

CITY OF PLANO, ILLINOIS
ANNUAL FINANCIAL REPORT
Year Ended
April 30, 2008

CITY OF PLANO

FINANCIAL STATEMENTS

April 30, 2008

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CITY OF PLANO

FINANCIAL STATEMENTS

April 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor
and Members of the City Council
City of Plano
Plano, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Plano, Illinois (the City), as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, based on our audit, the basic 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 the City as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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, analysis of funding progress, schedule of employer contributions and budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information, including the combining and individual fund financial statements and schedules and other schedules for the year ended April 30, 2008, as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other schedules section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Oak Brook, Illinois

CITY OF PLANO, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2008

STATEMENT 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,267,575	\$ 1,553,224	\$ 3,820,799
Investments	1,069,140	440,610	1,509,750
Accounts Receivable	108,405	458,927	567,332
Property Taxes Receivable	1,358,621	186,314	1,544,935
Sales Tax Receivable	374,151	-	374,151
Intergovernmental Receivable	43,195	-	43,195
Other Receivables	245,261	-	245,261
Prepaid Items	50,698	26,520	77,218
Internal balances	13,800	(13,800)	-
Deferred Issuance Costs	-	23,240	23,240
Capital Assets not being Depreciated	14,119,340	768,660	14,888,000
Capital Assets being Depreciated, Net	58,219,080	45,449,670	103,668,750
TOTAL ASSETS	77,869,266	48,893,365	126,762,631
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	147,548	134,804	282,352
Accrued Payroll	187,219	26,180	213,399
Deposits Payable	1,987	16,310	18,297
Deferred Revenue	1,358,621	186,314	1,544,935
Due to Fiduciary Fund	6,136	-	6,136
Interest Payable	27,021	12,268	39,289
Long-Term Obligations, Due Within One Year:			
Leases Payable	2,318	-	2,318
Bonds Payable	180,000	215,000	395,000
Long-Term Obligations, Due in More Than One Year:			
Compensated Absences Payable	122,871	47,644	170,515
Net Pension Obligation	5,630	-	5,630
Leases Payable	206	-	206
Bonds Payable	1,975,000	685,325	2,660,325
Total Liabilities	4,014,557	1,323,845	5,338,402
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	70,180,896	45,318,005	115,498,901
Restricted for Debt Service	52,437	-	52,437
Restricted for Motor Fuel Tax Purposes	645,799	-	645,799
Unrestricted	2,975,577	2,251,515	5,227,092
Total Net Assets	\$ 73,854,709	\$ 47,569,520	\$ 121,424,229

CITY OF PLANO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2008

STATEMENT 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,003,045	\$ 1,268,230	\$ -	\$ -	\$ (734,815)	\$ -	\$ (734,815)
Public Safety	1,487,110	-	37,074	-	(1,450,036)	-	(1,450,036)
Highway and Streets	1,966,809	151,887	260,255	11,531,708	9,977,041	-	9,977,041
Health and Welfare	704,002	-	-	-	(704,002)	-	(704,002)
Culture and Recreation	37,013	-	950	-	(36,063)	-	(36,063)
Interest on Debt	104,910	-	-	-	(104,910)	-	(104,910)
Total Governmental Activities	6,302,889	1,420,117	298,279	11,531,708	6,947,215		6,947,215
Business-Type Activities:							
Sewer	1,791,335	1,380,689	-	2,202,042	\$ -	1,791,396	1,791,396
Water	1,001,923	1,093,661	13,932	4,651,739	4,757,409	4,757,409	4,757,409
Total Business-Type Activities	2,793,258	2,474,350	13,932	6,853,781	6,548,805	6,548,805	6,548,805
Total	\$ 9,096,147	\$ 3,894,467	\$ 312,211	\$ 18,385,489	6,947,215	6,548,805	13,496,020
General Revenues and Transfers:							
Taxes:							
Property Taxes					1,235,865	164,876	1,400,741
Income Tax					781,440	-	781,440
Sales Tax					1,683,861	-	1,683,861
Other Taxes					66,189	-	66,189
Investment Earnings					136,739	83,706	220,445
Other General Revenues					43,122	3,015	46,137
Transfers					(432,307)	432,307	-
Total General Revenues					3,514,909	683,904	4,198,813
Change in Net Assets					10,462,124	7,232,709	17,694,833
Net Assets, May 1, 2007					63,392,585	40,336,811	103,729,396
Net Assets, April 30, 2008					\$ 73,854,709	\$ 47,569,520	\$ 121,424,229

See accompanying notes to financial statements.

CITY OF PLANO, ILLINOIS
GOVERNMENTAL FUNDS
BALANCE SHEET
April 30, 2008

	Major Funds			
	General Fund	Motor Fuel Tax Fund	Illinois Municipal Retirement Fund	Nonmajor Governmental Fund
ASSETS				
Cash	\$ 892,177	\$ 602,604	\$ 144,309	\$ 628,485
Investments	1,069,140	-	-	-
Accounts Receivable	108,405	-	-	-
Property Taxes Receivable	884,500	-	271,627	202,494
Sales Tax Receivable	374,151	-	-	-
Intergovernmental Receivable	-	43,195	-	-
Other Receivables	242,198	-	3,063	-
Due From Other Funds	15,288	-	-	-
Prepaid Items	50,496	-	-	202
TOTAL ASSETS	\$ 3,636,355	\$ 645,799	\$ 418,999	\$ 831,181
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 146,130	\$ -	\$ -	\$ 1,418
Accrued Payroll	186,278	-	-	941
Deposits Payable	1,987	-	-	-
Due To Other Funds	-	-	1,488	-
Due To Fiduciary Fund	6,136	-	-	-
Deferred Revenue	140,856	-	-	-
Deferred Property Tax Revenue	884,500	-	271,627	202,494
Total Liabilities	1,365,887	-	273,115	204,853
FUND BALANCE				
Reserved for Prepaids	50,496	-	-	202
Reserved for Debt Service	-	-	-	79,458
Unreserved Reported In:				
General Fund	2,219,972	-	-	-
Special Revenue Funds	-	645,799	145,884	546,668
Total Fund Balance	2,270,468	645,799	145,884	626,328
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,636,355	\$ 645,799	\$ 418,999	\$ 831,181

Total
Governmental
Funds

\$ 2,267,575
1,069,140
108,405
1,358,621
374,151
43,195
245,261
15,288
50,698
\$ 5,532,334

\$ 147,548
187,219
1,987
1,488
6,136
140,856
1,358,621
1,843,855

50,698
79,458

2,219,972
1,338,351
3,688,479

\$ 5,532,334

CITY OF PLANO, ILLINOIS
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
April 30, 2008

STATEMENT 4

Total fund balances - governmental funds	\$ 3,688,479
Amounts reported for governmental activities in the net assets are different because:	
Capital assets net of accumulated depreciation of \$9,759,735 used in governmental activities are not financial resources and therefore are not reported in the funds.	72,338,420
Certain state revenues are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	140,856
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of :	
General Obligation Bonds	(2,155,000)
Interest Payable on Bonds	(27,021)
Leases Payable	(2,524)
Compensated Absences	(122,871)
Net Pension Obligation	<u>(5,630)</u>
Net assets of governmental activities	<u>\$ 73,854,709</u>

CITY OF PLANO, ILLINOIS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended April 30, 2008

	Major Funds			
	General Fund	Motor Fuel Tax Fund	Illinois Municipal Retirement Fund	Nonmajor Governmental Funds
Revenues				
Taxes				
Property Tax	\$ 756,102	\$ -	\$ 244,986	\$ 160,996
Sales Tax	1,693,250	-	-	-
Income Tax	781,440	-	-	-
Other Taxes	123,484	-	16,486	-
Total Taxes	3,354,276	-	261,472	160,996
Licenses and Permits	192,912	-	-	-
Charges for Services	1,137,074	-	-	-
Fines and Forfeitures	79,808	-	-	-
Intergovernmental Revenues	37,074	260,255	-	-
Investment Income	81,164	18,972	6,621	29,982
Contributions	11,531,708	-	-	950
Miscellaneous Revenue	95,845	12,957	-	-
Total Revenues	16,509,861	292,184	268,093	191,928
Expenditures				
Current:				
General Government	4,247,686	-	313,648	22,502
Public Safety	1,464,382	-	-	-
Highways and Streets	10,031,422	16,076	-	-
Health and Welfare	704,002	-	-	-
Culture and Recreation	2,743	-	-	66,547
Debt Service - Principal Retired	-	-	-	170,000
Debt Service - Interest and Charges	-	-	-	107,123
Capital Outlay	76,899	-	-	-
Total Expenditures	16,527,134	16,076	313,648	366,172
Excess (deficiency) of revenues over expenditures	(17,273)	276,108	(45,555)	(174,244)
Other Financing Sources (Uses)				
Transfers In	-	-	133,000	209,963
Transfers Out	(775,270)	-	-	-
Total Other Financing Sources (Uses)	(775,270)	-	133,000	209,963
Net Change in Fund Balances	(792,543)	276,108	87,445	35,719
Fund Balances at Beginning of Year	3,063,011	369,691	58,439	590,609
Fund Balances at End of Year	\$ 2,270,468	\$ 645,799	\$ 145,884	\$ 626,328

Total
Governmental
Funds

\$ 1,162,084
1,693,250
781,440
139,970
3,776,744
192,912
1,137,074
79,808
297,329
136,739
11,532,658
108,802
17,262,066

4,583,836
1,464,382
10,047,498
704,002
69,290
170,000
107,123
76,899
17,223,030

39,036

342,963
(775,270)
(432,307)

(393,271)

4,081,750

\$ 3,688,479

CITY OF PLANO, ILLINOIS
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to Statement of Activities
 Year Ended April 30, 2008

STATEMENT 6

Net change in total fund balances \$ (393,271)

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

Some revenues were not collected for several months after the close of the fiscal year and therefore were not considered to be "available" and are not reported as revenue in the governmental funds.

The change from fiscal year 2007 to 2008 was: (9,389)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds.

Increase in Compensated Absences	\$	(35,396)	
Decrease in Interest Payable on Debt		2,214	
Total expenses of non-current resources			(33,182)

Governmental funds report capital outlays as expenditures, while the statement of activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlay and contributions exceeded depreciation in the current period.

Capital Outlay & Highway Expenses		11,865,253	
Depreciation Expense		(1,085,185)	
Excess of capital outlay over depreciation expense			10,780,068

Gains/loss on the disposal of capital assets are not recorded in the governmental funds (54,158)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal on Bonds Payable		170,000	
Principal on Leases Payable		2,056	
Total debt principal expenditures			172,056

Change in net assets of governmental activities \$ 10,462,124

CITY OF PLANO, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 April 30, 2008

STATEMENT 7

	Sewer Fund	Water Fund	Total
ASSETS			
Cash	\$ 798,487	\$ 754,737	\$ 1,553,224
Investments	136,354	304,256	440,610
Accounts Receivable	262,922	196,005	458,927
Property Tax Receivable	186,314	-	186,314
Prepaid Items	13,630	12,890	26,520
Bond Issuance Costs	23,240	-	23,240
Capital Assets not being Depreciated	87,169	681,491	768,660
Capital Assets being Depreciated, Net	27,899,622	17,550,048	45,449,670
TOTAL ASSETS	\$ 29,407,738	\$ 19,499,427	\$ 48,907,165
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$ 50,881	\$ 83,923	\$ 134,804
Accrued Payroll	18,150	8,030	26,180
Deferred Property Tax	186,314	-	186,314
Deposits Payable	-	16,310	16,310
Due To Other Funds	-	13,800	13,800
Interest Payable	12,268	-	12,268
Long-Term Obligations, Due Within One Year:			
Bonds Payable	215,000	-	215,000
Long-Term Obligations, Due in More Than One Year:			
Compensated Absences Payable	26,736	20,908	47,644
Bonds Payable	685,325	-	685,325
Total Liabilities	1,194,674	142,971	1,337,645
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	27,086,466	18,231,539	45,318,005
Unreserved	1,126,598	1,124,917	2,251,515
Total Net Assets	28,213,064	19,356,456	47,569,520
 TOTAL LIABILITIES AND NET ASSETS	 \$ 29,407,738	 \$ 19,499,427	 \$ 48,907,165

CITY OF PLANO, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Year Ended April 30, 2008

STATEMENT 8

	Sewer Fund	Water Fund	Total
Operating Revenues			
Charges for Services	\$ 1,380,891	\$ 1,105,713	\$ 2,486,604
Total Operating Revenues	<u>1,380,891</u>	<u>1,105,713</u>	<u>2,486,604</u>
Operating Expenses			
Administration	173,001	169,967	342,968
Insurance	77,582	54,469	132,051
Water Capital Projects	-	6,060	6,060
Sewer Capital Projects	23,503	-	23,503
Brownsfield Development	-	4,819	4,819
Well House 3, 4, 5	-	7,717	7,717
Water Mains	-	99,476	99,476
Waste Water Treatment Plant	498,634	-	498,634
Sewer Operations	100,167	-	100,167
Walmart Lift Station	18,791	-	18,791
Foli Lift Station	12,189	-	12,189
Klatt Lift Station	9,994	-	9,994
Other Wages/Meters	27,094	52,596	79,690
Transportation & Heavy Equipment	-	14,328	14,328
Power & Pumping	-	220,563	220,563
Treatment	-	49,335	49,335
Water Distribution	-	182,136	182,136
Debt Fees	350	-	350
Depreciation and Amortization	807,512	140,457	947,969
Total Operating Expenses	<u>1,748,817</u>	<u>1,001,923</u>	<u>2,750,740</u>
Operating Income (Loss)	<u>(367,926)</u>	<u>103,790</u>	<u>(264,136)</u>
Nonoperating Revenues and (Expenses)			
Property Taxes	164,876	-	164,876
(Loss) Gain on Disposal of Capital Assets	(11,961)	3,256	(8,705)
Grants	-	13,398	13,398
Capital Contributions	2,202,042	4,651,739	6,853,781
Investment Income	33,793	49,913	83,706
Interest Expense	(42,518)	-	(42,518)
Transfers Out	(67,000)	(693)	(67,693)
Transfers In	-	500,000	500,000
Total Nonoperating Revenues and (Expenses)	<u>2,279,232</u>	<u>5,217,613</u>	<u>7,496,845</u>
Change in Net Assets	1,911,306	5,321,403	7,232,709
Net Assets at Beginning of Year	<u>26,301,758</u>	<u>14,035,053</u>	<u>40,336,811</u>
Net Assets at End of Year	<u>\$ 28,213,064</u>	<u>\$ 19,356,456</u>	<u>\$ 47,569,520</u>

See accompanying notes to financial statements.

CITY OF PLANO, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year Ended April 30, 2008

STATEMENT 9

	Sewer Fund	Water Fund	Total
Cash flows from Operating Activities:			
Cash Received from Customers	\$ 1,320,970	\$ 1,064,800	\$ 2,385,770
Cash Payments for Goods and Services	(663,605)	(421,722)	(1,085,327)
Cash Payments to Employees for Services	(316,750)	(374,057)	(690,807)
Net Cash Provided (Used) by Operating Activities	340,615	269,021	609,636
Cash flows from Noncapital Financing Activities:			
Interfund Transfers	(67,000)	499,307	432,307
Interfund loans (made) or received	-	13,800	13,800
Grants	-	13,398	13,398
Property Taxes Received	164,876	-	164,876
Net Cash Provided (Used) by Noncapital Financing Activities	97,876	526,505	624,381
Cash flows from Capital and Related Financing Activities:			
Debt Service on Bonds	(205,000)	-	(205,000)
Interest Expense	(45,375)	-	(45,375)
Purchase of Capital Assets	(59,207)	(501,117)	(560,324)
Net Cash Provided (Used) by Capital and Related Financing Activities:	(309,582)	(501,117)	(810,699)
Cash flows from Investing Activities:			
Interest on Investments	33,793	49,913	83,706
Sale (Purchase) of Investments	(101,991)	(142,737)	(244,728)
Net Cash Provided (Used) from Investing Activities:	(68,198)	(92,824)	(161,022)
Net Increase in Cash	60,711	201,585	262,296
Cash, Beginning of Year	737,776	553,152	1,290,928
Cash, End of Year	\$ 798,487	\$ 754,737	\$ 1,553,224
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (367,926)	\$ 103,790	\$ (264,136)
Adjustment to Reconcile Operating Income			
to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	807,512	140,457	947,969
Decrease (Increase) in Accounts Receivable	(59,921)	(38,737)	(98,658)
Decrease (Increase) in Prepays	426	(2,326)	(1,900)
(Decrease) Increase in Accounts Payable	(53,106)	60,869	7,763
(Decrease) Increase in Accrued Payroll	6,169	(761)	5,408
(Decrease) Increase in Deposits Payable	-	(2,176)	(2,176)
(Decrease) Increase in Compensated Absences	7,461	7,905	15,366
Total Adjustments	708,541	165,231	873,772
Net Cash Provided (Used) from Operating Activities	\$ 340,615	\$ 269,021	\$ 609,636

Noncash transactions:

During the fiscal year, the City received a donation of a water mains and sewer mains with an estimated value of \$6,853,781 from the developers of Lakewood subdivision. Further, a loss on the disposal of sewer capital assets was noted of \$11,961 and a gain on disposal of water capital assets of \$3,256 was also noted.

CITY OF PLANO, ILLINOIS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
April 30, 2008

STATEMENT 10

	Pension <u>Trust Fund</u>
ASSETS	
Cash	\$ 16,202
Investments	2,358,858
Accrued Interest Receivable	21,384
Other Receivables	510
Due From General Fund	6,136
Prepaid Items	<u>979</u>
TOTAL ASSETS	<u>\$ 2,404,069</u>
 NET ASSETS	
Held in Trust for Employees' Pension Benefits	<u>\$ 2,404,069</u>

See accompanying notes to financial statements.

CITY OF PLANO, ILLINOIS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended April 30, 2008

STATEMENT 11

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 137,393
Plan Members	<u>79,778</u>
Total Contributions	<u>217,171</u>
Net Investment Income	<u>143,833</u>
 Total Additions	 <u>361,004</u>
 DEDUCTIONS	
Administration	18,774
Benefits and Refunds	<u>114,014</u>
 Total Deductions	 <u>132,788</u>
 Increase in Plan Net Assets	 228,216
 Plan Net Assets at Beginning of Year	 <u>2,175,853</u>
 Plan Net Assets at End of Year	 <u>\$ 2,404,069</u>

See accompanying notes to financial statements.

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Plano, Illinois (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity: The City has adopted the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, boards, functions, and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. In conformity with GAAP, the City's Police Pension fund has been included as a component unit in the City's basic financial statements. Although it is a separate legal entity, this fund exists to provide pension benefits for the City's police officers. Thus, its financial information has been blended with the City's basic financial statements.

Basis of Presentation: The City's basic financial statements consist of City-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The City-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

City-Wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. In the City-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. These statements include the financial activities of the City, except for fiduciary activities. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City-wide statement of activities reflects both the direct expenses and net cost of each function of the City's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the City.

(Continued)

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and presented as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting: The City-wide financial statements and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City and its component units apply all GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The City has reported three categories of program revenues in the statement of activities: (1) charges for services, (2) program-specific operating grants and contributions, and (3) program-specific capital grants and contributions. Program revenues are derived directly from the program itself or from external sources, such as the State of Illinois; they reduce the net cost of each function to be financed from the City's general revenues. For identifying the function to which a program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net assets to remove the "grossing up" effect on assets and liabilities within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables and advances. Similarly, transfers between funds have been eliminated in the statement of activities. Amounts reported in the governmental funds as receivable from or payable to fiduciary funds have been reclassified in the statement of net assets as accounts receivable or payable to external parties.

(Continued)

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for property taxes. Property taxes received within 60 days are deferred because of the City's intent to use the funds in the next fiscal year. Revenues accrued at the end of the year include charges for services, licenses and permits, fines and forfeitures, intergovernmental revenues, investment earnings, property taxes, sales taxes, and income taxes. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, the City's policy is to apply restricted resources first, then unrestricted resources as needed.

Differences occur from the manner in which the governmental activities and the City-wide financial statements are prepared because of the inclusion of capital asset and long-term debt activity. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the City-wide statements and the statements for governmental funds.

The City reports the following major governmental funds:

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

Motor Fuel Tax Fund - This fund accounts for the Motor Fuel Taxes received from the State of Illinois and the projects performed with those funds.

Illinois Municipal Retirement Fund - This fund accounts for the City's IMRF pension payments.

Proprietary Funds: Proprietary funds are used to account for those City activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

(Continued)

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

Sewer Fund - This fund accounts for the City's sewer enterprise. The fees collected are to be utilized for sewer purposes.

Water Fund - This fund accounts for the City's water enterprise. The fees collected are to be utilized for water purposes.

Fiduciary Fund: The City's fiduciary fund is used to account for assets held on behalf of the Police Pension Fund.

Governmental Funds: In addition to the general fund type mentioned above, the City uses the following governmental fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The City's Parks Fund is presented as a Special Revenue Fund.

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

Cash and Investments:

Cash - For purposes of the statement of cash flows, the City's proprietary fund types consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - Investments are stated at fair value.

Interfund Receivables/Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

(Continued)

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include property, plant equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the City-wide financial statements. Capital assets are defined by the City as assets, with a useful life of more than one year, with an initial, individual cost over the following thresholds:

Land	\$ 25,000
Land improvements	25,000
Buildings	50,000
Building improvements	25,000
Equipment	5,000
Software	50,000
Vehicles/trailers	5,000
Infrastructure	100,000

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 - 150 Years
Building improvements	10 - 50 Years
Equipment	2 - 50 Years
Software	2 - 15 Years
Vehicles/trailers	3 - 25 Years
Infrastructure	20 - 120 Years

Compensated Absences: The liability for compensated absences, (unused vacation and sick leave) of the City relating to employees of the governmental funds at April 30, 2008 of \$122,871 is recorded in the City-wide financial statements.

(Continued)

CITY OF PLANO
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations: Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only the portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the statement of net assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bond issuance costs are reported as deferred charges are amortized over the term of the related debt.

Net Assets/Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The amount reserved in the Pension trust is for employees' pension benefits. Fund balances have also been reserved in governmental fund types for amounts related to prepaid expenditures.

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

Interfund Transactions: Quasi-external transactions between funds are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Use of Estimates: Management of the City made certain estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the period. Actual results could differ from those estimates.

(Continued)

CITY OF PLANO
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2008

NOTE 2 - LEGAL COMPLIANCE AND ACCOUNTABILITY

Deposits and Investments: The City maintains a cash and investment pool that is available for use by all funds, except the pension trust fund. Each fund type's equity in this pool is displayed on the combined balance sheet as "cash." In addition, investments are separately held by several of the City's funds. The deposits and investments of the police pension fund are held separately from those of other funds.

NOTE 3 - CASH AND INVESTMENTS

Cash: The carrying amount of cash, excluding the Pension Trust Fund, was \$3,820,799 at April 30, 2008, while the bank balances were \$3,878,763. Of the \$3,878,763 deposited, an amount of \$934,822 was not insured by either the Federal Deposit Insurance Corporation (FDIC), or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the City's name by financial institutions acting as the City's agent.

At April 30, 2008, the Pension Trust Fund's carrying amount of cash was \$16,202, while the bank balances were \$16,574. All account balances at banks were insured by the Federal Deposit Insurance Corporation (FDIC).

Investments (Excluding Pension Trust Fund): The investments that the City may purchase are limited by Illinois law to the following: (1) securities that are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations that are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; and (8) money market mutual funds and certain other instruments.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the City's investments at April 30, 2008.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
		<u>Less than One Year</u>
Money Market Mutual Fund	\$ 1,509,750	\$ 1,509,750
Total	<u>\$ 1,509,750</u>	<u>\$ 1,509,750</u>

(Continued)

CITY OF PLANO
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2008

NOTE 3 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk - The City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. Reserve funds may be invested in securities exceeding one or two years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The investment period must be approved by the City Council.

Credit Risk - The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Credit ratings for the City's investments in debt securities as described by Standard & Poor's and Moody's at April 30, 2008 (excluding investments in U.S. Treasuries, which are not considered to have credit risk) are as follows:

Disclosure Ratings for Debt Securities (S&P/Moody's)
 (As a percentage of total fair value for debt securities)

<u>Investment Type</u>	<u>Credit Ratings</u>	<u>% of Investment Type</u>	<u>% of Total Investments</u>
Money Market Mutual Fund	Not Rated	100%	100%

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires collateral on two types of investments: certificates of deposit and repurchase (reverse) agreements. In order to anticipate market changes and provide a level security for all funds, the collateralization level is to be 102% of market value and accrued interest. The City was not fully collateralized as of April 30, 2008 by \$934,822.

Concentration of Credit Risk - With the exception of U.S. Treasury securities, certificates of deposit, and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single type of security or with a single financial institution.

Trust Fund's Investments: The Pension Trust Fund is authorized to invest in bonds, notes, and other obligations of the U.S. government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicles as set forth in the Illinois Compiled Statutes. Investments in mutual funds are allowed when net assets are over \$2,500,000. During the fiscal year, the Pension Fund had investments in mutual funds, however, net assets were not over \$2,500,000, thus the Fund invested in an unauthorized investment.

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