting principles (GAAP) as applicable to governments. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. FASB statements and interpretations issued after November 30, 1989 have not been applied.

**1.A. FINANCIAL REPORTING ENTITY**

The Village's financial reporting entity is composed of the following:

Primary Government: Village of Pesotum

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**1.B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**FUND FINANCIAL STATEMENTS**

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Village has chosen to present the Motor Fuel Tax Fund as a major fund even though it does not meet the above criteria.

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2007

**1.B. BASIS OF PRESENTATION (continued)**

FUND FINANCIAL STATEMENTS (continued)

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund

The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Village. The reporting entity includes the following special revenue fund:

<u>Fund</u>	<u>Brief Description</u>
Motor Fuel Tax Fund	Accounts for revenues received and expenditures paid for street maintenance.

**Proprietary Funds**

Enterprise Fund

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water Fund as its sole enterprise fund of the Village. It is also reported as a major fund.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, using the accrual basis method of accounting. On this basis, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement 33. Property taxes are recognized as revenue in the year for which the taxes are levied. Grants are recognized as revenue when eligibility requirements are met, such as allowable costs having been incurred.

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2007

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)**

MEASUREMENT FOCUS (continued)

Governmental Funds

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

On this basis, all material sources of revenue are recognized when they become measurable and available. “Available” is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the Village, this translates to 60 days after the end of the fiscal year. Major sources of revenue susceptible to accrual include property taxes, sales taxes, income taxes, personal property replacement taxes, other intergovernmental revenues, charges for services and investment interest.

Material amounts of expenditures are recognized when the liability is incurred. Exceptions include: principal and interest on long-term debt, which is recognized when due.

Proprietary Funds

The measurement focus for proprietary funds is the flow of economic resources. All proprietary funds are accounted for using the accrual basis method of accounting. On this basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds operating revenues consist of charges for services and miscellaneous revenue resulting from the provision of services to users. In the enterprise fund, this translates to water revenue. Operating expenses are those incurred in providing water services. Operating expenses are expenses incurred in providing the services, such as personal services, materials and supplies and contractual services.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

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

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements -- (continued)

April 30, 2007

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Government-Wide Statements

Governmental Activities

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report equipment capital assets, \$2,500 for building capital assets and \$2,500 for road improvement capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	20 years
Machinery, furniture, and equipment	5-10 years
Vehicles	5-7 years
Infrastructure	20-50 years

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Business-Type Activities (Enterprise Fund)

The Enterprise Fund capital assets valued at \$2,500 or more are capitalized within the fund. Capital assets are stated at actual or estimated historical cost. Donated fixed assets are valued at their fair market value on the date donated. Depreciation is computed on the straight-line method over the estimated useful life of the asset. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	20 years
Machinery, furniture, and equipment	5-10 years
Vehicles	5-7 years
Infrastructure	20-50 years

LONG-TERM DEBT

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)  
April 30, 2007

**1.D. ASSETS, LIABILITIES, AND EQUITY (continued)**

LONG-TERM DEBT (continued)

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Fund Financial Statements

EQUITY CLASSIFICATION

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Financial Statements

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

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Village’s taxpayers are reported as program revenues. The Village has the following program revenues:

<i>General government</i>	<i>Liquor license and building permit fees</i>
---------------------------	--

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

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2007

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)**

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

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

1. Interfund loans-Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services-Sales or purchases of goods and services between funds are reported as revenues and expenditures/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.
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 and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities-Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**VILLAGE OF PESOTUM**  
**Pesotum, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2007

**1.G. PROPERTY TAXES**

Property taxes are levied and attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December 31 of the subsequent year (by passage of the Tax Levy Ordinance). The 2006 tax levy was adopted by the Board on July 5, 2006. Tax bills are prepared by the County and issued on or about May 1, and are payable in two installments, on or about June 1, and September 1. The Village receives significant distributions of taxes approximately one month after these due dates. No provision has been made for delinquent property taxes since in past years the amount has been immaterial. Property taxes are recorded as receivables and deferred revenues at the time the tax levy attaches as an enforceable lien on January 1. Property tax revenues are recognized as revenues in the year they are actually received. Of the property taxes recorded in these financial statements, \$12,544 is from the 2005 tax levy and the remainder is from the 2006 tax levy.

**1.H. USE OF ESTIMATES**

The preparation of financial statements in conformity accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**1.I. COMPENSATED ABSENCES**

Village employees are entitled to certain compensated absences based upon their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures/expenses when they are paid.

**1.J. PREPAID ITEMS**

In governmental and business-type funds, prepaid expenditures/expenses are deferred and expensed over the term when the services are received.

**NOTE 2. DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**2.A. CASH AND INVESTMENTS**

The Village's deposits consist of demand deposits, money market accounts, and certificates of deposit. The certificates of deposit are stated at cost, which approximates fair value.

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)  
April 30, 2007

2.A. CASH AND INVESTMENTS (continued)

Investments are limited by Public Funds Investment Act of the State of Illinois to the following:

- Bonds, notes, certificates of indebtedness, treasury bills which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
- Bonds, notes, debentures or similar obligations of the United States of America or its agencies.
- Interest-bearing savings, certificates of deposit, or time deposits of any bank as defined by the Illinois Banking Act.
- Short term obligations of corporations organized in the U.S. with assets exceeding \$500,000,000 and other specified criteria.
- Money market mutual funds registered under the Investment Company Act of 1940 provided the portfolio is limited to obligations described in points 1 and 2 above.
- Federal National Mortgage Association
- Public Treasurers' Investment Pools
- Repurchase agreements of government securities within the meaning of the Government Securities Act of 1986.

A summary of deposits and investments at April 30, 2007 is shown below.

<u>Deposits and Investments</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and Cash Equivalents:		
Demand Deposits	\$ 19,499	\$ 21,058
Illinois Funds	<u>75,201</u>	<u>70,810</u>
Total	<u>\$94,700</u>	<u>\$91,868</u>
Investments:		
Certificates of Deposit	<u>\$374,388</u>	<u>\$374,388</u>
Total	<u>\$374,388</u>	<u>\$374,388</u>

CUSTODIAL CREDIT RISK

Deposits are subject to custodial credit risk if uninsured and uncollateralized or covered by collateral that is not in the Village's name. It is the Village's policy to require collateral for deposit balances above FDIC insurance coverage; at April 30, 2007, \$194,446 of the Village's deposits exceeded FDIC insurance coverage, but were collateralized by securities held by the pledging financial institution in the Village's name.

Investment pools (Illinois Funds) are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2007

2.A. CASH AND INVESTMENTS (continued)

CREDIT RATING RISK

Investments are subject to credit rating risk for all debt securities, whether held directly or indirectly (through investment pools, mutual funds, or money market funds). The Illinois Funds investment pools were rated AAAM by Standard & Poor's as of September 29, 2006.

CONCENTRATION RISK

Investments are subject to concentration risk when 5% or more of the total are in securities of a single issuer. At April 30, 2007, the Village did not have any investments that met this criteria.

INTEREST RATE RISK

Investments are subject to a decline in fair value due to fluctuating market interest rates. Interest rate risk is minimized by having maturities of less than 1 year for all of the Village's investments.

2.B. CAPITAL ASSETS

A summary of capital assets related to governmental and business-type activities is presented below:

	<i>Balance at</i>			<i>Balance at</i>
	<i>May 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>April 30, 2007</i>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 83,300	\$ 0	\$ 0	\$ 83,300
Other capital assets:				
Buildings	121,500	0	0	121,500
Other improvements	45,691	0	0	45,691
Machinery and equipment	56,579	2,300	0	58,879
Infrastructure	22,864	12,611	0	35,475
Total other capital assets	246,634	14,911	0	261,545

**VILLAGE OF PESOTUM**  
**Pesotum, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2007

**2.B. CAPITAL ASSETS (continued)**

	<i>Balance at</i> <i>May 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at</i> <i>April 30, 2007</i>
Less accumulated depreciation for:				
Buildings	\$ 97,200	\$ 0	\$ 0	\$ 97,200
Other improvements	12,235	3,074	0	15,309
Machinery and equipment	24,990	6,218	0	31,208
Infrastructure	<u>1,112</u>	<u>1,481</u>	<u>0</u>	<u>2,593</u>
Total accumulated depreciation	<u>135,537</u>	<u>10,773</u>	<u>0</u>	<u>146,310</u>
Other capital assets, net	<u>111,097</u>	<u>4,138</u>	<u>0</u>	<u>115,235</u>
Governmental activities capital assets, net	<u>\$194,397</u>	<u>\$ 4,138</u>	<u>\$ 0</u>	<u>\$198,535</u>

	<i>Balance at</i> <i>May 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at</i> <i>April 30, 2007</i>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ <u>4,250</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,250</u>
Other capital assets:				
Buildings	102,071	0	0	102,071
Machinery and equipment	31,775	0	0	31,775
Utility property and improvements	<u>307,022</u>	<u>0</u>	<u>0</u>	<u>307,022</u>
Total other capital assets	<u>440,868</u>	<u>0</u>	<u>0</u>	<u>440,868</u>
Less accumulated depreciation for:				
Buildings	91,535	527	0	92,062
Machinery and equipment	31,775	0	0	31,775
Utility property and improvements	<u>165,667</u>	<u>9,029</u>	<u>0</u>	<u>174,696</u>
Total accumulated depreciation	<u>288,977</u>	<u>9,556</u>	<u>0</u>	<u>298,533</u>
Other capital assets, net	<u>162,641</u>	<u>(9,556)</u>	<u>0</u>	<u>142,335</u>
Business-type activities capital assets, net	<u>\$156,141</u>	<u>\$(9,556)</u>	<u>\$ 0</u>	<u>\$146,585</u>

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

Governmental Activities:

General government	\$ 938
Highways and streets	7,675
Public safety	0
Culture and recreation	<u>2,160</u>
Total depreciation expense for governmental activities	<u>\$10,773</u>

Business-Type Activities:

Water	\$9,556
Total depreciation expense for business-type activities	<u>\$9,556</u>

VILLAGE OF PESOTUM  
Pesotum, Illinois

Notes to Basic Financial Statements – (continued)

April 30, 2007

**2.C. RESTRICTED/RESERVED ASSETS**

The amount of net assets reported from governmental activities as restricted by enabling legislation and reserved for motor fuel tax projects in the governmental funds is composed of amounts held in the Motor Fuel Tax Fund for road maintenance.

**NOTE 3. OTHER NOTES**

**3.A. DEFERRED COMPENSATION PLAN**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by Nationwide Retirement Solutions. The plan, available to all full-time Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement death or unforeseeable emergency. Contributions to the plan are recorded on the Village’s books as current salaries expenditures. All assets and income of the plan are held in trust by the plan administrator for the exclusive benefit of the participants and their beneficiaries. The Village does not take an active role in the managing the plan assets. Therefore, in accordance with GASB Statement No. 32, the deferred compensation plan is not reported in the Village’s financial statements.

**3.B. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees’ health and life; and natural disasters.

The Village manages these various risks of loss as follows:

<i>Type of Loss</i>	<i>Method Managed</i>	<i>Risk of Loss Retained</i>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**3.C. MOTOR FUEL TAX ALLOTMENT**

Under current procedures, the allotments of the Village are being received from the State of Illinois each month. These allotments, however, may be expended only for specific projects that have been approved each month by the Department of Transportation, State of Illinois.

**VILLAGE OF PESOTUM**  
**Pesotum, Illinois**

**Notes to Basic Financial Statements – (continued)**

April 30, 2007

**3.D. SUBSEQUENT EVENTS, COMMITMENTS AND CONTINGENCIES**

During May 2007, the Village sold its water system infrastructure to Illinois American Water Company for a purchase price of \$170,000. In addition, the Village leased its water tower in the amount of \$2,000 for fiscal year 2007-2008.

The Village will be improving its drainage system over the next several years. The projected cost of the drainage system is expected to be \$300,000.

**Required Supplementary Information**

VILLAGE OF PESOTUM  
Pesotum, Illinois

**Budgetary Comparison Schedule (Budgetary Basis) - General Fund**  
For the Year Ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property taxes	\$ 26,000	\$ 26,000	\$ 25,741	\$ (259)
Replacement taxes	800	800	898	98
Income taxes	36,000	36,000	43,912	7,912
Sales taxes	28,000	28,000	29,571	1,571
Utility taxes	42,000	42,000	42,545	545
Liquor licenses	720	720	400	(320)
Building permits	550	550	850	300
Interest income	8,890	8,890	16,092	7,202
Miscellaneous	9,000	9,000	82	(8,918)
Total revenues	<u>151,960</u>	<u>151,960</u>	<u>160,091</u>	<u>8,131</u>
<b><u>Expenditures:</u></b>				
Current				
General government	135,181	135,181	73,145	62,036
Highways and streets	303,020	303,020	30,900	272,120
Public safety	11,160	11,160	7,783	3,377
Culture and recreation	12,250	12,250	2,918	9,332
Capital outlay	29,000	29,000	19,959	9,041
Total expenditures	<u>490,611</u>	<u>490,611</u>	<u>134,705</u>	<u>355,906</u>
Net change in fund balance	(338,651)	(338,651)	25,386	(347,775)
Fund balance, beginning of the year	<u>367,827</u>	<u>367,827</u>	<u>367,827</u>	-
Fund balance, end of the year	<u>\$ 29,176</u>	<u>\$ 29,176</u>	<u>\$ 393,213</u>	<u>\$ (347,775)</u>
Fund balance, budgetary basis			<u>\$ 393,213</u>	
<b><u>Accrual Adjustments</u></b>				
Revenues			2,117	
Expenditures			(578)	
Net			<u>1,539</u>	
Other financing sources (uses)			-	
Fund balance, ending - GAAP basis			<u>\$ 394,752</u>	

VILLAGE OF PESOTUM  
Pesotum, Illinois

**Budgetary Comparison Schedule (Budgetary Basis) - Motor Fuel Tax Fund**  
For the Year Ended April 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Motor Fuel taxes	\$ 17,000	\$ 17,000	\$ 15,073	\$ (1,927)
Interest income	450	450	23	(427)
Miscellaneous	-	-	517	517
Total revenues	<u>17,450</u>	<u>17,450</u>	<u>15,613</u>	<u>(1,837)</u>
<b><u>Expenditures:</u></b>				
Current				
General government	-	-	-	-
Highways and streets	24,000	24,000	11,799	12,201
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>24,000</u>	<u>24,000</u>	<u>11,799</u>	<u>12,201</u>
Net change in fund balance	(6,550)	(6,550)	3,814	(14,038)
Fund balances, beginning of the year	<u>15,312</u>	<u>15,312</u>	<u>15,312</u>	-
Fund balances, end of the year	<u>\$ 8,762</u>	<u>\$ 8,762</u>	<u>\$ 19,126</u>	<u>\$ (14,038)</u>
Fund balance, budgetary basis			<u>\$ 19,126</u>	
<b>Accrual Adjustments</b>				
Revenues			44	
Expenditures			-	
Net			<u>44</u>	
Other financing sources (uses)			-	
Fund balance, ending - GAAP basis			<u>\$ 19,170</u>	

**VILLAGE OF PESOTUM**

Pesotum, Illinois

**Notes to Budgetary Comparison Schedules**

April 30, 2007

**Budget Law:**

The Village board prepares its annual operating budget under the provisions of the Illinois Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to the end of the first quarter of each fiscal year, a board designated person or persons designated by the board submits to the board a proposed operating budget for the year commencing on May 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 10 days prior to final approval of the budget.
- c. Subsequent to the public hearings the budget is adopted by the board.

The legal level of control at which expenditures may not legally exceed appropriations is the fund.

**Basis of Accounting**

The budget is prepared on the cash basis of accounting.

**Supplementary Information**

## VILLAGE OF PESOTUM

Pesotum, Illinois

Assessed Valuations, Tax Rates, Taxes Extended and Collected  
and Schedule of Legal Debt Margin

April 30, 2007

Tax Levy Year	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assessed Valuation	<u>\$ 6,720,505</u>	<u>\$ 6,086,397</u>	<u>\$ 5,540,209</u>	<u>\$ 5,412,132</u>	<u>\$ 4,814,130</u>
<b><u>Tax Rates</u></b>					
General corporate	0.1865	0.1937	0.2119	0.2090	0.2220
Road & bridge	0.1596	0.1638	0.1635	0.1630	0.1605
Audit	<u>0.0595</u>	<u>0.0650</u>	<u>0.0616</u>	<u>0.0645</u>	<u>0.0717</u>
Total	<u>0.4056</u>	<u>0.4225</u>	<u>0.4370</u>	<u>0.4365</u>	<u>0.4542</u>
<b><u>Taxes Extended</u></b>					
General corporate	\$ 12,534	\$ 11,789	\$ 11,740	\$ 11,311	\$ 10,687
Road & bridge	10,726	9,971	9,058	8,820	7,729
Audit	<u>3,999</u>	<u>3,956</u>	<u>3,413</u>	<u>3,491</u>	<u>3,452</u>
Total	<u>\$ 27,259</u>	<u>\$ 25,716</u>	<u>\$ 24,211</u>	<u>\$ 23,622</u>	<u>\$ 21,868</u>
<b><u>Taxes Collected</u></b>					
General corporate	\$ 6,213	\$ 11,789	\$ 11,740	\$ 11,311	\$ 10,687
Road & bridge	5,363	9,971	9,058	8,820	7,729
Audit	<u>1,983</u>	<u>3,956</u>	<u>3,413</u>	<u>3,491</u>	<u>3,452</u>
Total	<u>\$ 13,559</u>	<u>\$ 25,716</u>	<u>\$ 24,211</u>	<u>\$ 23,622</u>	<u>\$ 21,868</u>

**Schedule of Legal Debt Margin**

Equalized assessed valuation	<u>\$ 6,720,505</u>
Debt Limit (.08625)	\$ 579,644
Less outstanding general obligation debt	<u>-</u>
Legal debt margin, April 30, 2007	<u>\$ 579,644</u>