

ANNUAL
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
CITY OF MURPHYSBORO, ILLINOIS

DECEMBER 31, 2012



11.

CITY OF MURPHYSBORO, ILLINOIS

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Murphysboro
Murphysboro, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund, and the aggregate remaining fund information for the City of Murphysboro, Illinois, as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

We did not audit the financial statements of the Police and Firemen's Pension for the City of Murphysboro, which represent a majority of the City of Murphysboro's Fiduciary type funds. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Police and Firemen's pension is based on the report of other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The City of Murphysboro, Illinois prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of the governmental activities, the business-type activities, the discrete component unit, each major fund, and the aggregate remaining fund information of the City of Murphysboro, Illinois as of December 31, 2012, and the respective changes in modified cash basis financial position thereof for the year ended in conformity with the modified cash basis.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013 on our consideration of the City of Murphysboro, Illinois' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Budgetary Comparison information on pages 6-10 and 45-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the City of Murphysboro, Illinois's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kimberly Eck & Associates LLP

Carbondale, Illinois
May 10, 2013

CITY OF MURPHYSBORO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

This financial report is designed to provide a general overview of The City of Murphysboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City of Murphysboro, 1101 Walnut Street, Murphysboro, Illinois 62966.

As management of the City of Murphysboro, we offer readers of the City of Murphysboro's financial statements this narrative overview and analysis of the financial activities of the City of Murphysboro for the period ending December 31, 2012.

Financial Highlights

Water and Sewer Fund

Cash balances increased by \$783,750 mainly because of the continued cash flows from the 15% increase in water rates that was implemented in mid 2010.

General Fund

Cash balances increased by \$327,279 mainly because of the continued cash flows from the increased Sales tax of 1% and Home Rule tax of 1% that was implemented in mid 2010.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Murphysboro's basic financial statements.

Government-Wide Financial Statements

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

The statement of new assets presents information on all of the City of Murphysboro's financial 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 City of Murphysboro is improving or deteriorating.

The statement of activities presents information showing how the government's assets changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Murphysboro that are principally supported by taxes and inter-government revenues (government 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 government activities of the City of Murphysboro include general government, public safety, and roads. The business-type activities of the City of Murphysboro include water and sewer services.

The government-wide financial statement can be found attached to this report.

CITY OF MURPHYSBORO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2012

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 City of Murphysboro, like other county, state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Murphysboro can be three categories: government funds, proprietary funds, and fiduciary funds.

Government Funds

Government funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term 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.

The City of Murphysboro maintains individual funds. Information is presented separately in the governmental funds balance sheets and in the governmental fund statement of revenue and expenditures, and changes in fund balance.

The City of Murphysboro adopts an annual appropriated budget for governmental funds and proprietary funds. A budgetary comparison statement is provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found attached with this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basic fiduciary fund financial statements are attached as part 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 attached with this report.

CITY OF MURPHYSBORO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2012

Government-Wide Financial Statements

Net Assets - Table 1 presents a condensed statement of net assets as of December 31, 2012 compared to the prior year ended December 31, 2011.

**Table 1 - City of Murphysboro, Illinois Statement of Net Assets
as of December 31, 2012 (in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Capital assets	\$ -	\$ -	\$1,537.3	\$1,619.8	\$1,537.3	\$1,619.8	\$ -	\$ -
Other assets	<u>1,266.8</u>	<u>587.2</u>	<u>2,141.2</u>	<u>1,626.2</u>	<u>3,408.0</u>	<u>2,213.4</u>	<u>140.3</u>	<u>100.1</u>
Total Assets	\$1,266.8	\$ 587.2	\$3,678.5	\$3,246.0	\$4,945.3	\$3,833.2	\$ 140.3	\$ 100.1
Current liabilities	\$ 510.9	\$ 594.1	\$ 191.1	\$ 164.1	\$ 702.0	\$ 758.2	\$ 2.8	\$ 2.7
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ 510.9	\$ 594.1	\$ 191.1	\$ 164.1	\$ 702.0	\$ 758.2	\$ 2.8	\$ 2.7
Invested in capital assets, net of related debt	\$ -	\$ -	\$1,537.3	\$1,619.8	\$1,537.3	\$1,619.8	\$ -	\$ -
Restricted	575.9	492.0	1,311.1	470.9	1,887.0	962.9	-	-
Unrestricted	<u>180.0</u>	<u>(498.9)</u>	<u>639.0</u>	<u>991.2</u>	<u>819.0</u>	<u>492.3</u>	<u>137.5</u>	<u>97.4</u>
Total Net Assets	\$ <u>755.9</u>	\$ <u>(6.9)</u>	\$ <u>3,487.4</u>	\$ <u>3,081.9</u>	\$ <u>4,243.3</u>	\$ <u>3,075.0</u>	\$ <u>137.5</u>	\$ <u>97.4</u>

(Note: Columns may not total due to rounding)

CITY OF MURPHYSBORO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2012

Statement of Activities (Changes in Net Assets) - Table 2 summarizes the revenue and expenses of the County's activities for FY 2012 compared to the prior FY 2011.

**Table 2 - City of Murphysboro, Illinois Changes in Net Assets
as of December 31, 2012 (in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program revenues:								
Charges for services	\$ 96.6	\$ 122.5	\$2,743.0	\$2,666.0	\$2,839.6	\$2,788.5	\$ 20.2	\$ 17.8
Operating grants and contributions	-	-	-	-	-	-	10.8	11.7
Capital grants and contributions	37.8	38.1	-	-	37.8	38.1	8.9	5.2
General revenue:								
Taxes:								
General property taxes	149.5	143.1	-	-	149.5	143.1	290.3	279.5
Sales tax	1,367.4	1,316.8	-	-	1,367.4	1,316.8	-	-
Municipal gas tax	126.0	130.6	-	-	126.0	130.6	-	-
Other local taxes	183.4	184.1	-	-	183.4	184.1	-	-
Motor fuel tax	194.6	210.5	-	-	194.6	210.5	-	-
State income tax	728.4	714.2	-	-	728.4	714.2	-	-
Replacement tax	26.0	27.0	-	-	26.0	27.0	-	-
Home rule	1,928.6	1,872.2	-	-	1,928.6	1,872.2	-	-
Local use tax	122.2	122.6	-	-	122.2	122.6	-	-
Foreign firefighters tax	11.5	10.7	-	-	11.5	10.7	-	-
Investment earnings	12.1	11.2	13.8	10.4	25.9	21.6	0.3	0.2
Miscellaneous	35.9	38.9	-	-	35.9	38.9	1.1	-
Transfer	-	76.7	-	-	-	76.7	-	-
Total Revenue	\$5,020.0	\$5,019.2	\$2,756.8	\$2,676.4	\$7,776.8	\$7,695.6	\$ 331.6	\$ 314.4

CITY OF MURPHYSBORO, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2012

**Table 2 - City of Murphysboro, Illinois Changes in Net Assets
as of December 31, 2012 (in thousands) - Continued**

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
Expenses:								
General government	\$1,685.1	\$1,638.8	\$ -	\$ -	\$1,685.1	\$1,638.8	\$ -	\$ -
Public works	352.3	448.0	-	-	352.3	448.0	-	-
Public safety	1,923.0	1,898.8	-	-	1,923.0	1,898.8	-	-
Interest	15.2	25.4	-	-	15.2	25.4	-	-
Road & bridge	160.7	190.5	-	-	160.7	190.5	-	-
Public service	8.9	5.1	-	-	8.9	5.1	-	-
Other	112.0	63.8	-	-	112.0	63.8	-	-
Water and sewer	-	-	2,351.2	2,395.6	2,351.2	2,395.6	-	-
Sallie Logan Public Library	-	-	-	-	-	-	291.7	273.1
Total Expenses	\$4,257.2	\$4,270.4	\$2,351.2	\$2,395.6	\$6,608.4	\$6,666.0	\$ 291.7	\$ 273.1
Change in Net Assets	\$ 762.8	\$ 748.9	\$ 405.5	\$ 280.8	\$1,168.4	\$1,029.7	\$ 40.1	\$ 41.3

(Note: Columns may not total due to rounding)

Requests for Information

This financial report is designed to provide a general overview of the City of Murphysboro'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 sent to 1110 Walnut Street, Murphysboro, Illinois, 62966.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2012

	Primary Government			April 30, 2012
	Governmental	Business-type	Total	Component Unit
	Activities	Activities		Sallie Logan Public Library
Assets:				
Cash and cash equivalents	\$ 672,449	\$ 337,842	\$ 1,010,291	\$ 128,808
Investments	194,620	263,411	458,031	11,461
Loans receivable	52,742	-	52,742	-
Internal balances	(203,588)	203,588	-	-
Restricted assets:				
Cash and cash equivalents	117,349	511,086	628,435	-
Investments	458,503	800,033	1,258,536	-
Capital assets net of accumulated depreciation:				
Land-New Sewer Plant	-	189,750	189,750	-
Construction in progress	-	170,217	170,217	-
Water distribution system	-	727,507	727,507	-
Sewer distribution system	-	449,473	449,473	-
Equipment - administrative	-	398	398	-
	<u>1,292,075</u>	<u>3,653,305</u>	<u>4,945,380</u>	<u>140,269</u>
Liabilities:				
Bank overdraft	529,933	-	529,933	-
Accrued liabilities	-	-	-	2,760
Customer deposits	-	165,847	165,847	-
Deferred revenue	6,217	-	6,217	-
	<u>536,150</u>	<u>165,847</u>	<u>701,997</u>	<u>2,760</u>
Net Position				
Invested in capital assets, net of related debt	-	1,537,345	1,537,345	-
Restricted - temporarily	575,852	1,311,119	1,886,971	-
Unrestricted	180,073	638,994	819,067	137,509
	<u>\$ 755,925</u>	<u>\$ 3,487,458</u>	<u>\$ 4,243,383</u>	<u>\$ 137,509</u>

See accompanying notes to financial statements.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		April 30, 2012 Component Unit
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ (1,685,137)	\$ 34,952	\$ -	\$ -	\$ (1,650,185)	\$ -	\$ (1,650,185)
Public safety	(1,922,980)	61,689	-	-	(1,861,291)	-	(1,861,291)
Public works	(352,317)	-	-	-	(352,317)	-	(352,317)
Public service	(8,851)	-	-	-	(8,851)	-	(8,851)
Road and bridge	(160,749)	-	-	37,755	(122,994)	-	(122,994)
Debt service	(15,155)	-	-	-	(15,155)	-	(15,155)
Other	(112,020)	-	-	-	(112,020)	-	(112,020)
Total governmental activities	(4,257,209)	96,641	-	37,755	(4,122,813)	-	(4,122,813)
Business-Type activities:							
Waterworks and Sewerage	(2,351,248)	2,743,018	-	-	-	391,770	391,770
Total business-type activities	(2,351,248)	2,743,018	-	-	-	391,770	391,770
Total Primary Government	(6,608,457)	2,839,659	-	37,755	(4,122,813)	391,770	(3,731,043)
Component Unit:							
Sallie Logan Public Library	(291,560)	20,164	10,791	8,897	-	-	(251,708)
Total Component Unit	(291,560)	20,164	10,791	8,897	-	-	(251,708)
					149,467	-	149,467
					1,367,352	-	1,367,352
					194,627	-	194,627
					728,434	-	728,434
					1,928,581	-	1,928,581
					122,246	-	122,246
					3,557	-	3,557
					126,031	-	126,031
					25,955	-	25,955
					39,666	-	39,666
					39,773	-	39,773
					73,207	-	73,207
					23,682	-	23,682
					11,520	-	11,520
					3,533	-	3,533
					12,122	13,765	25,887
					35,889	-	35,889
					-	-	-
					4,885,642	13,765	4,899,407
Total general revenues and transfers							
Change in net assets					762,829	405,535	1,168,364
Net position - beginning					(6,904)	3,081,923	3,075,019
Net position - ending					755,925	3,487,458	4,243,383

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Motor Fuel Tax	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 632,897	\$ 98,846	\$ 58,055	\$ 789,798
Investments	163,312	458,503	31,308	653,123
Loans receivable	52,742	-	-	52,742
Due from other funds	27,497	447,774	1,228	476,499
Total Assets	\$ 876,448	\$ 1,005,123	\$ 90,591	\$ 1,972,162
Liabilities and Fund Balances				
Liabilities:				
Bank overdraft	\$ 529,933	\$ -	\$ -	\$ 529,933
Due to other funds	677,861	-	2,226	680,087
Deferred revenue	6,217	-	-	6,217
Total Liabilities	1,214,011	-	2,226	1,216,237
Fund Balance:				
Nonspendable	80,239	447,774	1,228	529,241
Restricted	-	557,349	18,503	575,852
Committed	-	-	61,564	61,564
Assigned	182,591	-	7,070	189,661
Unassigned	(600,393)	-	-	(600,393)
Total Fund Balances	(337,563)	1,005,123	88,365	755,925
Total Liabilities and Fund Balances	\$ 876,448	\$ 1,005,123	\$ 90,591	\$ 1,972,162
Reconciliation to Statement of Net Position:				
Total fund balance for governmental funds				\$ 755,925
Amounts reported for governmental activities in the statement of net position are different because:				
Liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities				-
				\$ 755,925

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Motor Fuel Tax	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property tax	\$ 149,467	\$ -	\$ 3,533	\$ 153,000
Sales tax	1,367,352	-	-	1,367,352
Other local taxes	2,293,395	-	35,202	2,328,597
Intergovernmental revenue	794,055	194,627	-	988,682
Grant revenue	-	37,755	-	37,755
Licenses, permits & franchises	34,952	-	-	34,952
Fines and fees	61,689	-	-	61,689
Interest income	3,325	8,390	407	12,122
Miscellaneous income	35,889	-	-	35,889
Total Revenues	4,740,124	240,772	39,142	5,020,038
Expenditures:				
General government and administrative	1,060,467	-	8,437	1,068,904
Police and fire	1,922,980	-	-	1,922,980
Public works and maintenance	352,317	-	-	352,317
Expenditures for services	-	-	17,555	17,555
Employee benefits	556,594	-	-	556,594
Maintenance	-	160,749	5,903	166,652
Other	151,440	-	5,612	157,052
Debt Service				
Principal	384,490	-	-	384,490
Interest	15,155	-	-	15,155
Total Expenditures	4,443,443	160,749	37,507	4,641,699
Excess (Deficiency) of Revenues Over Expenditures	296,681	80,023	1,635	378,339
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	296,681	80,023	1,635	378,339
FUND BALANCES, BEGINNING OF YEAR	(634,244)	925,100	86,730	377,586
FUND BALANCES, END OF YEAR	\$ (337,563)	\$ 1,005,123	\$ 88,365	\$ 755,925
Reconciliation to change in net position:				
Net change in fund balance for governmental funds				\$ 378,339
Amounts reported for governmental activities in statement of activities are different because:				
Repayment of debt				384,490
Issuance of debt				-
				\$ 762,829

See accompanying notes to financial statements.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND - WATER AND SEWER
DECEMBER 31, 2012

	Water and Sewer
Assets:	
Current assets:	
Cash and cash equivalents	\$ 337,842
Investments	263,411
Due from other funds	228,860
Total current assets	830,113
Noncurrent assets:	
Restricted cash and cash equivalents	511,086
Restricted investments	800,033
	1,311,119
Capital assets:	
Land- new water and sewer plant	189,750
Construction in progress	170,217
Water distribution system	2,691,102
Sewer distribution system	3,138,162
Equipment - administrative	86,052
Less accumulated depreciation	(4,737,938)
Total capital assets (net of accumulated depreciation)	1,537,345
Total noncurrent assets	2,848,464
Total assets	3,678,577
Liabilities:	
Current liabilities:	
Due to other funds	25,272
Customer deposits	165,847
Note payable - current	-
Total current liabilities	191,119
Noncurrent liabilities:	
Note payable- noncurrent	-
Total noncurrent liabilities	-
Total liabilities	191,119
Net Position	
Invested in capital assets, net of related debt	1,537,345
Restricted for WWTP	1,311,119
Unrestricted	638,994
Total net position	\$ 3,487,458

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND - WATER AND SEWER
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Water and Sewer</u>
Operating revenues:	
Water sales	\$ 1,604,238
Sewerage services	652,218
Service charges	19,928
Special assessment	418,211
Tapping fees & billed jobs	16,473
Penalties	<u>31,950</u>
Total operating revenues	2,743,018
Operating expenses:	
Purchase of water	784,611
Water distribution	411,843
Wastewater treatment plant	569,236
Depreciation	129,445
Administrative and general	<u>456,113</u>
Total operating expenses	2,351,248
Total operating income	391,770
Nonoperating revenues (expenses):	
Interest income	<u>13,765</u>
Total nonoperating revenues (expenses)	<u>13,765</u>
Change in net position	405,535
Total net position - beginning	<u>3,081,923</u>
Total net position - ending	<u>\$ 3,487,458</u>

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND - WATER AND SEWER
FOR THE YEAR ENDED DECEMBER 31, 2012

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,744,764
Transfers to other funds	294,024
Payments to suppliers	(1,298,550)
Payments to employees	<u>(923,253)</u>
Net cash provided by operating activities	<u>816,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(47,000)
Proceeds for grants	<u>-</u>
Net cash used in capital and related financing activities	<u>(47,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	13,764
Net sale (purchase) of investments	<u>(585,890)</u>
Net cash used in investing activities	<u>(572,126)</u>
Net increase in cash and cash equivalents	197,859
Cash and cash equivalents, January 1, 2012	<u>651,069</u>
Cash and cash equivalents, December 31, 2012	<u>\$ 848,928</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 391,770
Items not requiring (providing) cash:	
Depreciation	129,445
Changes in:	
Due from other funds	268,750
Due to other funds	25,274
Accrued expenses	<u>1,746</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 816,985</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	April 30, 2012			Cemetery Trust Fund
	Pension Trust Funds			
	Police Pension Trust	Firefighter's Pension Trust	Total	
Assets:				
Cash and cash equivalents	\$ 205,320	\$ 67,106	\$ 272,426	\$ 1,338
Investments	3,787,453	3,215,656	7,003,109	20,458
Property tax receivable	440,123	295,474	735,597	-
Accrued interest	2,996	12,658	15,654	-
Employee contributions	<u>552</u>	<u>-</u>	<u>552</u>	<u>-</u>
Total Assets	<u>4,436,444</u>	<u>3,590,894</u>	<u>8,027,338</u>	<u>21,796</u>
Liabilities:				
Payroll withholding	(101)	-	(101)	-
Accounts payable	<u>-</u>	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Total Liabilities	<u>(101)</u>	<u>3,600</u>	<u>3,499</u>	<u>-</u>
Net Position:				
Held in trust for pension benefits and other purposes	<u>\$ 4,436,545</u>	<u>\$ 3,587,294</u>	<u>\$ 8,023,839</u>	<u>\$ 21,796</u>

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	<u>Police Pension Trust</u>	<u>Firefighter's Pension Trust</u>	<u>Total</u>
Additions:			
Contributions			
Property and replacement taxes	\$ 353,030	\$ 306,253	\$ 659,283
Employee contributions	<u>75,821</u>	<u>46,086</u>	<u>121,907</u>
Total contributions	<u>428,851</u>	<u>352,339</u>	<u>781,190</u>
Investment income			
Interest and dividends	119,397	61,559	180,956
Realized gain (loss) on investments	36,825	7,154	43,979
Net appreciation (depreciation) in fair value of investments	<u>(51,311)</u>	<u>79,837</u>	<u>28,526</u>
Net investment income	<u>104,911</u>	<u>148,550</u>	<u>253,461</u>
Total additions	<u>533,762</u>	<u>500,889</u>	<u>1,034,651</u>
Deductions:			
Direct benefit payments	315,470	292,773	608,243
Accounting fees	3,600	1,800	5,400
Audit fees	3,000	3,000	6,000
Education	584	1,502	2,086
Insurance	1,700	1,724	3,424
Investment management fees	-	4,255	4,255
Legal fees	289	-	289
Other expense	<u>1,619</u>	<u>3,056</u>	<u>4,675</u>
Total deductions	<u>326,262</u>	<u>308,110</u>	<u>634,372</u>
Change in net position	207,500	192,779	400,279
Net position - beginning	<u>4,229,045</u>	<u>3,394,515</u>	<u>7,623,560</u>
Net position - ending	<u>\$ 4,436,545</u>	<u>\$ 3,587,294</u>	<u>\$ 8,023,839</u>

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - CEMETERY TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Cemetery
Revenues:	
Interest income	\$ 484
Miscellaneous income	50
	534
Expenditures:	14
Excess (deficiency) of revenues over expenditures	520
Transfer out:	-
Change in net position	520
Net position - beginning	21,276
Net position - ending	\$ 21,796

The accompanying notes are an integral part of this statement.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note A.3, these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they are applicable to the modified cash basis of accounting, and those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. Reporting Entity

The City of Murphysboro was incorporated September 22, 1875, and operates as a home rule unit. The City functions under a Mayor-Aldermanic form of government and provides the following services: police and fire protection, public works, water and sewer, public improvements, planning and zoning, and general administrative services.

These financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, a part of the government's operations and so data from this unit is combined with data from the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The Sallie Logan Public Library is included in the City reporting entity as a discrete component unit. The City Council sets the annual tax levy, which is the major financing source of the Library and approves the Library's budget. The Library is presented as a governmental fund type.

At December 31, 2012, the City did not have any blended component units.

Excluded from the reporting entity:

Jackson County, Murphysboro Township and Murphysboro Consolidated Unit School District 186: These potential component units have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the government. These are excluded from the reporting entity because the government does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

The following related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations.

Jackson County Housing Authority
Southern Illinois Airport Authority
Kinkaid-Reed's Creek Conservancy District
Jackson County Mental Health (708) Board

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation

Government-wide financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. Governmental activities, which are normally 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes or other charges between the City's water and sewer function and various other functions of the government. Eliminations of those charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Fund financial statements

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City's fiduciary funds are presented separately. 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 City 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.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - Continued

The City reports the following major governmental funds:

The General Fund is used to account for all financial transactions which are not required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including police and fire protection and public works.

The Motor Fuel Tax Fund is used to account for motor fuel tax allocations from the State of Illinois for street maintenance, major street construction, etc. as approved by the Illinois Department of Transportation.

The City reports the following major proprietary fund:

The Water and Sewer Fund provides for the operation and maintenance of the municipal waste and wastewater treatment and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for, and report the proceeds of specific revenue sources (other than debt service and major capital projects) that are restricted or committed to expenditure for specific purposes. A substantial portion of the revenue within the fund must be from a restricted or committed source.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. The following are the City's fiduciary fund types:

- a. Pension Trust Funds are used to account for pension plans established by state and local governments. The measurement focus is based on the flow of economic resources and the accrual basis of accounting. This fund type includes the Police and Firefighter's Pension funds. These financial statements were audited by other auditors.
- b. Private Purpose Trust Funds are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. This fund type includes the Cemetery fund.

3. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for internal balances in the government-wide statements a provision for interfund receivables/payables in proprietary funds statements, and the similar discretely presented component unit statements. The proprietary fund also makes a provision for capital assets, depreciation, and debt. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus and Basis of Accounting - Continued

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The City maintains all deposits in bank accounts in the name of the City. The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. For the purposes of the Enterprise Fund Cash Flow Statement, the cash and cash equivalents include the Illinois Funds investments.

Investments

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

Interfund receivables and payables

Activities between the various funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "Due to/from other funds".

Capital Assets

The City does not capitalize fixed assets or maintain fixed asset records, except for the Proprietary Fund where all significant purchases are capitalized. For all other funds, assets are expensed when purchased.

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activity column in the government-wide financial statements. Expenditures that improve or extend the useful life of an asset are capitalized. Such assets are recorded at historical cost. 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.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

Property, plant and equipment of the Proprietary Fund are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful lives are as follows:

Water System	5 to 40 years
Sewer System	5 to 40 years
Equipment	5 to 10 years

5. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, grantors, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise fund represents cash set aside for restricted purposes as required by the Revenue bond indenture.

6. Compensated Absences

Most City employees are covered under a union contract and are entitled to certain compensated absences based on their employment contract. These compensated absences do accumulate if not used by the employee by the end of the fiscal year. Upon termination, employees are compensated for unused vacation pay. As a result of the use of cash basis accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenses related to compensated absences are recorded when paid.

7. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Debt repayment is reported as debt service expenditures.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity and Net Position

Beginning with fiscal year 2011, the City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength for the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - includes fund balance amounts that cannot be spent either because it is not in spendable form (such as inventory) or because of legal or contractual constraints.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purposes; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that available for any purpose; positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amount of unrestricted fund balance when expenditures are made.

The City does not have a formal stabilization policy or minimum fund balance policy.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity and Net Position - Continued

The City report three types of net position in its government-wide statement of net position:

Invested in capital assets, net of related debt - consists of capital asset balances less accumulated depreciation and reduced by outstanding balances of debt used to acquire, construct, or improve those assets.

Restricted - assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, or laws or regulations of other governments.

Unrestricted - consists of all other assets that do not meet the definitions of the above two components and are available for the City's general use.

9. Budgetary Accounting Procedures

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

- Prior to January 1, the budget officer submits to the City Council a proposed operating budget for the fiscal year commencing January 1. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to enactment, a public hearing is held on the proposed budget to obtain citizen comments.
- Subsequent to the public hearing and prior to January 1, the budget is enacted by passage in a City Council meeting.
- Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are adopted on a cash basis.
- The budget was not amended.

10. Concentration of Credit Risk

Credit is extended to utility customers on a partially secured basis with a cash deposit required at the inception of service.

11. Property Taxes

Property taxes attach as an enforceable lien on real estate as of January 1 of each year. The County bills and collects real estate taxes for all taxing bodies within the County. Taxes are normally remitted to the City by the County in varying amounts and on various dates beginning in August or September of the next calendar year. Therefore, at year-end, the City was owed the entire levy for the 2012 calendar year.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Property Taxes - Continued

No provision for bad debts is provided because over time substantially all property taxes are collected. Since the City is on the modified cash basis of accounting, the 2012 property taxes are not recorded as a receivable in the financial statements.

12. Management Estimates

The preparation of the financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

13. Differences from GAAP

As discussed in Note A.3, the City reports both the government-wide and fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

14. Encumbrances

The County does not maintain an encumbrance accounting system. Therefore, no reservations of fund balance have been made for outstanding purchase orders, contracts or other commitments.

NOTE B - DEPOSITS AND INVESTMENTS

1. Custodial Credit Risk - Deposits

It is the City's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at December 31, 2012. The comparison relates to the primary government only. Due to the nature of the Illinois Funds, they are included as deposit balances on the balance sheet. The categories of custodial credit risk are defined as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or properly collateralized with no written or approved collateral agreement.

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

1. Custodial Credit Risk - Deposits - Continued

Primary Government

	Total Bank Balance	Category			Total Carrying Value
		1	2	3	
Deposits	\$ 3,251,018	\$ 1,613,401	\$ 1,637,617	\$ -	\$ 2,825,115
Paypal Account	23	-	-	23	23
Petty Cash	-	-	-	-	222
	<u>\$ 3,251,041</u>	<u>\$ 1,613,401</u>	<u>\$ 1,637,617</u>	<u>\$ 23</u>	<u>\$ 2,825,360</u>

Reconciliation to Government-Wide Statement of Net Position:

Cash and cash equivalents	\$ 1,010,291
Investments in certificates of deposit	458,031
Restricted cash and cash equivalents	628,435
Restricted investments in certificates of deposit	1,258,536
Bank Overdraft	<u>(529,933)</u>
	<u>\$ 2,825,360</u>

Fiduciary Funds:

The following Fiduciary Fund deposits are all within the Category 1 custodial credit risk.

	Bank Balance	Total Carrying Value
December 31, 2012		
Cemetery Trust Fund	\$ 1,338	\$ 1,338
April 30, 2012		
Police and Fire Pension Trust	\$ 300,780	\$ 272,426

Component Unit:

The following Component Unit deposits are all within the Category 1 custodial credit risk.

April 30, 2012		
Sallie Logan Library	\$ 145,022	\$ 128,808

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments - Police and Fire Pension Trust

State statutes authorize the City to invest only in direct obligations of the U.S. Government or its agencies; direct obligations of any financial institution that is insured by the Federal Deposit Insurance Corporation; short-term obligations of corporations rated A or better by at least two standard rating services; obligations of the State of Illinois and its political subdivisions; insured accounts of credit unions located in the State of Illinois; The Illinois Funds; certain money market mutual funds where the portfolio is limited to U.S. Government securities; and certain repurchase agreements.

The City has invested in the Illinois Funds, which is a local government investment pool of the State of Illinois. The management, custodianship and operation of the Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer. The fair value of the participant's position in the pool is the same as the fair value of the participant's shares in the pool. Due to the nature of Illinois Funds, they are included as deposit balances on the balance sheet. The only other investments held by the primary government and the component units are certificates of deposit at local financial institutions.

The Police and Fire Pension Trusts' investments are categorized to give an indication of the level risk assumed by the trusts at April 30, 2012. The categories are described as follows:

- Category 1 - insured or registered, with securities held by the entity or its agent in the entity's name.
- Category 2 - uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
- Category 3 - uninsured and unregistered, with securities held by the counter party, in its trust department but not in the entity's name.

Interest Rate Risk

Interest rate risk is the risk that the fair value of an investment will decline as interest increases. Due to the trusts' type of investments at April 30, 2012, interest rate risk is not significant.

	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 268,000	\$ 268,000	\$ 268,000
U.S. Treasuries	1,284,113	1,284,113	1,284,113
Government Backed Securities	<u>674,501</u>	<u>674,501</u>	<u>674,501</u>
	<u>\$ 2,226,614</u>	<u>\$ 2,226,614</u>	<u>\$ 2,226,614</u>
Investments not subject to categorization:			
Illinois Funds		\$ 132,074	\$ 132,074
Fixed Annuities		1,830,862	1,830,862
Mutual Funds		<u>2,813,559</u>	<u>2,813,559</u>
		<u>\$ 4,776,495</u>	<u>\$ 4,776,495</u>
Total Investments		<u>\$ 7,003,109</u>	<u>\$ 7,003,109</u>

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments - Police and Fire Pension Trust - Continued

Both the Police and Firemen's Pension Funds invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the next term and that such changes could materially affect participants' account balances and the amounts reported in the statement of plan net position.

3. Fair Value

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820) addresses fair value measurements standards in financial statements prepared according to Generally Accepted Accounting Principles. FASB ASC 820 establishes a principles-based framework for measuring fair value of both assets and liabilities and clarifies the definition for fair value. The definition of fair value is clarified by FASB ASC 820 to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date. FASB ASC 820 sets forth a fair value hierarchy for inputs that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the plan has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted price included within level 1 that are observable valuing the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs used for valuing the asset or liability.

Input levels by investment category of the primary government's financial instruments at December 31, 2012 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	<u>\$ 1,716,567</u>	<u>\$ -</u>	<u>\$1,716,567</u>	<u>\$ -</u>

Input levels by investment category of the component unit's financial instruments at April 30, 2012 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	<u>\$ 11,461</u>	<u>\$ -</u>	<u>\$ 11,461</u>	<u>\$ -</u>

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

3. Fair Value - Continued

Input levels by investment category of the Police and Fire Pension Trusts' financial instruments at April 30, 2012 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ 268,000	\$ -	\$ 268,000	\$ -
Illinois Funds	132,074	132,074	-	-
U.S. Treasuries	1,284,113	-	1,284,113	-
Government Backed Securities	674,501	-	674,501	-
Mutual Funds	2,813,559	2,813,559	-	-
Fixed Annuities	<u>1,830,862</u>	<u>1,830,862</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,003,109</u>	<u>\$ 4,776,495</u>	<u>\$ 2,226,614</u>	<u>\$ -</u>

Input levels by investment category of the Cemetery Trust's financial instruments at December 31, 2012 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	<u>\$ 20,458</u>	<u>\$ -</u>	<u>\$ 20,458</u>	<u>\$ -</u>

NOTE C - PROPERTY TAXES

A tax levy ordinance is prepared and adopted by the City Council and filed with the County Clerk by the 4th Tuesday in December. The taxes upon real property, together with all penalties, interest and costs that may accrue thereon, become a prior and first lien on such real property, superior to all other liens and encumbrances, from and including the first day of January in the year in which the taxes are levied until the taxes, penalties, interest and costs are repaid. Property taxes are payable in two installments generally in August and October. The City receives significant distributions of tax receipts approximately one month after these due dates.

NOTE D - RESTRICTED ASSETS

Certain resources are classified as restricted assets on the Statement of Net Position and governmental funds balance sheet because their use is limited to a specific purpose. A summary of restricted assets at December 30, 2012 is as follows:

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE D - RESTRICTED ASSETS - CONTINUED

<u>Restricted Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Waste Water Treatment Plant:			
Cash	\$ -	\$ 511,086	\$ 511,086
Investments - Certificates of deposit	-	800,033	800,033
Street Construction and Repair:			
Cash	98,846	-	98,846
Investments - Certificates of deposit	458,503	-	458,503
Fire Department:			
Cash	<u>18,503</u>	<u>-</u>	<u>18,503</u>
	<u>\$ 575,852</u>	<u>\$ 1,311,119</u>	<u>\$ 1,886,971</u>

NOTE E - PROPRIETARY FUND TYPE PROPERTY AND EQUIPMENT

A summary of changes in proprietary fund type property, plant and equipment at December 31, 2012 follows:

	Balance December 31, <u>2011</u>	<u>Additions</u>	Balance December 31, <u>2012</u>
Capital assets, not being depreciated:			
Land	\$ 189,750	\$ -	\$ 189,750
Construction in progress	<u>168,217</u>	<u>2,000</u>	<u>170,217</u>
Total capital assets, not being depreciated	<u>357,967</u>	<u>2,000</u>	<u>359,967</u>
Capital assets, being depreciated			
Water Distribution	2,691,102	-	2,691,102
Sewer Distribution	3,093,162	45,000	3,138,162
Vehicles and Equipments	<u>86,052</u>	<u>-</u>	<u>86,052</u>
Total capital assets, being depreciated	<u>5,870,317</u>	<u>45,000</u>	<u>5,915,316</u>
Less accumulated depreciation	<u>(4,608,493)</u>	<u>(129,445)</u>	<u>(4,737,938)</u>
Total capital assets, being depreciated, net	<u>1,261,824</u>	<u>(84,445)</u>	<u>1,177,378</u>
Business-type activities capital assets, net	<u>\$ 1,619,791</u>	<u>\$ (82,445)</u>	<u>\$ 1,537,345</u>

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE F - LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

Governmental Activity:

The general fund is used to liquidate liabilities unless the debt was acquired for a specific fund.

Line of Credit

The City has an open end line of credit up to \$1,000,000 with First Bank and Trust. The line of credit is used to maintain operations when tax disbursements have not been received. This line of credit is unsecured and had an interest rate of 4.94% at December 31, 2012. The line of credit is payable in monthly installments of \$30,000, including principal and interest, until the maturity date of July 26, 2013. At December 31, 2012, the line of credit was paid in full.

Under the City's modified cash basis of accounting, the principal and interest payments are recorded as expenditures when the payments are made.

Long-term Debt Notes Payable

During 2009, the City entered into a loan agreement with First Southern for a Kyocera copy machine. The principal amount of the loan was \$14,719 at 3.9% interest rate and was secured by the Kyocera copy machine. The loan was payable in monthly installments of \$434 including principal and interest. The loan was paid in full as of December 31, 2012.

The following is a summary of the changes in general long-term debt and proprietary fund debt.

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Note Payable	862	-	862	-	-
Line of Credit	<u>383,628</u>	<u>-</u>	<u>383,628</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 384,490</u>	 <u>\$ -</u>	 <u>\$ 384,490</u>	 <u>\$ -</u>	 <u>\$ -</u>

The proprietary fund did not have any outstanding debt.

NOTE G - RETIREMENT PLANS

The employees of the City of Murphysboro are covered by one of the following defined benefit plans: the Illinois Municipal Retirement Fund (IMRF), the Police Pension Plan, or the Firefighter's Pension Plan. The Police Pension and Firefighter's Pension are accounted for as pension trust funds in the City's financial statements. The Illinois Municipal Retirement Fund is not included in the balances shown in the financial statements, except for the contributions made during the year and charged to operating expenditures or expenses. City contributions to these pension plans are funded with property taxes, replacement taxes and general operating revenues.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

1. Illinois Municipal Retirement Plan

a. Plan Description

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

b. Funding Policy

As set by statute, IMRF plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012 used by the employer was 11.61% of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 14.13%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

c. Annual Pension Cost

For calendar year ending December 31, 2012, the employer's actual contributions for pension cost for the Regular employees were \$181,681. Its required contribution for the calendar year 2012 was \$221,116.

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses and direct investment expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20.0% corridor between the actuarial and market value of assets. The employer regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on a open 30 year basis.

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

1. Illinois Municipal Retirement Plan - Continued

c. Annual Pension Cost - Continued

Trend Information			
Calendar Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
12/31/12	221,116	82%	-0-
12/31/11	218,891	79%	-0-
12/31/10	213,744	74%	-0-

d. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 68.49% funded. The actuarial accrued liability for benefits was \$5,744,388 and the actuarial value of assets was \$3,934,306, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,810,077. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$1,564,870 and the ratio of the UAAL to the covered payroll was 116%.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/12	3,934,306	5,744,383	1,810,077	68.49%	1,564,870	115.67%
12/31/11	4,414,928	6,251,281	1,836,353	70.62%	1,634,737	112.33%
12/31/10	4,315,902	6,093,535	1,777,633	70.83%	1,653,083	107.53%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$4,101,987. On a market basis, the funded ratio would be 71.41%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the City of Murphysboro, Illinois. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

2. Police and Firefighter's Pension

a. Plan Description

The Police Pension Plan and the Firefighter's Pension Plan cover sworn police and fire personnel, respectively. The defined benefit single-employer pension plans provide the retirement, disability, and death benefits to plan members and their beneficiaries. The defined benefits and employee and employer contribution levels are governed by Illinois State Statutes, Chapter 40 5/3-4, Article 3-4, and may be amended only by the Illinois legislature. The City accounts for the plans as pension trust funds. The Police and Firefighter's Pension Plans are audited by other accountants who issue separate publicly available financial reports. Those reports may be obtained by writing to the City of Murphysboro, Illinois, City Administrator, 1101 Walnut Street, Murphysboro, IL 62966.

b. Basis of Accounting

The Police and Firefighter's Pension Plans' statements are presented as Pension Trust Funds, which are prepared using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

c. Method Used to Value Investments

Investments are reported at fair value. Fixed income securities are reported at amortized cost, with adjustment to market value determined by using quoted market prices provided by independent pricing services. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Equity securities are reported at fair market value as of April 30, 2012.

d. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the state legislature. Plan members of the Police and Firefighter's Pension Plans are required to contribute 9.91% and 9.455%, respectively, of their base salary. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The current rate is 25.11% and 27.91% of current payroll for the Police and Firefighter's Pension Plans, respectively. Administrative costs are funded through investment earnings.

e. Police Pension and Firefighters Pension Membership Information

At April 30, 2012, the Police Pension Plan and Firefighters Pension Plan memberships were as follows:

Retirees and beneficiaries:	<u>Police</u>	<u>Firefighters</u>
Currently receiving benefits	11	9
Entitled to benefits but not yet receiving them	0	0
Current Members		
Vested	9	7
Nonvested	<u>7</u>	<u>4</u>
Total Members	<u>27</u>	<u>20</u>

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

2. Police and Firefighter's Pension - Continued

f. Police Pension Plan Provisions

These provisions are as stated by Illinois State Statutes. The Police Pension Plan provides retirement benefits as well as death and disability benefits.

1. Tier I - Membership started prior to January 1, 2011:

A police officer age of 50 or more with 20 or more years of creditable service, who is not a participant in a self-managed plan and who is no longer in service as a police officer, shall receive a monthly pension of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall increase 2.5% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75% of such salary.

A police officer mandatorily retired from service due to age by operation of law, having at least 8 but less than 20 years of creditable service, shall receive a pension equal to 2.5% of the salary attached to the rank held on the last day of service or for one year prior to the last day of, whichever is greater, for each year of creditable service. A police officer who retires or is separated from service having at least 8 years, but less than 20 years of creditable service, who is not mandatorily retired due to age by operation of law, and who does not apply for a refund of contributions at separation from police service, shall receive a pension upon attaining age 60 equal to 2.5% of the salary attached to the rank held by the police officer on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service. The monthly pension of an officer shall be increased, upon either the first of the month following the first anniversary of the date of retirement, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement by $\frac{1}{12}$ of 3% of the pension payable at the time of the increase for each full month elapsed since the pension began, and by an additional 3% of the pension payable at the time of increase in January each year thereafter.

2. Tier II - Membership started on or after January 1, 2011:

A police officer age 55 or more with 10 or more years of creditable service who is no longer in service as a police officer, shall have the option to receive a monthly pension computed by multiplying 2.5% for each year of service by the final average salary. The pension of a police officer retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by one-half of 1% for each month of age under age 55. The maximum pension shall be 75% of final average salary.

Final average salary means the average monthly salary obtained by dividing the total salary during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

The monthly pension shall annually be increased by the lesser of (a) 3% of the current amount including all previous adjustments, or (b) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

2. Police and Firefighter's Pension - Continued

g. Firefighter Pension Plan Provisions

1. Tier I - Membership started prior to January 1, 2011:

A firefighter age 50 or more with 20 or more years of creditable service who is no longer in service as a firefighter, shall receive a monthly pension of one-half the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such monthly salary.

A firefighter who retires or is separated from service having at least 10 but less than 20 years of creditable service, who is not entitled to receive a disability pension, and who did not apply for a refund of contributions at separation from service shall receive a reduced monthly pension upon attainment of age 60 based on the monthly salary attached to rank in the fire service on the date of retirement or separation of service, according to the following years of service: for 10 years, 15% of salary; for 11 years, 17.6% of salary; for 12 years, 20.4% of salary; for 13 years, 23.4% of salary; for 14 years, 26.6% of salary; for 15 years, 30% of salary; for 16 years, 33.6% of salary; for 17 years, 37.4% of salary; for 18 years, 41.4% of salary; for 19 years, 45.6% of salary.

The monthly pension of a firefighter retired from service with 20 or more years of service after January 1, 1987, shall be increased annually, following the first anniversary of the date of retirement or upon the attainment of age 55, if it occurs after the first anniversary, by 3% of the originally granted monthly pension, and by an additional 3% in each January thereafter.

2. Tier II - Membership started on or after January 1, 2011:

A firefighter age 55 or more with 10 or more years of creditable service who is no longer in service as a firefighter, shall have the option to receive a monthly pension computed by multiplying 2.5% for each year of service by the final average salary. The pension of a firefighter retiring after attaining age 55 with 10 or more years of creditable service shall be reduced by one-half of 1% for each month of age under age 55. The maximum pension shall be 75% of final average salary.

Final average salary means the average monthly salary obtained by dividing the total salary during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

The monthly pension shall annually be increased by the lesser of (a) 3% of the current amount including all previous adjustments, or (b) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

2. Police and Firefighter's Pension - Continued

h. Annual Pension Cost and Net Pension Obligation

The contribution requirements were computed as part of an actuarial valuation performed by the Illinois Department of Financial and Professional Regulation as of April 30, 2010. The Illinois Department of Financial and Professional Regulation did not perform an actuarial valuation as of April 30, 2011. The most recent actuarial valuation performed as of April 30, 2012, is not yet available.

The City's annual pension cost and net pension obligation of the Police and Firefighter's Pension Plans for the year ended April 30, 2012, were as follows:

	<u>Police Pension Plan</u>	<u>Firefighter's Pension Plan</u>
Annual required contribution	\$ 310,744	\$ 268,451
Interest on net pension obligation	<u>-</u>	<u>-</u>
Annual Pension Cost	310,744	268,451
Contributions made	<u>367,242</u>	<u>304,525</u>
Increase (decrease) in net pension obligation	(56,498)	(36,074)
Net obligation, beginning of year	<u>-</u>	<u>-</u>
Net obligation, end of year	<u>\$ -</u>	<u>\$ -</u>

The annual required contribution was determined as part of the April 30, 2010 actuarial valuation for the Police Pension and Firefighter's Pension Plans using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return (net of expenses) for both Plans and (b) projected salary increases of 5.5% for both Plans.

The City fully funds the actuarially determined employer contributions through property and replacement tax monies. These contributions lag behind the actuarially required contributions by two years due to the time necessary to complete the tax levy cycle.

CITY OF MURPHYSBORO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012

NOTE G - RETIREMENT PLANS - CONTINUED

i. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
Firefighter's Pension:						
04/30/10	\$ 3,104,747	\$ 6,117,735	\$ 3,012,988	50.75 %	\$ 550,235	547.58 %
04/30/09	2,703,068	5,794,584	3,091,516	46.65 %	471,516	655.65 %
04/30/08	2,845,818	5,351,580	2,505,762	53.18 %	494,756	506.46 %
04/30/07	2,714,495	4,802,199	2,087,704	56.53 %	438,810	475.76 %
04/30/06	2,601,508	4,280,367	1,678,859	60.78 %	415,800	403.77 %
Police Pension:						
04/30/10	\$ 3,872,691	\$ 7,487,380	\$ 3,614,689	51.72 %	\$ 728,240	496.36 %
04/30/09	3,396,523	6,995,074	3,598,551	48.56 %	692,802	519.42 %
04/30/08	3,457,892	6,366,935	2,909,043	54.31 %	696,243	417.82 %
04/30/07	3,290,636	5,958,078	2,667,442	55.23 %	656,120	406.55 %
04/30/06	3,126,107	5,513,636	2,387,529	56.70 %	544,869	438.18 %
04/30/05	2,964,403	5,548,441	2,584,038	53.43 %	591,520	436.85 %

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE H - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as Interfund receivables and payables. These transactions are intended to be paid back to the respective funds in the future periods when funding becomes available. The majority of interfund balances were used to finance operating deficits in the general fund. Interfund receivables and payables, during the year ended December 31, 2012, were as follows:

	Interfund Receivables/ (Payables)
Governmental Activities:	
General Fund	\$ 600
Vendor Claims	1,623
Payroll Clearing	<u>25,274</u>
	27,497
Special Revenue Funds:	
Motor Fuel	447,774
Civil Defense	<u>1,228</u>
	<u>449,002</u>
Total Governmental Fund Receivable	<u><u>476,499</u></u>
General Fund	(570,554)
Vendor Claims	<u>(107,307)</u>
	(677,861)
Special Revenue Funds:	
Hotel/Motel	(1,623)
Civil Defense	<u>(603)</u>
	(2,226)
Total Governmental Fund Payable	<u>(680,087)</u>
Net Receivable/(Payable)	<u><u>(203,588)</u></u>
Business Type Activities:	
Enterprise Funds:	
Water and Sewer	<u>228,860</u>
Total Enterprise Fund Receivable	<u><u>228,860</u></u>
Enterprise Funds:	
Water and Sewer	<u>(25,272)</u>
Total Enterprise Fund Payable	<u>(25,272)</u>
Net Receivable/(Payable)	<u><u>\$ 203,588</u></u>

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE H - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

Interfund balances, except those related to Vendor Claims and Payroll Clearing, are not expected to be repaid within one year.

NOTE I - EXPENDITURES IN EXCESS OF BUDGET

There were no funds which incurred expenditures in excess of budget for the year ended December 31, 2012.

NOTE J - FUND DEFICITS

The following funds had deficit fund balances as of December 31, 2012:

General Fund	\$ 337,563
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NOTE K - RESERVES OF RETAINED EARNINGS AND FUND BALANCES

Governmental Activities:

Nonspendable Fund Balance

Loans receivable	\$ 52,742
Due from other funds	<u>476,499</u>
	<u>\$ 529,241</u>

Restricted Fund Balance

Street construction and repair	\$ 557,349
Fire department	<u>18,503</u>
	<u>\$ 575,852</u>

Committed Fund Balance

Tourism	<u>\$ 61,564</u>
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Assigned Fund Balance

Emergency Management/Civil Defense	\$ 7,070
Seized Assets	(64,752)
Business Revolving Loan	44,754
Rehab Program	<u>202,589</u>
	<u>\$ 189,661</u>

CITY OF MURPHYSBORO, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2012

NOTE K - RESERVES OF RETAINED EARNINGS AND FUND BALANCES - CONTINUED

Proprietary and fiduciary activities:

Proprietary funds and fiduciary funds include a number of reserves, which are maintained for specific purposes. The nature and purpose of the significant reserves are:

Reserve per Bond Ordinance-Water and Sewer Net Position

An account to segregate monies, which are reserved for the purpose of constructing a Wastewater Treatment Plant.

Reserve for Employees' Pension Benefits

The Police and Firefighter's Pension Trust Funds are single-employer, defined benefit pension plans. As a result, the net position is reserved for employees' pension benefits.

Reserve for Perpetual Care

The Cemetery Trust Fund is an account reserved for the purpose of providing for the care and upkeep of the cemetery.

NOTE L - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE M - SEGMENT INFORMATION

The government maintains one enterprise fund. The Water and Sewer fund accounts for provisions of basic utility service to all citizens. Selected segment information for the year ended December 31, 2012, is as follows:

Operating Revenues	\$ 2,743,018
Operating expenses	
Depreciation expense	129,445
Other operating expenses	2,221,803
Operating income	391,770
Change in net position	405,535
Net Working Capital	638,994
Total Assets	3,678,577
Long-term liabilities	-
Total Net Position	3,487,458

NOTE N - SUBSEQUENT EVENT

Management evaluated all events and transactions that occurred after December 31, 2012 through May 10, 2013 the issue date of these financial statements. No subsequent events were identified.

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Favorable / (Unfavorable) Variance with Final Budget
	Original	Final		
Revenues:				
Property tax	\$ 169,240	\$ 169,240	\$ 149,467	\$ (19,773)
Sales tax	1,328,460	1,328,460	1,367,352	38,892
Other local taxes	2,173,000	2,173,000	2,293,393	120,393
Intergovernmental revenue	658,000	658,000	794,055	136,055
Licenses and permits	41,400	41,400	34,952	(6,448)
Fines and fees	74,000	74,000	61,689	(12,311)
Interest income	2,780	2,780	3,325	545
Miscellaneous	35,550	35,550	35,889	339
Total revenues	<u>4,482,430</u>	<u>4,482,430</u>	<u>4,740,122</u>	<u>257,692</u>
Expenditures				
General government and administrative	1,160,500	1,160,500	1,060,467	\$ 100,033
Police and fire	1,941,450	1,941,450	1,922,980	18,470
Public works and maintenance	412,000	412,000	352,317	59,683
Employee benefits	561,700	561,700	556,594	5,106
Other	41,200	41,200	151,440	(110,240)
Debt Service				
Principal	360,000	360,000	384,490	(24,490)
Interest	-	-	15,155	(15,155)
Total expenditures	<u>4,476,850</u>	<u>4,476,850</u>	<u>4,443,443</u>	<u>33,407</u>
Excess (deficit) of revenues over expenditures	<u>5,580</u>	<u>5,580</u>	<u>296,679</u>	<u>224,285</u>
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	5,580	5,580	296,679	
Fund balance, beginning of year	<u>(634,244)</u>	<u>(634,244)</u>	<u>(634,244)</u>	
Fund balance, end of year	<u>\$ (628,664)</u>	<u>\$ (628,664)</u>	<u>\$ (337,565)</u>	

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable / (Unfavorable)
Revenues:				
Property tax				
Property tax	\$ 4,240	\$ 4,240	\$ 3,749	\$ (491)
Property tax - audit	10,000	10,000	8,832	(1,168)
Property tax - liability insurance	35,000	35,000	30,912	(4,088)
Property tax - IMRF	60,000	60,000	52,987	(7,013)
Property tax - SS/Med	60,000	60,000	52,987	(7,013)
Total Property tax	<u>169,240</u>	<u>169,240</u>	<u>149,467</u>	<u>(19,773)</u>
Sales tax				
Sales tax	1,328,460	1,328,460	1,367,352	38,892
Total Sales tax	<u>1,328,460</u>	<u>1,328,460</u>	<u>1,367,352</u>	<u>38,892</u>
Other local taxes				
Home rule tax	1,804,000	1,804,000	1,928,581	124,581
Local use tax	115,000	115,000	122,246	7,246
Telecommunication tax	46,000	46,000	39,773	(6,227)
Games tax	4,000	4,000	3,555	(445)
Cable TV franchise fee	74,000	74,000	73,207	(793)
Municipal gas tax	130,000	130,000	126,033	(3,967)
Total Other local taxes	<u>2,173,000</u>	<u>2,173,000</u>	<u>2,293,395</u>	<u>120,395</u>
Intergovernmental revenue				
Illinois state income tax	600,000	600,000	728,434	128,434
Replacement tax	20,000	20,000	25,955	5,955
Road & bridge tax	38,000	38,000	39,666	1,666
Total Intergovernmental revenue	<u>658,000</u>	<u>658,000</u>	<u>794,055</u>	<u>136,055</u>
Licenses and Permits				
Liquor license	15,500	15,500	16,283	783
Business licenses	9,500	9,500	9,545	45
Electrical license	1,500	1,500	1,275	(225)
Code office permits	8,000	8,000	3,314	(4,686)
Contractors' licenses	5,000	5,000	3,235	(1,765)
Electrical inspections	600	600	325	(275)
Mobile home park license	1,300	1,300	975	(325)
Total Licenses and Permits	<u>41,400</u>	<u>41,400</u>	<u>34,952</u>	<u>(6,448)</u>
Fines and fees				
Traffic fines	50,000	50,000	41,950	(8,050)
Seized Assets	18,000	18,000	10,049	(7,951)
False alarm fees	1,000	1,000	2,650	1,650
Code office penalties/liens	5,000	5,000	7,040	2,040
Total Fines and fees	<u>74,000</u>	<u>74,000</u>	<u>61,689</u>	<u>(12,311)</u>
Interest Income				
Interest	2,780	2,780	3,325	545
Total Interest income	<u>2,780</u>	<u>2,780</u>	<u>3,325</u>	<u>545</u>
Miscellaneous income				
Administrative services pension funds	8,550	8,550	3,600	(4,950)
Rent	20,400	20,400	20,400	-
Animal control	5,000	5,000	5,749	749
Sale of supplies & service	1,600	1,600	6,140	4,540
Total Miscellaneous income	<u>35,550</u>	<u>35,550</u>	<u>35,889</u>	<u>339</u>
Total Revenues	<u>\$ 4,482,430</u>	<u>\$ 4,482,430</u>	<u>\$ 4,740,124</u>	<u>\$ 257,694</u>

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONTINUED
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

Expenditures:	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable / (Unfavorable)
General government and administrative				
Administration				
Salary -Mayor	\$ 8,400	\$ 8,400	\$ 8,374	\$ 26
-Alderspersons	29,500	29,500	27,000	2,500
-Attorney	7,500	7,500	(5,000)	12,500
Office supplies	2,500	2,500	2,381	119
Copy Machine Paper	500	500	501	(1)
Postage	25	25	-	25
Dues & subscriptions	6,500	6,500	5,845	655
Advertisements	3,500	3,500	2,804	696
Legal/Arbitration	40,000	40,000	44,350	(4,350)
Greater Egypt Regional Planning	2,000	2,000	1,992	8
Telephone	1,500	1,500	1,368	132
Gasoline	150	150	29	121
Contingency	100	100	431	(331)
Engineering	500	500	371	129
Travel	-	-	88	(88)
Total Administration	<u>102,675</u>	<u>102,675</u>	<u>90,534</u>	<u>12,141</u>
City Clerk's Office				
Salaries	40,000	40,000	39,560	440
Overtime	1,000	1,000	1,717	(717)
Office Supplies	50	50	-	50
Postage	750	750	594	156
Legal liens & filings	500	500	707	(207)
Travel & Training	250	250	231	19
Contingency	250	250	-	250
Total City Clerk's Office	<u>42,800</u>	<u>42,800</u>	<u>42,809</u>	<u>(9)</u>
Budget and Personnel				
Salaries	7,500	7,500	7,500	-
Postage	25	25	-	25
Bonding	300	300	307	(7)
Budget preparation	4,000	4,000	1,957	2,043
Total Budget and Personnel	<u>11,825</u>	<u>11,825</u>	<u>9,764</u>	<u>2,061</u>
Human Resources				
Salaries	35,000	35,000	33,233	1,767
Postage	600	600	468	132
Travel & Training	350	350	231	119
Contingency	-	-	(4,944)	4,944
Total Human Resources	<u>\$ 35,950</u>	<u>\$ 35,950</u>	<u>\$ 28,988</u>	<u>\$ 6,962</u>

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONTINUED
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable / (Unfavorable)
Building & Grounds				
Laundry/cleaning supplies	\$ 1,500	\$ 1,500	\$ 1,355	\$ 145
Building maintenance	10,000	10,000	32,635	(22,635)
Family & Youth Recreation	1,000	1,000	14,803	(13,803)
Water	5,000	5,000	4,481	519
Electricity	50,000	50,000	33,555	16,445
Pest control	1,500	1,500	1,395	105
Senior citizen gas	3,500	3,500	3,979	(479)
Repair Senior Citizens Van	2,500	2,500	1,602	898
Street lighting	51,600	51,600	52,531	(931)
Janitorial services	16,400	16,400	15,846	554
Cemetery contract	40,000	40,000	38,650	1,350
Miscellaneous	250	250	528	(278)
Landscape maintenance	500	500	408	92
Town center park/Smysor plaza	12,500	12,500	7,559	4,941
Total Building & Grounds	196,250	196,250	209,327	(13,077)
Code Department				
Salaries	67,000	67,000	65,421	1,579
Office supplies	1,400	1,400	1,209	191
Computer & copy machine supplies	400	400	4,389	(3,989)
Postage	1,000	1,000	1,418	(418)
Dues & subscription	400	400	325	75
Other supplies	2,000	2,000	151	1,849
Equipment repairs	300	300	843	(543)
Telephone	1,000	1,000	1,165	(165)
Gasoline	1,000	1,000	445	555
Travel	250	250	-	250
Contingency	500	500	-	500
Demolition cost	33,200	33,200	10,200	23,000
Training	100	100	-	100
Total Code Department	108,550	108,550	85,566	22,984
Information Technology				
Salaries	4,800	4,800	4,652	148
Part-time help	2,500	2,500	1,094	1,406
Office supplies	100	100	16	84
Postage	50	50	16	34
Computer supplies	250	250	-	250
Other supplies	250	250	81	169
Equipment repairs	5,000	5,000	4,211	789
Telephone	500	500	440	60
Internet access	1,250	1,250	91	1,159
Software support	11,500	11,500	10,042	1,458
Contingency	250	250	1,952	(1,702)
Map Conversion	1,000	1,000	-	1,000
Miscellaneous improvements	5,000	5,000	-	5,000
Total Information Technology	32,450	32,450	22,595	9,855
Audit and Insurance				
Audit city funds	10,000	10,000	10,780	(780)
Liability insurance	80,000	80,000	61,568	18,432
Worker's compensation	340,000	340,000	323,314	16,686
City Share of IMRF	101,000	101,000	95,384	5,616
City Share of SS & Medicare	89,000	89,000	86,839	2,161
Unemployment insurance	10,000	10,000	(7,001)	17,001
Total Audit and Insurance	630,000	630,000	570,884	59,116
Total General Government and Administrative	1,160,500	1,160,500	\$ 1,060,467	\$ 100,033

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONTINUED
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable / (Unfavorable)
Police and Fire				
Police Department				
Salaries - sworn officers	\$ 743,000	\$ 743,000	\$ 690,115	\$ 52,885
Auxiliary	2,500	2,500	4,400	(1,900)
Office supplies	1,500	1,500	1,762	(262)
Computer and copy machine	3,000	3,000	3,267	(267)
Postage	500	500	323	177
Dues & subscriptions	600	600	711	(111)
Public relations	500	500	693	(193)
Uniforms and Vests	19,400	19,400	22,883	(3,483)
Training	5,000	5,000	3,678	1,322
Other supplies	750	750	594	156
Blood borne pathogen supplies	500	500	289	211
Equipment and radio repairs	19,000	19,000	23,702	(4,702)
Salaries - radio operator and animal control	275,000	275,000	274,507	493
Overtime - sworn officers	85,000	85,000	116,543	(31,543)
Overtime - radio operator and animal control	15,000	15,000	19,409	(4,409)
Holiday pay - sworn officers	31,000	31,000	26,750	4,250
Holiday pay - radio operator and animal control	14,500	14,500	15,500	(1,000)
Part-time officers	10,000	10,000	9,111	889
Shift Supervisor	3,000	3,000	2,947	53
Telephone	5,000	5,000	4,977	23
Gasoline	42,000	42,000	39,967	2,033
Tickets/non-traffic complaints	500	500	479	21
Reloading equipment and ammunition	2,500	2,500	2,902	(402)
Humane Society	25,000	25,000	25,793	(793)
Leads	3,500	3,500	3,143	357
Travel	750	750	2,259	(1,509)
Contingency	1,000	1,000	2,794	(1,794)
Animal control	750	750	(644)	1,394
Investigative expenses	5,000	5,000	2,707	2,293
Total Police Department	<u>1,315,750</u>	<u>1,315,750</u>	<u>1,301,561</u>	<u>14,189</u>
Fire Department				
Salaries	476,000	476,000	458,479	17,521
Shift supervisor pay	6,000	6,000	6,783	(783)
Overtime	55,000	55,000	81,311	(26,311)
Holiday pay	19,600	19,600	20,331	(731)
Regular pay	25,000	25,000	23,462	1,538
Volunteer Firemen	750	750	130	620
Office supplies	350	350	346	4
Copy machine lease	750	750	484	266
Postage	50	50	112	(62)
Dues & subscriptions	300	300	250	50
Physical exams	500	500	130	370
Uniforms	4,400	4,400	3,826	574
Training	5,000	5,000	(1,842)	6,842
Laundry/cleaning supplies	500	500	473	27
Other supplies	4,000	4,000	2,719	1,281
Equipment repairs	18,000	18,000	17,169	831
Radio repairs	500	500	416	84
Telephone	500	500	399	101
Gasoline	4,000	4,000	4,698	(698)
Travel	4,000	4,000	1,377	2,623
Contingency	500	500	366	134
Total Fire Department	<u>625,700</u>	<u>625,700</u>	<u>621,419</u>	<u>4,281</u>
Total Police and Fire	<u>\$1,941,450</u>	<u>\$1,941,450</u>	<u>\$1,922,980</u>	<u>\$ 18,470</u>

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONTINUED
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable / (Unfavorable)
Public Works and Maintenance				
Department of Public Works				
Salaries	\$ 332,000	\$ 332,000	\$ 330,625	\$ 1,375
Shift supervisor pay	1,000	1,000	733	267
Uniforms	3,500	3,500	3,201	299
Training	350	350	155	195
Supplies	3,500	3,500	3,513	(13)
Equipment and radio repairs	40,500	40,500	22,464	18,036
Repairs to streets & alleys	4,500	4,500	1,393	3,107
Sign maintenance	5,000	5,000	6,887	(1,887)
Tree removal	6,000	6,000	9,310	(3,310)
Telephone	1,500	1,500	1,040	460
Gasoline	20,000	20,000	17,559	2,441
Weed & brush killer	1,500	1,500	1,372	128
Overtime	7,500	7,500	5,456	2,044
Office supplies	50	50	17	33
Pesticide abatement	2,500	2,500	2,375	125
Sweeper brooms & repairs	5,800	5,800	7,502	(1,702)
Street paint	1,800	1,800	491	1,309
Contingency	(40,000)	(40,000)	(62,246)	22,246
Salary summer help	15,000	15,000	470	14,530
Total Public Works and Maintenance	<u>\$ 412,000</u>	<u>\$ 412,000</u>	<u>\$ 352,317</u>	<u>\$ 59,683</u>
Expenditures for Services				
City Garage	-	-	-	-
Salaries	-	-	-	-
Labor reimbursement	-	-	-	-
Outside Labor	-	-	-	-
Uniforms	-	-	-	-
Other supplies	-	-	-	-
Equipment repair	-	-	-	-
Total Expenditures for Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employee Benefits				
Hospitalization	520,000	520,000	475,441	44,559
Employee/retirees insurance	-	-	-	-
Total Hospitalization	<u>520,000</u>	<u>520,000</u>	<u>475,441</u>	<u>44,559</u>
Employee Escrow				
Payroll Withholding	-	-	-	-
Termination Benefits	-	-	-	-
Vacations	41,700	41,700	81,153	(39,453)
Total Employee Escrow	<u>41,700</u>	<u>41,700</u>	<u>81,153</u>	<u>(39,453)</u>
Total Employee Benefits	<u>\$ 561,700</u>	<u>\$ 561,700</u>	<u>\$ 556,594</u>	<u>\$ 5,106</u>

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONTINUED
 GENERAL FUND
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable / (Unfavorable)
Other				
Commissions & Civic Celebrations				
Salary-Liquor commissioner	\$ 2,200	\$ 2,200	\$ 2,226	\$ (26)
Planning & zoning commission	100	100	3	97
Police & fire commission	1,000	1,000	1,320	(320)
Zoning Board of Appeals	500	500	468	32
Dumping	4,000	4,000	3,926	74
Clean-up	3,000	3,000	3,500	(500)
- Planning & zoning	150	150	-	150
- Police & fire	2,000	2,000	2,350	(350)
- Board of appeals	500	500	370	130
Historic home preservation commissior	250	250	655	(405)
National Night Out expenses	-	-	1,598	(1,598)
Civic celebrations	3,000	3,000	5,676	(2,676)
Liberty Theatre	3,000	3,000	3,000	-
Fireworks	6,000	6,000	-	6,000
Farmers Market	500	500	624	(124)
Seized Assets	15,000	15,000	80,455	(65,455)
Business Revolving Loan	-	-	(11)	11
Smysor Grant	-	-	2,920	(2,920)
Miscellaneous	-	-	42,360	(42,360)
Total Other	<u>41,200</u>	<u>41,200</u>	<u>151,440</u>	<u>(110,240)</u>
Debt Service				
Principal	360,000	360,000	384,490	(24,490)
Interest	-	-	15,155	(15,155)
Total Debt Service	<u>360,000</u>	<u>360,000</u>	<u>399,645</u>	<u>(39,645)</u>
Total Expenditures	<u>4,476,850</u>	<u>4,476,850</u>	<u>4,443,443</u>	<u>33,407</u>
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Transfer from other funds	-	-	-	-
Transfer to other funds	-	-	-	-
Total Other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MURPHYSBORO, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2012

	Motor Fuel Tax			Variance with Final Budget Favorable / (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Intergovernmental revenue	\$ 210,000	\$ 210,000	\$ 194,627	\$ (15,373)
Reimbursements	7,500	7,500	-	(7,500)
Interest income	5,000	5,000	8,390	3,390
Grant revenue	-	-	37,755	37,755
Total revenues	222,500	222,500	240,772	18,272
Public works and maintenance	329,500	329,500	160,749	168,751
Total expenditures	329,500	329,500	160,749	168,751
Excess (deficit) of revenues over expenditures	(107,000)	(107,000)	80,023	187,023
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(107,000)	(107,000)	80,023	187,023
Fund balance, beginning of year	925,100	925,100	925,100	-
Fund balance, end of year	\$ 818,100	\$ 818,100	\$ 1,005,123	\$ 187,023

CITY OF MURPHYSBORO, ILLINOIS
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Civil Defense	Firefighter Tax Fund	Hotel- Motel Tourism Tax	
Assets:				
Cash and cash equivalents	\$ 7,673	\$ 18,503	\$ 31,879	\$ 58,055
Investments	-	-	31,308	31,308
Due from other funds	1,228	-	-	1,228
Total Assets	\$ 8,901	\$ 18,503	\$ 63,187	\$ 90,591
Liabilities and Fund Balance				
Liabilities:				
Due to other funds	\$ 603	\$ -	\$ 1,623	\$ 2,226
Deferred revenue	-	-	-	-
Total Liabilities	603	-	1,623	2,226
Fund Balances				
Nonspendable	1,228	-	-	1,228
Restricted	-	18,503	-	18,503
Committed	-	-	61,564	61,564
Assigned	7,070	-	-	7,070
Total Fund Balances	8,298	18,503	61,564	88,365
Total Liabilities and Fund Balances	\$ 8,901	\$ 18,503	\$ 63,187	\$ 90,591

CITY OF MURPHYSBORO, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE PERIOD ENDED DECEMBER 31, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Civil Defense	Firefighter Tax Fund	Hotel- Motel Tourism Tax	
Revenues:				
Property tax	\$ 3,533	\$ -	\$ -	\$ 3,533
Other taxes	-	11,520	23,682	35,202
Interest income	14	-	393	407
Total Revenues	3,547	11,520	24,075	39,142
Expenditures:				
General government	2,948	2,114	3,375	8,437
Expenditures for services	-	-	17,555	17,555
Maintenance	5,903	-	-	5,903
Other expenditures	-	5,612	-	5,612
Total Expenditures	8,851	7,726	20,930	37,507
Excess (Deficiency) of revenue received over expenditures disbursed	(5,304)	3,794	3,145	1,635
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total financing sources (uses)	-	-	-	-
Net change in fund balances	(5,304)	3,794	3,145	1,635
Fund balance, December 31, 2011	13,602	14,709	58,419	86,730
Fund balance, December 31, 2012	\$ 8,298	\$ 18,503	\$ 61,564	\$ 88,365



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council
City of Murphysboro
Murphysboro, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund, and the aggregate remaining fund information of the City of Murphysboro, Illinois as of and for the year ended December 31, 2011, which collectively comprise the City of Murphysboro, Illinois' basic financial statements and have issued our report thereon dated May 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Murphysboro, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Murphysboro, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Murphysboro, Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Murphysboro, Illinois, in a separate letter dated May 10, 2013.

This report is intended solely for the information and use of management, City Council, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Carbondale, Illinois
May 10, 2013

Kerber, Eck & Braedel LLP

CITY OF MURPHSBORO, ILLINOIS
SCHEDULE OF FINDINGS AND RESOURCES
PERIOD ENDED DECEMBER 31, 2012

SIGNIFICANT DEFICIENCIES OF INTERNAL CONTROL

PRIOR COMMENTS REPEATED

11-01 Water and Sewer Customer Deposits

Investigation into the amount of consumer deposits in prior years revealed that the amount of deposits recorded in the LOCIS system is not for the full amount of consumer deposits. When the system was upgraded, all of the old information was supposed to flow to the new system. It seems that the customer deposits that were received prior to the conversion are not in the LOCIS system. The amounts are documented on the yellow application cards but need to be input into the system. Because the amounts are not in the new system, it is difficult to determine the exact amount that should be recorded in the Customer Deposit account.

It is our understanding that this process was started during fiscal year 2011, but due to time constraints, was not completed during fiscal year 2012. We recommend that the information from the yellow card applications be compared to the data in the LOCIS system for the remaining applications. Any missing deposit information should be input in the system so that it reflects the actual customer deposits held by the Water and Sewer Department.

Management concurs with the finding and recommendation. Management will continue to input the yellow application cards into the system and review the yellow card application data in the LOCIS system.

11-02 Cash Receipts

Within the Water and Sewer department, there are two individuals who are responsible for all functions of the billing and collecting process. These two individuals share collection, recording, adjustment and deposit functions.

- Both individuals collect payments from customers and enter them into the billing system, make adjustments to consumer accounts, and prepare the daily deposit. There is no management approval or monitoring of the adjustment process.
- No other employees outside of the two Water and Sewer Department employees are trained to use the billing system.

We recommend that management or someone independent of the Water and Sewer Department review adjustments monthly to the individual accounts. We also recommend that the Water and Sewer administrative employees be cross-trained on the billing system, so each employee is trained to perform duties in case of an unexpected absence. A reconciliation of utility billings, cash receipts, and adjustments should be performed monthly. A periodic adjustments listing should be compared to the adjustments posted to the general ledger during this reconciliation process.

Management concurs with the finding and recommendation. The City has made efforts to increase internal controls by having someone independent of the deposit preparation take the deposit to the bank and compare the deposit ticket to the amount posted into the billing system.

CITY OF MURPHSBORO, ILLINOIS
SCHEDULE OF FINDINGS AND RESOURCES
PERIOD ENDED DECEMBER 31, 2012

11-03 Water and Sewer Department Billing

The accounts receivable balances from the old system were rolled into the new billing system. The total accounts receivable balance was approximately \$242,000 as of December 31, 2012. Of this amount, approximately \$120,000 was over 121 days old. It is our understanding that the City has contracted with a collection agency for the old debt; however, the collection agency will not collect accounts that have been outstanding for more than two years.

We recommend that management move accounts deemed uncollectable to a bad debt listing and upon City Council approval write off these accounts. Receivable aging trends should be reviewed monthly by someone independent of the department and the City Council. Delinquent accounts should be sent to collections timely to help ensure the accounts can be collected.

Management concurs with the finding and recommendation. Management will review old outstanding accounts receivable and upon City Council approval write off uncollectable accounts.

11-04 Water and Sewer Customer Deposits

During the audit, it was noted that the amount held in the Water and Sewer Guarantees cash and investment accounts had grown significantly in the past few years, while the Customer Deposits liability account had remained consistent. In reviewing transactions to refund or apply deposits, it was discovered that the amount applied to the customer's account for their final billing is never moved from the Guarantees cash account to the operating cash account. Only portions refunded to the customer are removed from the Guarantees cash account. This has caused the significant increase to the cash held in the Guarantees accounts. Further investigation into this matter also revealed that the LOCIS system is improperly posting the entries for the Consumer Deposit and Accounts Receivable during these transactions. When the transaction occurs, both the Customer Deposit and the Accounts receivable accounts were being increased when they should have decreased. Journal entries are made to adjust the accounts.

There were previously known issues with how the LOCIS system posts refunds and/or applied deposits. When refunds are issued, the amount sent to the customer is issued from the Guarantees account. However, the system improperly posts to the Operating cash account. Journal entries are needed to correct the postings.

We recommend that technical support at LOCIS be contacted again with additional information regarding the posting of customer deposits. If LOCIS is unable to correct the transaction posting, then a process needs to be established to reconcile the transactions to ensure all accounts are properly adjusted and cash is transferred to the Operating cash account.

Management concurs with the finding and recommendation. Management will work toward establishing a reconciliation process to ensure all accounts are properly adjusted and cash is transferred to the operating cash account.

