VILLAGE OF CHATHAM, ILLINOIS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED APRIL 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Illinois, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Village of Chatham, Illinois for the year ended April 30, 2013 were audited by other auditors whose report dated October 24, 2013, expressed an unqualified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents 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 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 on the financial statements that collectively comprise the Village of Chatham, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 relate 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 information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The accompanying financial information listed as "Additional Schedules" in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

The financial statements of the Village of Chatham, Illinois for the year ended April 30, 2013 were audited by other auditors whose report dated October 24, 2013, expressed an unqualified opinion on those financial statements. Those financial statements are not presented with the accompanying financial statements. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Chatham, Illinois' financial statements as a whole. The Comparative Statement of Net Position and Comparative Statement of Revenues, Expenses, and Changes in Net Position for the Electric Fund and the Comparative Balance Sheet and Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance for the TIF District, related to the 2013 financial statements are presented for purposes of additional analysis and are not a required part of these financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The 2013 Comparative Statement of Net Position and Comparative Statement of Revenues, Expenses, and Changes in Net Position for the Electric Fund and the Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the TIF District were subjected to the auditing procedures applied in the 2013 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Estes, Bridgewater & Ogden

Certified Public Accountants
Springfield, Illinois

October 10, 2014

As the management of the Village of Chatham, Illinois (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2014.

Financial Highlights

- The assets of the Village of Chatham exceeded liabilities at April 30, 2014 by $30,167,907. Of this amount $1,495,232 is unrestricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $820,101 or 20.68% of total general fund expenditures.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

The financial statements' focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Village of Chatham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, cemetery, culture and recreation, public safety, public works and transportation, and economic development. The business-type activities of the Village include electric, water and sewer systems.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental, proprietary and fiduciary funds.

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

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

The Village maintains 9 individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund and the TIF Fund, both of which are considered to be "major" funds. Data from the other 7 governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate budget compliance.

The governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds. The Village maintains only the enterprise type of proprietary fund. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The Village uses enterprise funds to account for its electric and water and sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation and the water and sewer operations, both of which are considered to be major funds of the Village of Chatham.

The proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village maintains one fiduciary fund the Police Pension Fund.

The fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-55 of the report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide benefits to its employees. In addition, budget versus actual information for the General Fund and TIF District Fund is presented. Required supplementary information can be found on pages 56-66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 67-72 of this report.

Financial Analysis of the Village as a Whole
Table 1
Statement of Financial Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	$ 5,110,497	$ 4,616,610	$ 2,981,522	$ 3,427,445	$ 8,092,019	$ 8,044,055
Capital Assets	13,091,356	12,241,487	18,877,822	19,118,547	31,969,178	31,360,034
Total Assets	18,201,853	16,858,097	21,859,344	22,545,992	40,061,197	39,404,089
Current Liabilities	769,026	718,435	1,319,782	1,241,882	2,088,808	1,960,317
Non-current Liabilities	1,586,462	1,592,530	4,547,829	3,973,563	6,134,291	5,566,093
Total Liabilities	2,355,488	2,310,965	5,867,611	5,215,445	8,223,099	7,526,410
Deferred Inflows of Resources	1,627,500	1,557,496	42,691	-	1,670,191	1,557,496
Total Liabilities and Deferred Inflows of Resources	3,982,988	3,868,461	5,910,302	5,215,445	9,893,290	9,083,906
Net Position:						
Invested in Capital Assets Net of Debt	12,582,113	11,580,668	14,069,999	14,930,360	26,652,112	26,511,028
Restricted	1,858,516	1,649,568	162,047	210,272	2,020,563	1,859,840
Unrestricted	(221,764)	(240,600)	1,716,996	2,189,915	1,495,232	1,949,315
Total Net Position	$14,218,865	$12,989,636	$15,949,042	$17,330,547	$30,167,907	$30,320,183

The Village's combined net position decreased from $30,320,183 to $30,167,907 during 2014. Net position in the governmental funds increased $1,229,229, however net position related to business-type activities decreased $1,381,505. The net position related to business-type activities decreased due to operating losses in both the Electric and the Water and Sewer utilities and due to an increase in Water non-operating expenses of $710,000 that was incurred for the one-time settlement expense and related attorney fees.

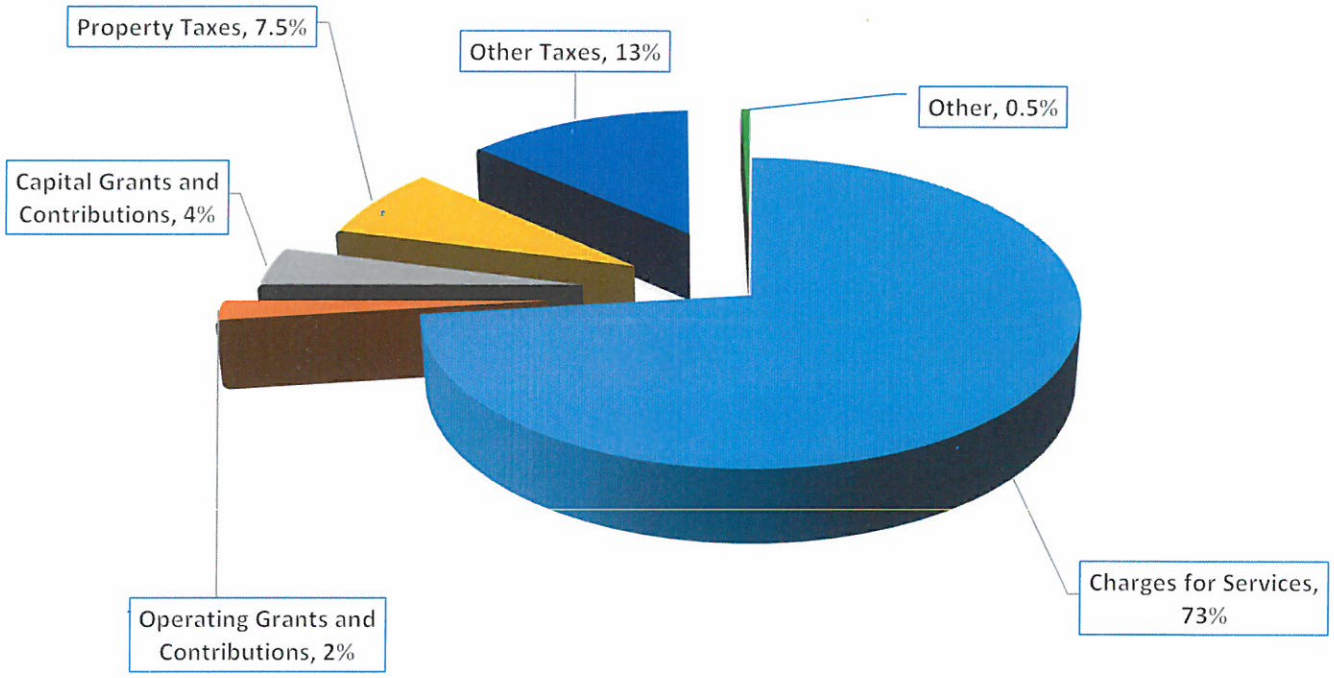
At April 30, 2014 unrestricted net position related to government activities and business activities were ($221,764) and $1,716,996 respectively. The deficit in unrestricted net position does not mean that the Village does not have resources available to pay its bills; rather it is the result of having long-term commitments that are greater than currently available resources.

For more detailed information, see the Statement of Net Position on pages 13-14.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Charges for Services	$ 912,968	$ 864,257	$13,656,967	$13,298,300	$14,569,935	$14,162,557
Operating Grants and Contributions	399,660	342,048	-	-	399,660	342,048
Capital Grants and Contributions	831,171	186,642	55,529	65,500	886,700	252,142
General Revenues:						
Property Taxes	1,556,217	1,476,571	-	-	1,556,217	1,476,571
Other Taxes	2,523,218	2,471,782	-	-	2,523,218	2,471,782
Other	73,038	45,094	4,293	9,705	77,331	54,799
Total Revenues	6,296,272	5,386,394	13,716,789	13,373,505	20,013,061	18,759,899
EXPENSES						
General Government	682,431	706,910	-	-	682,431	706,910
Cemetery	45,007	45,142	-	-	45,007	45,142
Culture and Recreation	504,938	442,815	-	-	504,938	442,815
Public Safety	2,394,534	2,265,947	-	-	2,394,534	2,265,947
Public Works	1,380,482	1,424,984	-	-	1,380,482	1,424,984
Economic Development	45,429	34,683	-	-	45,429	34,683
Electric	-	-	9,084,473	8,454,775	9,084,473	8,454,775
Water and Sewer	-	-	6,013,821	4,866,833	6,013,821	4,866,833
Interest on Long-Term Debt	14,222	18,388	-	-	14,222	18,388
Total Expenses	5,067,043	4,938,869	15,098,294	13,321,608	20,165,337	18,260,477
Change in Net Position	1,229,229	447,525	(1,381,505)	51,897	(152,276)	499,422
Net Position, Beginning of the Year	12,989,636	12,542,111	17,330,547	17,278,650	30,320,183	29,820,761
Net Position, End of the Year	$14,218,865	$12,989,636	$15,949,042	$17,330,547	$30,167,907	$30,320,183

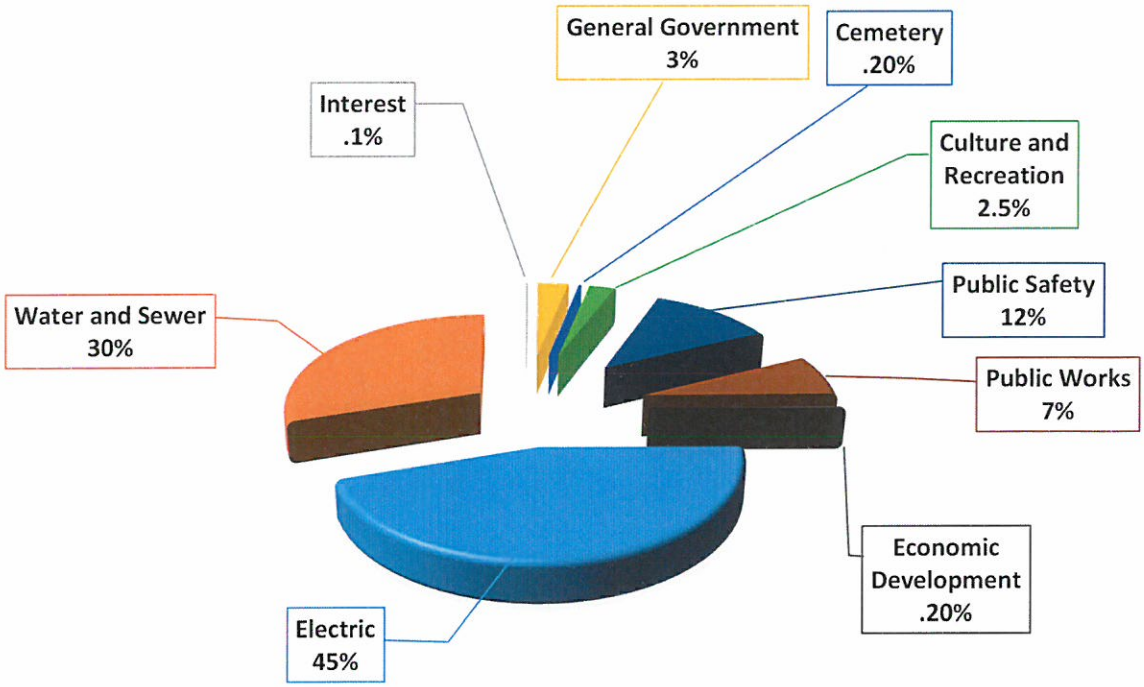
REVENUES



For the fiscal year ended April 30, 2014, revenues totaled $20 million. The Village's largest revenue source is from charges for services, which consist of charges from the electric, water and sewer system as well as franchise fees, business permit fees and administrative utility fees. Capital grants and contributions include contributions of streets, storm sewers, water main and sanitary sewers from new developments within the Village of Chatham as well as capital asset contributions from grants. Other taxes include sales tax, income tax, telecommunications tax, local use tax, road and bridge taxes and video gaming taxes.

Charges for services are up 3% from $14.2 million in fiscal year 2013 to $14.6 million in fiscal year 2014. Service charges for the electric system and water and sewer system are up $358 thousand over fiscal year 2013, which represents a 2.7% increase over the previous year. This is in part due to the multi-rate increase in rates for water, and sewer service that were passed during fiscal year 2011 as well as an additional water rate increase passed during fiscal year 2014.

EXPENSES



The Village of Chatham's expenses totaled $20 million in 2014. The largest portion of these expenses is for the electric system which represents 45% followed by expenses for the water and sewer system at 30%. These expenses reflect the cost of providing electric, water and sewer services to the Village of Chatham's residents. These expenses increased $1,776,686 over last year, which represents a 13.3% increase. An increase in rates from the Village's electric, water and sewer service providers as well as legal settlement costs in the Water and Sewer Fund have contributed to an increase in expenses in the Village's Electric and Water and Sewer Funds.

Public safety expenses relates to the operation of the Village's Police Department and are the largest expense component of the governmental activity expenses. Public works expenses are costs associated with maintaining the Village's streets. Culture and recreation expenses include expenses to maintain the Village's parks as well as the summer recreation program.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village of Chatham had a change in governmental net position of $1,229,229 for the fiscal year ended April 30, 2014. Of the net change $831,171 is due to capital grants and contributions. Capital grants and contributions consist of assets received from community organizations, infrastructure received from developers and infrastructure funded by grants from other governmental agencies. The Village's business-type activities had a decrease in net position of $1,381,505 due to net losses in both the Electric and Water and Sewer Funds.

Table 3
General Fund Budgetary Highlights for the
Fiscal Year Ended April 30, 2014
With Comparative Actual Totals for the Year Ended April 30, 2013

	Original Budget	Amended Budget	Actual 2014	Actual 2013
REVENUES				
Taxes	$3,506,900	$3,506,900	$3,486,648	$3,381,492
Licenses and Permits	763,200	763,200	762,538	725,208
Other	30,500	30,500	79,015	48,366
Total Revenues	4,300,600	4,300,600	4,328,201	4,155,066
EXPENDITURES AND TRANSFERS				
Expenditures	(4,074,519)	(4,092,019)	(3,965,732)	(3,820,480)
Transfers Out	(246,000)	(246,000)	(246,000)	(96,000)
Total Expenditures and Transfers	(4,320,519)	(4,338,019)	(4,211,732)	(3,916,480)
Change in Fund Balance	($ 19,919)	($ 37,419)	$ 116,469	$ 238,586

Revenues of the Village are budgeted by source prior to the adoption of the Village's annual appropriation ordinance. The Village adopts an annual appropriation ordinance outlining expenditures by operational line item. The original appropriation was amended and budgeted expenditures increased by $17,500. Budgets for administration, culture and recreation and public works/transportation increased. The budget for public safety decreased.

The General Fund Revenues received were more than the amount estimated by $27,601 and expenditures were $126,287 less than the amended budget.

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2014.

Capital Assets
Table 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land, not Depreciated	$ 372,000	$ 372,000	$ 318,734	$ 318,734	$ 690,734	$ 690,734
Construction in Progress	225,905	338,896	-	195,039	225,905	533,935
Improvements	716,019	282,605	68,970	68,970	784,989	351,575
Buildings	627,423	627,423	804,117	804,117	1,431,540	1,431,540
Vehicles	873,469	837,793	1,163,042	1,141,492	2,036,511	1,979,285
Equipment	851,630	780,566	1,017,514	1,002,328	1,869,144	1,782,894
Infrastructure	13,850,020	12,990,113	-	-	13,850,020	12,990,113
Utility Plant	-	-	31,767,542	30,841,685	31,767,542	30,841,685
Less:						
Accumulated Depreciation	(4,425,110)	(3,987,910)	(16,262,097)	(15,253,820)	(20,687,207)	(19,241,730)
Total	$13,091,356	$12,241,486	$18,877,822	$19,118,545	$31,969,178	$31,360,031

At year-end the Village's investment in capital assets for governmental activities was $13,091,356, an increase of $849,870 over April 30, 2013. At year-end the Village's investment in capital assets for business-type activities was $18,877,822, a decrease of $240,723 over April 30, 2013.

Major capital asset events during FY 2014 included the following:

Governmental Activities	
Improvements	$ 433,414
Infrastructure additions	$ 859,907
Business-type Activities	
Utility Plant additions	$ 925,857

Additional information on the Village's capital assets can be found in Note 4 on pages 33-36.

Long-Term Debt

As of April 30, 2014, the Village had a total of $4,239,000 of bonded indebtedness outstanding. Of this amount, $104,000 comprises debt backed by the full faith and credit of the government. $4,135,000 of the debt represents bonds and debt certificates that are secured by specified revenue sources (i.e., revenue and alternative source revenue bonds). The Village also had $1,078,066 of debt consisting of notes payable and capital leases.

Long-Term Debt – Continued

During fiscal year 2014, the Village financed settlement costs and improvements to the ground storage tank in the Water and Sewer Fund. Refunding bonds were issued in the Electric Fund and a street sweeper was financed through a capital lease for the Street Department.

The table below summarizes the Village's bonded and similar indebtedness.

Table 5
Bonded and Similar Indebtedness

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	$ 104,000	$ 135,000	$ -	$ -	$ 104,000	$ 135,000
TIF Alternate Source Revenue Bonds	245,000	360,000	-	-	245,000	360,000
Electric Alternate Source Revenue Bonds	-	-	3,805,000	3,990,000	3,805,000	3,990,000
Debt Certificates	-	-	85,000	125,000	85,000	125,000
Notes Payable	-	10,034	910,191	40,135	910,191	50,169
Capital Leases	160,243	155,785	7,632	33,052	167,875	188,837
Total	$ 509,243	$ 660,819	$ 4,807,823	$ 4,188,187	$ 5,317,066	$ 4,849,006

Additional information on the Village's long-term debt can be found in Note 6 on pages 40-46.

Economic Factors

The Village's combined governmental fund's net position increased from 2013 to 2014 due to capital grants and contributions received for infrastructure and capital asset improvements. The Village's General Fund revenues also exceeded expenditures and transfers out by $116,469. Both of the Village's Proprietary Funds have shown declines in operating income and change in net position. The Electric Fund had an operating loss for the fiscal year 2014 of $168,387 and a decrease in net position of $266,034 down from the prior year's operating income and increase in net position of $351,732 and $185,307. The Water and Sewer Fund incurred an operating loss of $410,495 and a negative change in net position of $1,115,471 in fiscal year 2014 compared to an operating loss in fiscal year 2013 of $200,650 and a negative change in net position of $133,410. These declines are due to the increase in electric and water operating expenses and the one time Water settlement costs.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sherry Deirking, Treasurer and Chief Fiscal Officer, Village of Chatham, 116 E. Mulberry St., Chatham, Illinois 62629.

BASIC FINANCIAL STATEMENTS

Village of Chatham, Illinois
STATEMENT OF NET POSITION
April 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,486,038	$ 1,213,127	$ 2,699,165
Restricted accounts - cash	1,381,172	162,047	1,543,219
Receivables, net			
Accounts	-	1,135,801	1,135,801
Taxes	2,052,329	-	2,052,329
Other	62,700	-	62,700
Inventory	-	470,547	470,547
Due from other governments	128,258	-	128,258
Total Current Assets	5,110,497	2,981,522	8,092,019
CAPITAL ASSETS			
Capital assets, not being depreciated	597,905	318,734	916,639
Property and equipment	16,918,561	34,821,185	51,739,746
Less: accumulated depreciation	(4,425,110)	(16,262,097)	(20,687,207)
Total Capital Assets	13,091,356	18,877,822	31,969,178
TOTAL ASSETS	$18,201,853	$21,859,344	$40,061,197

(Continued)

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

Village of Chatham, Illinois
STATEMENT OF NET POSITION
April 30, 2014

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
CURRENT LIABILITIES			
Accounts payable	$ 97,967	$ 409,762	$ 507,729
Accrued payroll	95,965	64,191	160,156
Payroll taxes and related liabilities	12,547	-	12,547
Accrued compensated absences payable	339,869	226,375	566,244
Customer deposits	-	171,700	171,700
Accrued interest payable	2,908	37,797	40,705
Other payables	-	13,661	13,661
G.O. bonds payable – current	33,000	-	33,000
G.O. bonds (Alternate Revenue Source) payable – current	-	234,000	234,000
T.I.F. G.O. bonds payable – current	120,000	-	120,000
Debt certificates payable – current	-	40,000	40,000
Notes payable – current	-	114,664	114,664
Capital lease payable – current	66,770	7,632	74,402
Total Current Liabilities	769,026	1,319,782	2,088,808
NONCURRENT LIABILITIES			
Net OPEB obligation	398,790	136,302	535,092
G.O. bonds payable	71,000	-	71,000
G.O. bonds (Alternate Revenue Source) payable	-	3,571,000	3,571,000
T.I.F. G.O. bonds payable	125,000	-	125,000
Debt certificates payable	-	45,000	45,000
Notes payable	-	795,527	795,527
Capital lease payable	93,473	-	93,473
Net pension obligation	898,199	-	898,199
Total noncurrent liabilities	1,586,462	4,547,829	6,134,291
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue – property taxes	1,627,500	-	1,627,500
Unearned revenues – other	-	42,691	42,691
Total deferred inflows of resources	1,627,500	42,691	1,670,191
Total liabilities and deferred inflows of resources	3,982,988	5,910,302	9,893,290
NET POSITION			
Net investment in capital assets	12,582,113	14,069,999	26,652,112
Restricted for maintenance of roadways	187,866	-	187,866
Restricted for cemetery care	321,342	-	321,342
Restricted for debt service	127,973	162,047	290,020
Restricted for economic development	1,221,335	-	1,221,335
Unrestricted	(221,764)	1,716,996	1,495,232
TOTAL NET POSITION	$14,218,865	$15,949,042	$30,167,907

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

Village of Chatham, Illinois
STATEMENT OF ACTIVITIES
For the Year Ended April 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Position, Primary Government: Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	$ 682,431	$ 561,775	$ -	$ -	($ 120,656)	$ -	($ 120,656)
Cemetery	45,007	33,425	-	-	(11,582)	-	(11,582)
Culture and recreation	504,938	41,045	-	-	(463,893)	-	(463,893)
Public safety	2,394,534	126,860	10,912	-	(2,256,762)	-	(2,256,762)
Public works/transportation	1,380,482	149,863	388,748	831,171	(10,700)	-	(10,700)
Economic development	45,429	-	-	-	(45,429)	-	(45,429)
Interest on long-term debt	14,222	-	-	-	(14,222)	-	(14,222)
Total governmental activities	5,067,043	912,968	399,660	831,171	(2,923,244)	-	(2,923,244)
Business-type activities:							
Electric	9,084,473	8,759,413	-	55,529	-	(269,531)	(269,531)
Waterworks and Sewerage	6,013,821	4,897,554	-	-	-	(1,116,267)	(1,116,267)
Total business-type activities	15,098,294	13,656,967	-	55,529	-	(1,385,798)	(1,385,798)
Total Primary Government	$20,165,337	$14,569,935	$ 399,660	$ 886,700	(2,923,244)	(1,385,798)	(4,309,042)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					1,556,217	-	1,556,217
Replacement taxes					2,813	-	2,813
Road and bridge taxes					49,588	-	49,588
Sales taxes					789,272	-	789,272
Local use taxes					196,316	-	196,316
Telecommunications taxes					332,436	-	332,436
Video gaming taxes					32,163	-	32,163
Shared income taxes					1,120,630	-	1,120,630
Investment income					8,425	4,293	12,718
Miscellaneous					64,613	-	64,613
Total general revenues					4,152,473	4,293	4,156,766
Change in net position					1,229,229	(1,381,505)	(152,276)
Net position beginning of year					12,989,636	17,330,547	30,320,183
Net position end of year					$14,218,865	$15,949,042	$30,167,907

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

Village of Chatham, Illinois
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2014

Assets	General	TIF District	Aggregate Nonmajor	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 519,754	$ -	$ 966,284	$1,486,038
Restricted accounts - cash	50,091	1,222,446	108,635	1,381,172
Taxes receivable	1,434,312	552,117	65,900	2,052,329
Other receivables	47,389	-	15,311	62,700
Due from other funds	849	-	-	849
Due from other governments	91,174	-	37,084	128,258
TOTAL ASSETS	**$2,143,569**	**$1,774,563**	**$1,193,214**	**$5,111,346**
Liabilities, Deferred Inflows of Resources and Fund Balances				
LIABILITIES				
Accounts payable	$ 88,364	$ 1,111	$ 8,492	$ 97,967
Accrued payroll	93,877	-	2,088	95,965
Payroll tax and related liabilities	12,547	-	-	12,547
Due to other funds	-	-	849	849
Total Liabilities	194,788	1,111	11,429	207,328
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – property taxes	1,075,383	552,117	-	1,627,500
Total Deferred Inflows of Resources	1,075,383	552,117	-	1,627,500
Total Liabilities and Deferred Inflows of Resources	1,270,171	553,228	11,429	1,834,828
FUND BALANCES				
Nonspendable:				
Corpus of permanent fund	-	-	321,342	321,342
Restricted for:				
Debt service	19,338	-	108,635	127,973
Public works	-	-	187,866	187,866
Economic development	-	1,221,335	-	1,221,335
Unrestricted:				
Committed:				
Veteran's memorial brick	-	-	10,857	10,857
Yard waste	-	-	202,534	202,534
Public safety	30,753	-	2,205	32,958
Public works	-	-	25,383	25,383
Cemetery	-	-	67,732	67,732
Parks	3,206	-	-	3,206
Assigned:				
Capital projects	-	-	255,231	255,231
Unassigned	820,101	-	-	820,101
Total Fund Balances	873,398	1,221,335	1,181,785	3,276,518
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$2,143,569**	**$1,774,563**	**$1,193,214**	**$5,111,346**

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

Village of Chatham, Illinois

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

April 30, 2014

Fund Balances of Governmental Funds	$ 3,276,518
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	13,091,356
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences payable	(339,869)
Accrued interest payable	(2,908)
G.O. bonds payable, current	(33,000)
T.I.F. G.O. bond payable, current	(120,000)
Capital lease payable, current	(66,770)
G.O. bonds payable, noncurrent	(71,000)
T.I.F. G.O. bond payable, noncurrent	(125,000)
Net pension obligation	(898,199)
Net OPEB obligation	(398,790)
Capital lease payable, noncurrent	(93,473)
Net position of governmental activities	$14,218,865

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

Village of Chatham, Illinois

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended April 30, 2014

	General	TIF District	Aggregate Nonmajor	Total
REVENUES				
Property taxes	$1,029,917	$ 526,300	$ -	$1,556,217
Replacement taxes	2,813	-	-	2,813
Road and bridge taxes	49,588	-	-	49,588
Sales taxes	789,272	-	-	789,272
Local use tax	196,316	-	-	196,316
Motor fuel taxes	-	-	388,748	388,748
Telecommunications tax	265,949	-	66,487	332,436
Video gaming tax	32,163	-	-	32,163
Licenses, permits, fees, fines, and service charges	762,538	-	150,430	912,968
Investment income	1,758	1,886	4,781	8,425
Other	66,345	-	-	66,345
Shared income taxes	1,120,630	-	-	1,120,630
Federal grants	10,912	-	37,084	47,996
Total Revenues	4,328,201	528,186	647,530	5,503,917
EXPENDITURES				
Current operations:				
General Government	665,375	3,276	-	668,651
Cemetery	44,504	-	-	44,504
Culture and recreation	460,358	-	11,847	472,205
Public safety	2,225,526	-	80,074	2,305,600
Public works/transportation	532,219	-	596,786	1,129,005
Economic development	-	45,429	-	45,429
Capital outlay	-	-	386,242	386,242
Debt service:				
Principal	31,000	-	115,000	146,000
Interest	6,750	-	8,459	15,209
Total Expenditures	3,965,732	48,705	1,198,408	5,212,845
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	362,469	479,481	(550,878)	291,072
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	512,847	512,847
Transfers out	(246,000)	(266,847)	-	(512,847)
Capital lease proceeds	-	-	87,200	87,200
Total Other Financing Sources (Uses)	(246,000)	(266,847)	600,047	87,200
NET CHANGE IN FUND BALANCE	**116,469**	**212,634**	**49,169**	**378,272**
FUND BALANCE – MAY 1, 2013	756,929	1,008,701	1,132,616	2,898,246
FUND BALANCE – APRIL 30, 2014	**$ 873,398**	**$1,221,335**	**$1,181,785**	**$3,276,518**

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

Village of Chatham, Illinois

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2014

Net change in fund balances – governmental funds	$ 378,272
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:	
Capital outlays	569,268
Depreciation	(511,752)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net position:	
Capital asset donations - IDOT	713,064
Capital asset donations – Developers	81,024
Loss on disposal of capital assets	(1,734)
The increase in OPEB obligation resulting from annual required contributions in excess of the contributions do not require the use of current financial resources and, therefore, is not reported as expenditures in the funds	(118,118)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued compensated absences	(10,715)
Net pension obligation	(22,643)
The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effective of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:	
Repayment of G.O. bonds payable	31,000
Repayment of T.I.F. G.O. bond payable	115,000
Repayment of capital lease payable	82,742
Repayment of notes payable	10,034
Capital lease proceeds	(87,200)
Accrued interest payable	987
Change in net position of governmental activities	$ 1,229,229

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

Village of Chatham, Illinois
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2014

	Electric	Waterworks and Sewerage	Total
Assets			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,078,622	$ 134,505	$ 1,213,127
Restricted cash	148,426	13,621	162,047
Accounts receivable	735,510	400,291	1,135,801
Inventory	456,095	14,452	470,547
Total current assets	2,418,653	562,869	2,981,522
CAPITAL ASSETS			
Capital assets, not being depreciated	279,734	39,000	318,734
Property and equipment	18,078,332	16,742,853	34,821,185
Less: accumulated depreciation	(7,066,544)	(9,195,553)	(16,262,097)
Capital assets, net	11,291,522	7,586,300	18,877,822
TOTAL ASSETS	13,710,175	8,149,169	21,859,344
Liabilities and Net Position			
CURRENT LIABILITIES			
Accounts payable	76,136	333,626	409,762
Accrued payroll	38,602	25,589	64,191
Accrued compensated absences payable	134,754	91,621	226,375
Unearned income	24,869	17,822	42,691
Customer deposits	116,100	55,600	171,700
Accrued interest payable	36,022	1,775	37,797
Other payables	8,215	5,446	13,661
Current maturities of long term debt:			
G.O. Bonds (Alternate Revenue Source) payable	234,000	-	234,000
Debt certificates	40,000	-	40,000
Loan payable	-	114,664	114,664
Capital lease payable	-	7,632	7,632
Total current liabilities	708,698	653,775	1,362,473
LONG-TERM LIABILITIES			
Net OPEB obligation	88,903	47,399	136,302
G.O. Bonds (Alternate Revenue Source) payable	3,571,000	-	3,571,000
Debt certificates	45,000	-	45,000
Loans payable	-	795,527	795,527
Total long-term liabilities	3,704,903	842,926	4,547,829
TOTAL LIABILITIES	4,413,601	1,496,701	5,910,302
NET POSITION			
Net investment in capital assets	7,401,522	6,668,477	14,069,999
Restricted for debt service	148,426	13,621	162,047
Unrestricted	1,746,626	(29,630)	1,716,996
TOTAL NET POSITION	$ 9,296,574	$ 6,652,468	$15,949,042

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

Village of Chatham, Illinois

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended April 30, 2014

	Electric	Waterworks and Sewerage	Total
OPERATING REVENUES			
User charges	$ 8,616,182	$ 4,814,718	$13,430,900
Other income	143,231	82,836	226,067
Total operating revenues	8,759,413	4,897,554	13,656,967
OPERATING EXPENSES			
Electricity purchases	6,276,254	-	6,276,254
Water purchases/sewer expenses	-	3,515,173	3,515,173
Distribution and customer service	2,131,183	1,280,616	3,411,799
Depreciation	520,363	502,260	1,022,623
Total operating expenses	8,927,800	5,298,049	14,225,849
OPERATING (LOSS)	(168,387)	(400,495)	(568,882)
NONOPERATING REVENUE (EXPENSES)			
Grant income	55,529	-	55,529
Investment income	3,497	796	4,293
Interest (expense)	(156,673)	(5,772)	(162,445)
Settlement expense	-	(710,000)	(710,000)
Total nonoperating revenues (expenses)	(97,647)	(714,976)	(812,623)
CHANGE IN NET POSITION	(266,034)	(1,115,471)	(1,381,505)
NET POSITION – MAY 1, 2013	9,562,608	7,767,939	17,330,547
NET POSITION – APRIL 30, 2014	**$ 9,296,574**	**$ 6,652,468**	**$15,949,042**

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

Village of Chatham, Illinois
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended April 30, 2014

	Electric	Waterworks and Sewerage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 8,651,005	$ 4,860,121	$13,511,126
Payments to suppliers	(7,180,384)	(4,006,664)	(11,187,048)
Payments to employees	(1,103,261)	(760,883)	(1,864,144)
Net cash from operating activities	367,360	92,574	459,934
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant proceeds	55,529	-	55,529
Loan proceeds	-	243,100	243,100
Purchases of capital assets	(381,603)	(389,500)	(771,103)
Principal paid on capital debt	(259,299)	(74,165)	(333,464)
Interest paid on capital debt	(206,027)	(3,997)	(210,024)
Net cash (used for) capital and related financing activities	(791,400)	(224,562)	(1,015,962)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,497	796	4,293
Purchase of investments	-	(796)	(796)
Net cash from investing activities	3,497	-	3,497
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(420,543)**	**(131,988)**	**(552,531)**
CASH AND CASH EQUIVALENTS, BEGINNING	1,647,591	280,114	1,927,705
CASH AND CASH EQUIVALENTS, ENDING	**$ 1,227,048**	**$ 148,126**	**$ 1,375,174**
CASH AND CASH EQUIVALENTS CONSISTS OF THE FOLLOWING:			
Cash and cash equivalents	$ 1,078,622	$ 134,505	$ 1,213,127
Restricted accounts – cash	$ 148,426	$ 13,621	$ 162,047
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating (loss)	($ 168,387)	($ 410,495)	($ 578,882)
Adjustment to reconcile income (loss) to net cash from operating activities:			
Depreciation	520,363	502,260	1,022,623
(Increase) decrease in assets:			
Accounts receivable	(108,409)	(37,433)	(145,842)
Due from other funds	-	4,961	4,961
Inventories	23,932	17,796	41,728
(Decrease) increase in liabilities:			
Accounts payable	33,503	(26,478)	7,025
Unearned revenue	24,869	17,822	42,691
Accrued payroll	3,923	2,594	6,517
Uncompensated absences	25,247	8,622	33,869
Net OPEB obligation	26,332	14,039	40,371
Due to other funds	(6,850)	(604)	(7,454)
Deposits payable	(7,850)	(960)	(8,810)
Other payables	687	450	1,137
Net cash from operating activities	$ 367,360	$ 92,574	$ 459,934
OTHER FINANCING SOURCES (USES):			
Water promissory note proceeds	$ -	$ 710,000	$ 710,000
Settlement Expense	-	(710,000)	(710,000)
Total financing sources	$ -	$ -	$ -

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

Village of Chatham, Illinois

STATEMENT OF FIDUCIARY NET POSITION

POLICE PENSION TRUST FUND

April 30, 2014

ASSETS	
Cash	$ 751,302
Investments	
Mutual funds	1,279,862
Non-negotiable certificates of deposit	2,816,213
Municipal and corporate bonds	252,311
Government Mortgage Pool	154,268
Accrued interest receivable	11,264
TOTAL ASSETS	5,265,220
LIABILITIES	
None	-
TOTAL LIABILITIES	-
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
(A schedule of funding progress is presented on page 59)	$5,265,220

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

Village of Chatham, Illinois

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

POLICE PENSION TRUST FUND

For the Year Ended April 30, 2014

ADDITIONS	
Contributions	
Employer (property taxes)	$ 289,251
Employee	102,743
Other contributions	18,890
Total contributions	410,884
Investment income	
Net appreciation in fair value of investments	24,709
Interest	110,238
Total investment income	134,947
Total Additions	545,831
DEDUCTIONS	
Benefits and refunds	
Retiree benefits	166,212
Refunds	58,188
Administration	10,244
Total Deductions	234,644
NET INCREASE	311,187
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	
May 1, 2013	4,954,033
April 30, 2014	$5,265,220

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

NOTE 1 –SIGNIFICANT ACCOUNTING POLICIES

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

A. – Reporting Entity

The Village is a body corporate and politic established under Illinois Compiled Statutes (ILCS). The Village is considered to be a primary government as defined by GASB Statement No. 39, since it is legally separate and fiscally independent.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is based upon the significance of its operational or financial relationship with the primary government.

The Village has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the Village's financial statements.

B. – Fund Accounting

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets deferred outflow of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. – Government-wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual funds are reported as separate columns in the fund financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In determining when to recognize intergovernmental revenue (grants and shared revenue), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, monies are virtually unrestricted as to the purpose of expenditure and are nearly irrevocable; therefore, these amounts are recognized as revenue at the time of their receipt or earlier if they meet the criteria of availability. In the other, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenue is recognized based upon the expenditures recorded.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales and telecommunication taxes collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences, are recorded only when payment is due.

Property taxes, sales taxes, telecommunications taxes, licenses and permits, charges for services, fines and forfeits, miscellaneous revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Personal property replacement taxes are considered to be measurable when they have been collected and allocated by the state and are recognized as revenue at that time. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is used to account for all activities of the general government not accounted for in some other fund.

The TIF District Fund is used to account for the activities relating to the Tax Increment Financing District.

The Village reports the following proprietary funds, which are major funds:

The Electric Fund is used to account for the revenues and expenses related to operating and maintaining the Village's Electric operations.

The Waterworks and Sewerage Fund is used to account for the revenues and expenses related to operating and maintaining the Village's Water and Sewer operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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

Additionally, the Village reports the following fund types:

Special Revenue Funds are used to account for specific revenues from which the expenditures are externally imposed by outside entities or committed by ordinance.

The Debt Service Fund is used to account for the servicing of general long-term debt not being financed by proprietary funds. The Tax Increment Financing Debt Service Fund is the only fund in this governmental fund type.

The Capital Projects Fund accounts for the resources used for the acquisition or construction of capital facilities other than those financed by the enterprise fund activities.

The Permanent Fund is used to account for assets received and held for the perpetual care of the Village Cemetery.

The Fiduciary Fund of the Village is used to account for assets held by the Village in a trustee capacity. The Police Pension Trust Fund is used to account for assets received and held for the payment of benefits to participants.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the Village's General Fund and the Electric and Waterworks and Sewerage Funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for electric, water and sewer sales and service. Operating expenses for the 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

E. – Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Village records all capital items, which are individually greater than $5,000, with a useful life of greater than one year, as capital assets. Except for certain infrastructure acquired or constructed, which were partially financed with Tax Increment Financing and General Obligation Bonds, infrastructure assets acquired prior to May 1, 2004, are not reported in the basic financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Improvements	10 to 40 years
Buildings and grounds	20 to 40 years
Vehicles	5 years
Equipment	5 years
Infrastructure	40 years
Utility plant	10 to 40 years

F. – Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. – Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance reported for amounts constrained by legal restrictions from outside parties for use for specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose, but that are neither restricted nor committed. Any residual fund balance is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additional, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village has not established fund balance reserve policies for their governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

G. – Fund Balance/Net Position, (Continued)

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net position has not been restricted by enabling legislation adopted by the Village. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

H. – Concentration of Suppliers

The Village of Chatham, Illinois has an agreement with the Illinois Municipal Electric Agency to purchase electric power through transmission lines owned by the City of Springfield, Illinois. The agreement to purchase electric power expires September 30, 2035.

The Village of Chatham has an agreement with the South Sangamon Water Commission, whereby the South Sangamon Water Commission will supply water to the Village of Chatham until December 31, 2040, or 5 years after the expiration of the original issue of Commission's bonds, whichever is later. The Village pays for actual water usage and is not required to purchase a minimum amount of water.

I. – Investments

Investments are stated at fair value based on quoted market prices at April 30, 2014. Non-negotiable certificates of deposit are reported at cost.

J. – Inventories

Inventories are stated at the lower of cost (using the first-in/first-out method) or market using the purchase method.

K. – Compensated Absences

Vested or accumulated vacation leave and vested sick leave are accrued when incurred by the Village in the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrued to employees. A liability in the governmental funds is reported only if the benefit has matured.

L. – Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

M. – Interfund Transactions

Interfund services transactions are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

N. – Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

O. – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Village.

- The property tax lien date is January 1, 2012.
- The annual tax levy ordinance for 2012 taxes received during fiscal year 2014 was passed December 2012.
- The first installment of property taxes is due to the County Collector on July 1 and the second installment is due to the County Collector on September 1.
- Significant amounts of property taxes for 2012 were distributed to the Village in July and September of 2013.

The 2013 taxes are intended to finance the 2015 fiscal year and are not considered available for current operations and are, therefore, shown as unavailable revenue. The 2014 tax levy has not been recorded as a receivable at April 30, 2014. Although the tax attached as a lien on property as of January 1, 2014, the tax will not be levied until December 2014, and, accordingly, is not measurable at April 30, 2014.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village's Board of Trustees has adopted an investment policy to invest in instruments allowed by Illinois Compiled Statutes (ILCS). The policy further identifies allowable securities to include securities guaranteed by the full faith and credit of the United States of America, interest-bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by FDIC, short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of State of Illinois, and Illinois Funds.

NOTE 3 – DEPOSITS AND INVESTMENTS, (CONTINUED)

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statues governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy, in order of priority are: safety of principal, diversity of investments, liquidity, return on investment, and maintaining public trust.

A. – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to them. To guard against credit risk for deposits with financial institutions the Village's investment policy requires all deposits with financial institutions in excess of federal depository insurance be collateralized at 110% of the uninsured bank balance, with collateral held by the Village or third party or escrow agent of the pledging institution, evidenced by a written safekeeping agreement.

B. – INVESTMENTS

The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAm. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Village's investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes. The policy limits investments of the General Fund and Special Revenue Funds to maturities of fifteen months from the date of purchase. For all other investments, any investment purchased with a maturity of longer than two years must be specifically pre-authorized by the Chair of the Administration Committee and the Village President.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Village's investment policy does not specifically address credit risk, but the Village limits its exposure to credit risk by primarily investing in Illinois Funds.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds are not subject to custodial credit risk.

Concentration of credit risk – The Village limits the amount a financial institution may hold of the Village's investment portfolio to $100,000 excluding investments in U.S. Treasury securities held in safekeeping, investments in the Illinois Funds, and investments at the financial institution in which the deposits in excess of $100,000 are secured by collateral.

NOTE 3 – DEPOSITS AND INVESTMENTS, (CONTINUED)

POLICE PENSION FUNDS

The Pension Board has adopted an investment policy to invest in instruments allowed by Illinois Compiled Statutes (ILCS). The statutes allow pension funds to invest in the same securities as the Village. The policy further identifies allowable securities to include securities guaranteed by the full faith and credit of the United States of America, separate accounts of a life insurance company authorized to do business in Illinois, savings accounts or certificates of deposit of a National or State Bank, insured capital accounts and investments of State and Federal chartered savings and loan associations and credit unions, and interest bearing bonds or tax anticipation warrants of the United States, State of Illinois, or of any county, township, or municipal corporation of the State of Illinois.

The Pension Board revised the investment policy in 2013 and authorized additional investments including mutual funds that are managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953 and corporate bonds managed through an Investment Advisor pursuant to 40 ILCS 5/1-13.2(14).

A. – DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Pension Fund's deposits may not be returned to them. To guard against credit risk for deposits with financial institutions the Pension Fund's investment policy requires all deposits with financial institutions in excess of federal depository insurance be collateralized and held at an independent third party institution in the name of the Police Pension Fund and evidenced by a written collateral agreement.

B. – INVESTMENTS

The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poor's upon the request of the Fund's management. The most recent money market rating issued by Standard and Poor's was AAAm. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Pension Fund's investment policy does not specifically address credit risk.

Custodial credit risk for investments in the risk that, in the event of the failure of the counterparty to the investment, the Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds and the open ended mutual funds are not subject to custodial credit risk. The Pension Fund's investment policy limits its exposure to custodial credit risk for investments by requiring the purchase of certificates of deposit from financial institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

NOTE 3 – DEPOSITS AND INVESTMENTS, (CONTINUED)

Concentration of credit risk – The Pension Fund places no limit on the amount the Pension Fund may invest in any one issuer. The Pension Fund's investments consist of certificates of deposit, Illinois Funds, mutual funds, and corporate and municipal bonds.

NOTE 4 – CAPITAL ASSETS

A. GOVERNMENTAL ACTIVITIES

Capital asset activity for the year ending April 30, 2014 consists of the following:

	Balances May 1, 2013	Additions	Retirements	Balances April 30, 2014
Land, not depreciated	$ 372,000	$ -	$ -	$ 372,000
Construction in progress, not depreciated	338,896	225,905	338,896	225,905
Total capital assets, not depreciated	710,896	225,905	338,896	597,905
Improvements	282,605	433,414	-	716,019
Buildings and grounds	627,423	-	-	627,423
Vehicles	837,793	42,926	7,250	873,469
Equipment	780,566	140,100	69,036	851,630
Infrastructure	12,990,113	859,907	-	13,850,020
Total capital assets being depreciated	15,518,500	1,476,347	76,286	16,918,561
Total capital assets	16,229,396	1,702,252	415,182	17,516,466
Less accumulated depreciation for:				
Improvements	127,688	15,687	-	143,375
Buildings and grounds	307,174	18,072	-	325,246
Vehicles	606,257	72,899	7,250	671,906
Equipment	618,390	76,764	67,302	627,852
Infrastructure	2,328,401	328,330	-	2,656,731
Total accumulated depreciation	3,987,910	511,752	74,552	4,425,110
Total capital assets being depreciated, net	11,530,590	964,595	1,734	12,493,451
Total capital assets, net of accumulated depreciation	$12,241,486	$1,190,500	$ 340,630	$13,091,356

NOTE 4 – CAPITAL ASSETS, (CONTINUED)

B. BUSINESS-TYPE ACTIVITIES

Capital asset activity for the year ending April 30, 2014 consists of the following:

ELECTRIC	Balances May 1, 2013	Additions	Retirements	Balances April 30, 2014
Land, not depreciated	$ 279,734	$ -	$ -	$ 279,734
Total capital assets, not depreciated	279,734	-	-	279,734
Improvements	65,760	-	-	65,760
Buildings and grounds	698,048	-	-	698,048
Vehicles	772,600	-	3,549	769,051
Equipment	609,913	7,593		617,506
Utility Plant	15,553,957	374,010	-	15,927,967
Total capital assets being depreciated	17,700,278	381,603	3,549	18,078,332
Total capital assets	17,980,012	381,603	3,549	18,358,066
Less accumulated depreciation for:				
Improvements	28,290	1,354	-	29,644
Buildings and grounds	337,342	16,246	-	353,588
Vehicles	743,634	9,940	3,549	750,025
Equipment	440,045	69,168	-	509,213
Utility Plant	5,000,418	423,656	-	5,424,074
Total accumulated depreciation	6,549,729	520,364	3,549	7,066,544
Total capital assets being depreciated, net	11,150,549	(138,761)	-	11,011,788
Total capital assets, net of accumulated depreciation	$11,430,283	($ 138,761)	$ -	$11,291,522

NOTE 4 – CAPITAL ASSETS, (CONTINUED)

B. BUSINESS-TYPE ACTIVITIES – Continued

WATERWORKS & SEWERAGE	Balances May 1, 2013	Additions	Retirements	Balances April 30, 2014
Land, not depreciated	$ 39,000	$ -	$ -	$ 39,000
Construction in progress, not depreciated	195,039	-	195,039	-
Total capital assets, not depreciated	234,039	-	195,039	39,000
Improvements	3,210	-	-	3,210
Buildings and grounds	106,069	-	-	106,069
Vehicles	368,892	35,898	10,799	393,991
Equipment	392,415	7,593	-	400,008
Utility Plant	15,287,728	551,847	-	15,839,575
Total capital assets being depreciated	16,158,314	595,338	10,799	16,742,853
Total capital assets	16,392,353	595,338	205,838	16,781,853
Less accumulated depreciation for:				
Improvements	294	161	-	455
Buildings and grounds	38,100	2,747	-	40,847
Vehicles	350,323	13,153	10,799	352,677
Equipment	269,504	45,963	-	315,467
Utility Plant	8,045,870	440,237	-	8,486,107
Total accumulated depreciation	8,704,091	502,261	10,799	9,195,553
Total capital assets being depreciated, net	7,454,223	93,077	-	7,547,300
Total capital assets, net of accumulated depreciation	$ 7,688,262	$ 93,077	$195,039	$ 7,586,300

NOTE 4 – CAPITAL ASSETS, (CONTINUED)

B. BUSINESS-TYPE ACTIVITIES - Continued

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

Governmental activities:	
General government	$ 16,461
Culture and recreation	47,475
Public safety	36,513
Public works/transportation	411,303
Total depreciation expense – governmental activities	$ 511,752
Business-type activities:	
Electric	$ 520,363
Waterworks and Sewerage	502,260
Total depreciation expense – business-type activities	$1,022,623

NOTE 5 – RESTRICTED ASSETS

The Village reports restricted cash in the Electric Fund due to the issuance of the 2014 General Obligation Bonds (Alternative Revenue Source) and the 2010 Debt Certificates, restricted cash in the TIF District Fund due to the issuance of the 2009 General Obligation Bonds, and restricted cash in the General Fund due to the issuance of the 2001 General Obligation Bonds and other restrictions relating to law enforcement and restricted cash in the waterworks and sewerage fund due to the issuance of the Water Promissory Note, Series 2014.

ELECTRIC FUND

The Electric General Obligation Bonds (Alternate Revenue Source), Series 2014 require the funding by the utility of certain reserve accounts. These reserve account balances are required to be invested as the ordinances call for and segregated from the other funds. The following accounts were so segregated at April 30, 2014.

Electric Fund:	
Cash:	
Electric Jr. Bond Proceeds	$ 3
Electric Jr. Bond and Interest	148,423
Total	$ 148,426

As of April 30, 2014, all accounts were funded as required by the bond ordinances. The funding requirements of these accounts are established by the general obligation bond ordinances and are outlined as follows for the 2014 general obligation bonds (Alternate Revenue Source).

Operation and Maintenance Account, established to establish a balance sufficient to pay operation and maintenance expenses for the current month.

NOTE 5 – RESTRICTED ASSETS, (CONTINUED)

ELECTRIC FUND - Continued

Junior Bond and Interest Account, established to accumulate an amount sufficient to pay principal or interest or both. There shall be deposited to the Junior Bond and Interest Account, a fractional amount of interest becoming due on the next succeeding interest payment date and a fractional amount of principal becoming due on the next succeeding principal maturity date of all of the Outstanding Junior Bonds.

Junior Bond Reserve Account, established to accumulate funds to be used to pay principal or interest on outstanding bonds at any time when there are insufficient funds available in the Junior Bond and Interest Account to pay the same.

Depreciation, Improvement, and Extension Account, established to accumulate funds established per bond ordinances for the payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies for which no other funds are available.

Surplus Account, established to accumulate funds remaining in the System Fund, after crediting the required amounts to the respective accounts noted above and after making up any deficiency in the above accounts. Then, at the discretion of the Corporate Authorities, the funds shall be used, if at all, for one or more of the following purposes:

(1) For the purpose of constructing or acquiring repairs, replacements, or improvements to the System or
(2) For the purpose of purchasing Outstanding Bonds or
(3) For any other lawful corporate purpose (including but not limited to payments in lieu of taxes and general supervision and administrative charges by the Issuer.)

The Electric Debt Certificates (Series 2010) Ordinances require the creation and funding of certain reserve accounts. These reserve account balances are further required to be invested as stipulated in the ordinances and segregated from the other funds.

The funding requirements of these accounts are established by the certificate ordinances and are outlined as follows:

Certificate Account (Debt Service), established for repayment of certificate principal and interest. Funding of this account shall be determined by the Issuer.

Project Account, established to pay costs required for establishing and maintaining project associated with the certificates.

Rebate Account, established for deposit of necessary investment earnings to the extent required so as to maintain the tax exempt status of the interest on the Certificates under Section 148 (f) of the Internal Revenue Code of 1986, as amended. Any rebates, special impositions or taxes for such purpose payable to the United States of America (Internal Revenue Service) shall be payable from applicable excess earnings or other sources which are to be deposited in the Rebate Account.

During fiscal year 2014, the Village made monthly principal and interest payments on the 2010 Electric Debt Certificates into the Debt Service Certificate Account. The Village did not accumulate funds in the Project or Rebate Account.

NOTE 5 – RESTRICTED ASSETS, (CONTINUED)

TAX INCREMENT FINANCING

The Tax Increment Financing General Obligation Bonds (Alternate Revenue Source), Series 2009 require the funding by the incremental tax income derived from a separately created tax increment financing district of certain reserve accounts. These reserve account balances are required to be invested as stipulated in ordinances and segregated from the other funds. The following accounts were so segregated at April 30, 2014.

Tax Increment Financing Fund:

	Debt Service
Cash:	
TIF Bond and Interest	$108,635

As of April 30, 2014, all accounts were funded as required by the bond ordinance. The funding requirements of these accounts are established by the tax increment financing bond ordinance and are outlined as follows:

Tax Increment Financing Account, established to establish a balance sufficient to pay necessary tax increment financing costs required for establishing and maintaining the Project Area. The account balance totals $1,222,446 as of April 30, 2014.

Bond and Interest Account, established to accumulate an amount sufficient to pay principal or interest or both. There shall be deposited to the Bond and Interest Account, a fractional amount of interest becoming due on the next succeeding interest payment date and a fractional amount of principal becoming due on the next succeeding principal maturity date of all of the Outstanding Bonds.

Surplus Account, established to accumulate funds remaining in the Special Tax Allocation Fund, after crediting the required amounts to the respective accounts noted above and after making up any deficiency in the above accounts. Then, at the discretion of the Corporate Authorities, the funds shall be used, if at all, for one or more of the following purposes:

(1) For the purpose of paying any Project costs or
(2) For the purpose of purchasing Outstanding Bonds or
(3) For the purpose of paying for other redevelopment costs and projects within the Project Area or
(4) For the purpose of distributing funds to the taxing districts or municipal corporations having power to tax real property located in the Project Area, in accordance with the TIF Act
(5) For any other lawful corporate purpose

NOTE 5 – RESTRICTED ASSETS, (CONTINUED)

GENERAL FUND

The General Obligation Bonds, Series 2001 require the funding of a Debt Service account with taxes levied to be used for the sole purpose of paying principal of and interest on the Bonds. As of April 30, 2014, the account was funded as required by the ordinance. In addition, there are other restricted accounts relating to law enforcement.

General Fund

Cash:	
2001 Debt Service	$ 19,338
Crime Prevention	2,338
Drug Asset Forfeiture	4,183
DUI Equipment	18,323
Police Vehicle Fees	5,909
Total	$ 50,091

WATERWORKS AND SEWERAGE FUND

The Water Promissory Note, Series 2014 require the funding by the utility of certain reserve accounts. These reserve account balances are required to be invested as stipulated in ordinances and segregated from the other funds. The following account was so segregated at April 30, 2014.

Waterworks and Sewerage Fund

	Debt Service
Cash:	
Water Note Fund	$ 13,621

As of April 30, 2014, all accounts were funded as required by the Promissory Note. The funding requirements of these accounts are established by the promissory note ordinance and all outlined as follows:

Water Note Fund, established to fund for the payment of the principal of and interest on the Note. Interest income or investment profit earned in the Note fund shall be retained in the Note Fund for payment of the principal of or interest on the Note on the interest payment date next after such interest or profit is received or, to the extent lawful and as determined by the Village, transferred to such other fund as may be determined.

NOTE 6 – LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

Tax Increment Financing General Obligation Bonds (Alternate Revenue Source)

The Village issued bonds for the purpose to construct improvements benefitting a separately created tax increment financing district and pledges incremental tax income derived from that district. The Village pays debt service expenditures from increment property taxes collected within the Tax Increment Financing District. Tax increment financing bonds currently outstanding are as follows:

$690,000 Tax Increment General Obligation Bonds (Alternative Revenue Source), Series 2009 dated October 27, 2009 payable through August 1, 2015 in various amounts ranging from $115,000 to $125,000; interest rates ranging from 2.75% to 3.0%	$245,000

Future principal and interest payments on the tax increment financing general obligation bonds (alternate revenue source) are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$120,000	$ 5,400	$125,400
2016	125,000	1,875	126,875
Total	$245,000	$ 7,275	$252,275

General Obligation Bonds

$390,000 General Obligation Bonds (Series 2001) for the purpose of capital improvements to the Village payable through December 30, 2016 in various amounts ranging from $33,000 to $36,000; interest rate of 5.00%	$104,000

Future principal and interest payments on general obligation bonds are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$ 33,000	$ 5,200	$ 38,200
2016	35,000	3,550	38,550
2017	36,000	1,800	37,800
Total	$104,000	$ 10,550	$114,550

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

GOVERNMENTAL ACTIVITIES - Continued

Capital Leases

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (backhoe loader) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $14,688 at April 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 1,715
Future minimum lease payments	1,715
Less: Amount representing interest	(16)
Present value of minimum lease payments	$ 1,699

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased assets (three police vehicles) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $39,940 at April 30, 3014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 17,154
Future minimum lease payments	17,154
Less: Amount representing interest	(130)
Present value of minimum lease payments	$ 17,024

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased asset (truck and hoist) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $12,437 at April 30, 3014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 1,229
Future minimum lease payments	1,229
Less: Amount representing interest	(4)
Present value of minimum lease payments	$ 1,225

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

GOVERNMENTAL ACTIVITIES - Continued

Capital Leases - Continued

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (truck and snowplow attachment) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $71,269 at April 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 27,348
2016	27,349
2017	15,960
Future minimum lease payments	70,657
Less: Amount representing interest	(3,342)
Present value of minimum lease payments	$ 67,315

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased asset (street sweeper) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $105,777 at April 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 12,826
2016	12,875
2017	12,872
2018	12,872
2019	4,288
Future minimum lease payments	55,733
Less: Amount representing interest	(2,383)
Present value of minimum lease payments	$ 53,350

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased asset (police vehicle) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled $20,661 at April 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 8,895
2016	8,902
2017	2,225
Future minimum lease payments	20,022
Less: Amount representing interest	(392)
Present value of minimum lease payments	$ 19,630

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

GOVERNMENTAL ACTIVITIES - Continued

Capital Leases - Continued

Following is a summary of the changes that occurred to the liabilities reported in the governmental activities of the Village for the year ended April 30, 2014.

	Balances May 1, 2013	Additions	Retirements	Balances April 30, 2014
G.O. bonds	$ 135,000	$ -	$ 31,000	$ 104,000
TIF G.O. bonds	360,000	-	115,000	245,000
Notes payable	10,034	-	10,034	-
Capital lease	155,785	87,200	82,742	160,243
Net pension obligation	875,556	22,643	-	898,199
Net OPEB obligation	280,673	118,117	-	398,790
Compensated absences	329,154	339,869	329,154	339,869
	$2,146,202	$567,829	$567,930	$2,146,101

Following are governmental activities obligations due within one year:

G.O. bonds	$ 33,000
TIF G.O. bonds	120,000
Capital lease	66,770
Compensated absences	339,869
Total	$559,639

The amount available for retirement of governmental long-term debt is made up of the following:

2001 Debt Service (General Fund)	$ 19,338
Restricted Cash (TIF Debt Service Fund)	108,635
Total	$127,973

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

BUSINESS-TYPE ACTIVITIES

General Obligation Bonds (Alternate Revenue Source)

$3,805,000 Electric General Obligation Refunding Bond (Alternate Revenue Source), Series 2014, for the purpose of refunding certain outstanding prior bonds of the Village, payable through November 1, 2028 in various amounts ranging from $105,000 to $336,000; interest rates ranging from 2.96% to 3.78%	$3,805,000

Future principal and interest payments on general obligation (alternate revenue source) bonds are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$ 234,000	$ 97,665	$ 331,665
2016	231,000	119,547	350,547
2017	235,000	112,501	347,501
2018	247,000	105,287	352,287
2019	260,000	97,555	357,555
2020-2024	1,416,000	358,124	1,774,124
2025-2029	1,182,000	105,241	1,287,241
Total	$3,805,000	$ 995,920	$4,800,920

Debt Certificates

$200,000 Electric Debt Certificates, Series 2010, For improvements of the electric system, payable through May 1, 2015; interest rate 3.75%	$ 85,000

Future principal and interest payments on the debt certificates are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$ 40,000	$ 2,438	$ 42,438
2016	45,000	844	45,844
Total	$ 85,000	$ 3,282	$ 88,282

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

BUSINESS-TYPE ACTIVITIES - Continued

Ground Storage Loan:

On May 23, 2013, the Village entered into an agreement with a financial institution to finance costs associated with improvements to the above ground storage tank. The Village borrowed $243,100 at an interest rate of 2.00 percent to be paid in monthly installments of $4,264 beginning May 23, 2013, with a final payment due May 23, 2018. The assets and related obligation has been allocated to the Waterworks and Sewerage Fund. The principal balance for the business-type activities as April 30, 2014 was $200,191. Future principal and interest payments on the notes payable are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$ 47,567	$ 3,541	$ 51,108
2016	48,454	2,654	51,108
2017	49,452	1,656	51,108
2018	50,464	644	51,108
2019	4,254	6	4,260
Totals	$200,191	$ 8,501	$208,692

Water Promissory Note, Series 2014:

On March 7, 2014, the Village entered into an agreement with a financial institution to finance the costs of a settlement agreement with the City of Springfield, Illinois. The Village borrowed $710,000 at an interest rate of 1.25 percent to be paid in semi-annual interest payments payable on August 1 and February 1 of each year beginning August 1, 2014. Principal will be paid in installments on February of each of the years until maturity February 1, 2024. The interest rate remains fixed until January 31, 2019 and thereafter, the rate will change to a floating rate equal to the Prime Rate minus 2% not to exceed 2.25%. The principal balance for the business-type activities as of April 30, 2014 was $710,000. The related obligation has been allocated to the Waterworks and Sewerage Fund. Future principal and interest payments on the notes payable are as follows:

Years Ending April 30,	Principal	Interest	Total
2015	$ 67,097	$ 7,988	$ 75,085
2016	67,936	8,036	75,972
2017	68,785	7,188	75,973
2018	69,645	6,328	75,973
2019	70,516	5,456	75,972
2020-2024	366,021	25,072	391,093
Totals	$710,000	$ 60,068	$770,068

NOTE 6 – LONG-TERM DEBT, (CONTINUED)

BUSINESS-TYPE ACTIVITIES - Continued

Capital Leases

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (truck and valve machine) and related obligation are accounted for as business-type activities. The asset under the capital lease net of depreciation totaled $7,810 at April 30, 2014. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2014:

Year Ending April 30,	
2015	$ 7,763
Future minimum lease payments	7,763
Less: Amount representing interest	(131)
Present value of minimum lease payments	$ 7,632

Following is a summary of the changes that occurred to the liabilities reported in the business-type activities of the Village for the year ended April 30, 2014.

	Balances May 1, 2013	Additions	Retirements	Balances April 30, 2014
G.O. bonds (Alternate Revenue Source)	$3,990,000	$3,805,000	$3,990,000	$3,805,000
Debt certificates	125,000	-	40,000	85,000
Notes payable	40,135	953,100	83,044	910,191
Capital leases	33,052	-	25,420	7,632
Net OPEB obligation	95,931	40,371	-	136,302
Compensated absences	192,506	226,375	192,506	226,375
	$4,476,624	$5,024,846	$4,330,970	$5,170,500

Following are business-type activities obligations due within one year:

G.O. bonds (Alternate Revenue Source)	$ 234,000
Debt certificates	40,000
Capital leases	7,632
Notes payable	114,664
Compensated absences	226,375
Total	$ 622,671

NOTE 7 – PLEDGED REVENUES

The Village has pledged all revenue from the Village's Electric operations to repay the $3,410,000 Electric General Obligation Bonds (Alternate Revenue Source), Series 2006 and the $1,500,000 Electric General Obligation Bonds (Alternate Revenue Source), Series 2008. Those bonds were paid off during the year with the $3,805,000 Electric General Obligation Refunding Bonds (Alternate Revenue Source), Series 2014 which is payable through 2028. Principal and interest paid for the Series 2006 and 2008 bonds was $4,190,979. The total principal and interest remaining on the new bond issue, Series 2014 is $4,800,920 and total revenues for the current year were $8,818,439.

NOTE 8 – INTERFUND BALANCES

Interfund receivable and payable balances at April 30 2014 consist of:

	Interfund Receivables	Interfund Payables
General Fund:		
Aggregate Nonmajor Governmental Funds	$ 849	$ -
Aggregate Nonmajor Governmental Funds:		
General Fund	-	849
Total	$ 849	$ 849

The purpose of the interfund receivable and payable balances are as follows:

- $849 due from the Aggregate Nonmajor Governmental Funds to the General Fund. $849 of the balance relates to excess utility tax receipts transferred to the Utility Tax Fund from the General Fund.

	Transfers In	Transfers Out
General Fund:		
Nonmajor Governmental Funds	$ -	$246,000
TIF District Fund:		
Nonmajor Governmental Funds	-	266,847
Nonmajor Governmental Funds:		
General Fund	246,000	-
TIF District Fund	266,847	-
	512,847	-
Total interfund transfers	$512,847	$512,847

The purposes of interfund transfers are as follows:

- $246,000 transferred from the General Fund to nonmajor governmental funds. This amount relates to a transfer to the Capital Projects Fund for future capital projects. The transfers will not be repaid.

- $266,847 transferred from the TIF District Fund to the nonmajor governmental funds. Of this amount, $123,500 relates to a transfer to the TIF District Debt Service Fund for debt service payments and $143,347 relates to transfers for Capital Projects. These transfers will not be repaid.

NOTE 9 – RETIREMENT PLANS

ILLINOIS MUNICIPAL RETIREMENT FUND

Plan Description. The Village of Chatham's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. The report may be obtained on-line at www.imrf.org.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Funding Policy. As set by statute, the Village's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2013 was 14.16 percent. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, which the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for the fiscal year ending April 30, 2014 was $325,356.

Three-Year Trend Information for Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/14	$325,356	100%	$0
04/30/13	$310,616	100%	$0
04/30/12	$276,898	100%	$0

NOTE 9 – RETIREMENT PLANS, (CONTINUED)

ILLINOIS MUNICIPAL RETIREMENT FUND - Continued

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village's Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 72.14 percent funded. The actuarial accrued liability for benefits was $7,443,724 and the actuarial value of assets was $5,369,992, resulting in an underfunded actuarial accrued liability (UAAL) of $2,073,732. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was $2,289,425 and the ratio of the UAAL to covered payroll was 90.58 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

POLICE PENSION FUND

Plan Description. Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single employer pension plan. The plan issued an annual report to the Illinois Department of Insurance; however, they do not issue their own stand-alone financial statements. The Village accounts for the plan as a pension trust fund. Although this is a single employer pension plan, the defined benefits, as well as the employee and employer contribution levels, are mandated by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

The Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

NOTE 9 – RETIREMENT PLANS, (CONTINUED)

POLICE PENSION FUND - Continued

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer 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. Police officers' salary for pension purposes is capped at $106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e. ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Funding Policy. Covered employees are required to contribute 9.91% of their base salary to the Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village's annual contribution to the plan is provided by property tax levy. These taxes are required to be of an amount necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2014, the Village's contribution was 27.90 percent of covered payroll.

Annual Pension Cost and Net Pension Asset. The Village's annual pension cost and net pension asset to the Police Pension Plan for the most current year (April 30, 2014) were as follows:

Annual required contributions	$ 323,545
Interest on net pension asset	56,911
Adjustments to annual required contribution	(68,563)
Annual pension cost	311,893
Annual contributions made	289,250
Change in net pension obligation	22,643
Net pension obligation (asset), beginning of year	875,556
Net pension obligation (asset), end of year	$898,199

Three-Year Trend Information for Police Pension Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/14	311,893	107.82%	898,199
04/30/13	288,403	113.69%	875,556
04/30/12	314,690	87.69%	915,842

NOTE 9 – RETIREMENT PLANS, (CONTINUED)

POLICE PENSION FUND - Continued

The annual required contribution was determined as part of the May 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.50 percent investment rate of return and (b) projected salary increases ranging from 1.12 to 4.86 percent. Both (a) and (b) included an inflation component of 2.5 percent and cost of living increases of 3 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at the May 1, 2013 actuarial valuation date was 24 years.

Funded Status and Funding Progress. As of May 1, 2013, the most recent actuarial valuation date, the Police Pension Plan was 70.23 percent funded. The actuarial accrued liability for benefits was $7,348,317 and the actuarial value of assets was $5,160,794, resulting in an underfunded actuarial accrued liability (UAAL) of $2,187,523. The covered payroll of active employees covered by the plan was $1,036,760 and the ratio of the UAAL to the covered payroll was 211 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

BENEFITS PROVIDED

The Village provides post retirement health benefits, as per the requirements of local ordinances and labor agreements.

Retirees covered under the International Brotherhood of Electrical Workers, Local Number 51 and the International Union of Operating Engineers, Local 965 AFL-CIO, are eligible to continue their health care coverage with the Village's carrier. The Village will pay the retirees single medical insurance coverage provided the employee is not eligible from other sources as per the following schedule upon retirement until said employee is eligible for Medicare benefits. If the employee is eligible for coverage from other sources the Village will pay that amount provided it does not exceed the amount the Village regularly pays for single member premium coverage. If the premium contribution exceeds the costs of the Village contribution, the retiree will be eligible to remain on the Village plan. To be eligible for this benefit, the retiree shall be at least fifty-five years of age and has been an employee of the Village for a minimum of 10 years.

10 years of employment with the Village = 25% of single medical coverage premium
15 years of employment with the Village = 50% of single medical coverage premium
20 years of employment with the Village = 100% of single medical coverage premium

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS, (CONTINUED)

BENEFITS PROVIDED - Continued

All other Village retirees are eligible to continue their health coverage with the Village's carrier, provided the employee has completed a minimum of 20 years of service and is not eligible for equal insurance from another source. The Village will pay the cost for medical insurance until the retiree is eligible for Medicare.

MEMBERSHIP

At May 1, 2012 (latest information available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	55
Active nonvested plan members	-
TOTAL	57
Participating employers	1

FUNDING POLICY

The Village negotiates the contribution percentages between the Village and employees through union contracts and personnel policy. The Village contributes the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2014, the Village contributed $17,099.

ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The Village had an actuarial valuation performed for the plan as of May 1, 2012 to determine the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2014. The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2012, 2013, and 2014 was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2012	$ 79,028	$ 5,315	6.73%	$219,165
April 30, 2013	$174,538	$ 17,099	9.80%	$376,604
April 30, 2014	$175,588	$ 17,099	9.73%	$535,093

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS, (CONTINUED)

ANNUAL OPEB COSTS AND NET OPEB OBLIGATION - Continued

The net OPEB obligation (NOPEBO) at April 30, 2014 was calculated as follows:

Annual required contribution	$ 173,077
Interest on net OPEB obligation	15,064
Adjustment to annual required contribution	(12,553)
Annual OPEB Cost	175,588
Contributions made	(17,099)
Increase (decrease) in net OPEB obligation	158,489
Net OPEB obligation beginning of year	376,604
NET OPEB OBLIGATION END OF YEAR	$ 535,093

Funded Status and Funding Progress. The funded status of the plan as of May 1, 2012 (latest information available), was as follows:

Actuarial accrued liability (AAL)	$1,826,860
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	1,826,860
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	3,356,694
UAAL as a percentage of covered payroll	54.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2012 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 4.00% inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2014, was 28 years.

NOTE 11 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To insure against the losses, the Village participates in the Illinois Municipal League Risk Management Association (IMLRMA), a public entity risk pool with transfers of risk. The Village pays an annual premium to IMLRMA for its coverage. Employee health risks are insured through the purchase of a commercial insurance plan. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 12 – JOINT VENTURE

During fiscal year 2009, the Village, along with Village of New Berlin, Illinois, established the South Sangamon Water Commission. The Commission is a municipal corporation established pursuant to the provisions of the Water Commission Act of the State of Illinois (65 ILCS 5/11-135-1 et. seq.) for the purpose of constructing and operating a water supply distribution system serving its customers.

During fiscal year 2010, the Village entered into a wholesale water agreement with the South Sangamon Water Commission whereby the Water Commission will supply water to the Village until December 31, 2040, or 5 years after the expiration of the original issue of the Commission's bonds, whichever is later. The agreement became effective when the treatment plant commenced operations in May of 2012.

The Commission's fiscal year end in April 30. Separate financial statements are available for the Commission by contacting the South Sangamon Water Commission. Summarized financial information of the Commission as of and for the year ended April 30, 2014, follows:

Statement of Net Position Information:

Assets:	
Current assets	$ 808,024
Restricted assets	2,253,991
Property and equipment, net	31,858,581
Total assets	$34,920,596
Liabilities and Net Position:	
Current liabilities	$ 1,100,513
Noncurrent liabilities	33,244,705
Net position	575,378
Total liabilities and net position	$34,920,596

Statement of Revenues, Expenses, and Changes in Net Position:

Operating revenue	$ 2,716,669
Operating expenses	1,827,288
Operating net income	889,381
Nonoperating revenue	1,584
Nonoperating expense	(1,725,104)
Capital contributions	471,333
Change in net position	(362,806)
Net position, beginning	938,184
Net position, ending	$ 575,378

NOTE 13 – CONTINGENCIES

The Village is also in litigation over a tax increment financing redevelopment agreement where the plaintiffs are seeking specific performance of the agreement whereby the Village agreed to reimburse the plaintiffs a portion of their development costs. The Village intends to vigorously defend. The outcome is unknown at April 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Chatham, Illinois

SCHEDULE OF FUNDING PROGRESS

ILLINOIS MUNICIPAL RETIREMENT FUND

Required Supplemental Information

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	$5,369,992	$7,443,724	$2,073,732	72.14%	$2,289,425	90.58%
12/31/12	4,554,587	6,793,937	2,239,350	67.04%	2,205,800	101.52%
12/31/11	4,324,413	6,571,589	2,247,176	65.80%	2,096,980	107.16%
12/31/10	3,977,418	6,166,795	2,189,377	64.50%	2,127,991	102.88%
12/31/09	3,522,489	5,224,833	1,702,344	67.42%	1,965,543	86.61%
12/31/08	3,192,947	4,740,507	1,547,560	67.35%	1,928,583	80.24%

Village of Chatham, Illinois

SCHEDULE OF EMPLOYER CONTRIBUTIONS

ILLINOIS MUNICIPAL RETIREMENT FUND

Required Supplemental Information

April 30, 2014

Year Ending	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
04/30/14	$325,356	$325,356	100.00%
04/30/13	310,616	310,616	100.00%
04/30/12	276,898	276,898	100.00%
04/30/11	258,937	258,937	100.00%
04/30/10	240,050	240,050	100.00%
12/31/08	207,901	207,901	100.00%

Village of Chatham, Illinois

SCHEDULE OF FUNDING PROGRESS

POLICE PENSION TRUST FUND

Required Supplemental Information

April 30, 2014

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -- Entry Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (2) – (1)	(5) Covered Payroll	UAAL (Overfunded) as a Percentage of Covered Payroll (4) / (5)
05/01/13	$5,160,794	$7,348,317	70.23%	$2,187,523	$1,036,760	211.02%
05/01/12	4,629,832	6,759,040	70.37%	1,949,208	1,033,555	188.59%
05/01/11	4,756,473	6,352,126	74.88%	1,595,653	966,294	165.13%
05/01/10	4,265,167	5,688,963	74.97%	1,423,796	899,640	158.26%
05/01/09	3,778,387	5,104,866	74.02%	1,326,479	899,045	147.54%
05/01/08	3,311,578	4,447,685	74.46%	1,136,107	852,267	133.30%

Note: The Village has elected to have biennial valuations performed for the Police Pension Plan. Each valuation provides two years of data.

Village of Chatham, Illinois

SCHEDULE OF EMPLOYER CONTRIBUTIONS

POLICE PENSION TRUST FUND

Required Supplemental Information

April 30, 2014

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation
2014	$289,251	$323,545	89.40%	$898,199
2013	327,890	298,574	109.82%	875,556
2012	275,939	324,127	85.13%	915,043
2011	283,016	288,172	98.21%	876,292
2010	244,569	272,172	89.86%	879,641
2009	207,109	244,507	84.70%	858,761

Note: The Village has elected to have biennial valuations performed for the Police Pension Plan. Each valuation provides two years of data.

Village of Chatham, Illinois

SCHEDULE OF FUNDING PROGRESS

OTHER POST-EMPLOYMENT BENEFITS PLAN

Required Supplemental Information

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/14	N/A	N/A	N/A	N/A	N/A	N/A
04/30/13	N/A	N/A	N/A	N/A	N/A	N/A
04/30/12	-	1,826,860	1,826,860	0.00%	3,080,534	59.30%
04/30/11	N/A	N/A	N/A	N/A	N/A	N/A
04/30/10	N/A	N/A	N/A	N/A	N/A	N/A

N/A Information is not available as an actuarial valuation was not performed.

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010.
Information for prior years is not available.

Village of Chatham, Illinois

SCHEDULE OF EMPLOYER CONTRIBUTIONS

OTHER POST-EMPLOYMENT BENEFITS PLAN

Required Supplemental Information

April 30, 2014

Fiscal Year Ending	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net OPEB Obligation
2014	$ 17,099	$173,077	9.88%	$535,093
2013	17,099	173,077	9.88%	376,604
2012	5,315	78,058	6.81%	219,165
2011	5,315	78,809	6.74%	145,452

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010. Information for prior years is not available.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended April 30, 2014

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	$ 1,007,000	$ 1,007,000	$ 1,029,917
Replacement taxes	2,500	2,500	2,813
Road and bridge taxes	61,000	61,000	49,588
Sales taxes	863,000	863,000	789,272
Income taxes	1,097,100	1,097,100	1,120,630
Local use taxes	186,300	186,300	196,316
Telecommunications tax	290,000	290,000	265,949
Video gaming tax	-	-	32,163
Franchise fees	215,500	215,500	211,796
Business licenses	23,000	23,000	19,240
Building and zoning fees	50,000	50,000	54,240
Fines	104,000	104,000	126,860
Recreation program fees and contributions	20,000	20,000	40,195
Cemetery fees	13,200	13,200	13,375
Charges for services	41,000	41,000	20,332
Administration fee	276,500	276,500	276,500
Investment income	1,000	1,000	1,758
Other	49,500	49,500	66,345
Federal grants	-	-	10,912
Total revenues	4,300,600	4,300,600	4,328,201
EXPENDITURES			
General Government:			
Salaries and overtime	242,500	250,500	246,704
Village officials	54,000	52,000	51,680
Other payroll expenditures	119,000	100,000	95,093
Travel and training	7,500	9,500	8,325
Legal fees	50,000	70,000	64,470
Professional services	97,000	101,500	100,353
Accounting and auditing fees	2,500	2,500	2,500
Building and grounds maintenance	18,400	13,400	12,169
Vehicle and equipment maintenance	5,500	6,000	5,088
Office expenditures	20,400	20,400	19,162
IT & GIS	25,100	32,100	31,137
General insurance	28,500	26,500	25,898
Tools and equipment	1,500	1,500	1,235
Refunds	1,000	2,000	1,561
Total general government	672,900	687,900	665,375

(continued)

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended April 30, 2014

	Original Budget	Final Budget	Actual
EXPENDITURES, CONTINUED			
Cemetery:			
Salaries and overtime	$ 24,000	$ 25,500	$ 24,546
Other payroll expenditures	6,300	6,800	6,230
Building and grounds maintenance	17,000	16,000	13,728
Total Cemetery	47,300	48,300	44,504
Culture and recreation:			
Salaries and overtime	240,000	256,000	253,926
Other payroll expenditures	81,500	87,000	83,870
Professional services	500	500	198
Building and grounds maintenance	44,300	49,300	45,566
Program expenditures	19,400	32,400	30,689
4th of July	7,000	7,000	7,000
Vehicle and equipment maintenance	19,000	24,000	20,819
Office expenditures	1,200	2,200	1,754
Equipment purchase	15,200	15,200	13,393
Uniforms and supplies	4,400	4,400	3,143
Total culture and recreation	432,500	478,000	460,358
Public safety:			
Salaries and overtime	1,350,500	1,324,300	1,315,257
Other payroll expenditures	411,500	401,500	387,780
Travel and training	11,200	10,200	8,435
Professional services	5,500	5,500	4,572
Building and grounds maintenance	8,700	8,700	6,141
Vehicle and equipment maintenance	56,500	66,000	57,173
Office expenditures	58,600	52,200	44,117
General insurance	40,000	40,000	39,998
Emergency services	8,500	8,500	3,638
Equipment purchase	37,000	52,000	50,225
Pension contribution	345,000	290,000	289,251
Uniforms and supplies	24,500	20,400	16,137
Crime prevention	1,000	3,000	2,802
Total public safety	2,358,500	2,282,300	2,225,526

(continued)

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended April 30, 2014

	Original Budget	Final Budget	Actual
EXPENDITURES, CONTINUED			
Public works/transportation:			
Salaries and overtime	$ 236,000	$ 245,000	$ 242,372
Other payroll expenditures	112,100	112,100	106,795
Professional services	600	600	396
Building and ground maintenance	4,200	7,200	6,621
Vehicle and equipment maintenance	55,600	71,600	62,906
General insurance	24,000	24,000	23,997
Equipment purchase	67,000	68,500	67,406
Uniforms and supplies	4,400	8,900	7,269
Street maintenance	4,900	9,900	6,408
Operating supplies	6,500	6,500	5,942
Office expenditures	10,269	3,469	2,107
Total public works/transportation	525,569	557,769	532,219
Debt service:			
Principal	31,000	31,000	31,000
Interest	6,750	6,750	6,750
Total debt service	37,750	37,750	37,750
Total expenditures	4,074,519	4,092,019	3,965,732
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING (USES)	226,081	208,581	362,469
OTHER FINANCING (USES)			
Transfer to Capital Projects	(246,000)	(246,000)	(246,000)
NET CHANGE IN FUND BALANCE	($ 19,919)	($ 37,419)	116,469
FUND BALANCE – MAY 1 2013			756,929
FUND BALANCE – APRIL 30, 2014			$ 873,398

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

TIF DISTRICT FUND

For the Year Ended April 30, 2014

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	$ 509,000	$ 509,000	$ 526,300
Investment income	-	-	1,886
Total revenues	509,000	509,000	528,186
EXPENDITURES			
General government	6,750	6,750	3,276
Economic development	50,000	50,000	45,429
Total expenditures	56,750	56,750	48,705
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	452,250	452,250	479,481
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,492,250)	(1,492,250)	(266,847)
NET CHANGE IN FUND BALANCE	($1,040,000)	($1,040,000)	212,634
FUND BALANCE – MAY 1, 2013			1,008,701
FUND BALANCE – APRIL 30, 2014			$1,221,335

See accompanying Independent Auditor's Report.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Budget – The President and Board of Trustees legally enact the budget though passage of an ordinance which is developed on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund and the accrual basis of accounting for the Proprietary Funds and the Fiduciary Funds. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by operational line item which constitutes the legal level of control. Expenditures may not exceed appropriations. All budget revisions must be approved by the Board of Trustees. The budget lapses at year end. The Village has adopted an annual budget for all funds. The Village approved a budget amendment during the fiscal year.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Village of Chatham, Illinois
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
April 30, 2014

	Special Revenue				Debt Service	Capital Projects	Permanent	
Assets	Motor Fuel Tax	Veteran's Memorial Brick	Yard Waste, Recycling and Refuse	Police and Public Works Utility Tax	TIF District	Capital Projects	Cemetery Trust	Total
ASSETS								
Cash and cash equivalents	$126,841	$ 10,857	$196,435	$ 28,437	$ -	$218,147	$385,567	$ 966,284
Restricted accounts – cash	-	-	-	-	108,635	-	-	108,635
Taxes receivable	65,900	-	-	-	-	-	-	65,900
Other receivables	-	-	11,804	-	-	-	3,507	15,311
Due from other governments	-	-	-	-	-	37,084	-	37,084
TOTAL ASSETS	**$192,741**	**$ 10,857**	**$208,239**	**$ 28,437**	**$108,635**	**$255,231**	**$389,074**	**$1,193,214**
Liabilities and Fund Balances								
LIABILITIES								
Accounts payable	$ 4,875	$ -	$ 3,617	$ -	$ -	$ -	$ -	$ 8,492
Accrued payroll	-	-	2,088	-	-	-	-	2,088
Due to other funds	-	-	-	849	-	-	-	849
Total Liabilities	4,875	-	5,705	849	-	-	-	11,429
FUND BALANCE								
Nonspendable:								
Corpus of permanent fund	-	-	-	-	-	-	321,342	321,342
Restricted for:								
Debt service	-	-	-	-	108,635	-	-	108,635
Public works	187,866	-	-	-	-	-	-	187,866
Unrestricted:								
Committed:								
Veteran's memorial brick	-	10,857	-	-	-	-	-	10,857
Yard waste	-	-	202,534	-	-	-	-	202,534
Public safety	-	-	-	2,205	-	-	-	2,205
Public works	-	-	-	25,383	-	-	-	25,383
Cemetery	-	-	-	-	-	-	67,732	67,732
Assigned:								
Capital projects	-	-	-	-	-	255,231	-	255,231
Total Fund Balance	187,866	10,857	202,534	27,588	108,635	255,231	389,074	1,181,785
TOTAL LIABILITIES AND FUND BALANCE	**$192,741**	**$ 10,857**	**$208,239**	**$ 28,437**	**$108,635**	**$255,231**	**$389,074**	**$1,193,214**

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NON MAJOR GOVERNMENTAL FUNDS

For the Year Ended April 30, 2014

	Special Revenue				Debt Service	Capital Projects	Permanent	
	Motor Fuel Tax	Veteran's Memorial Brick	Yard Waste, Recycling and Refuse	Police and Public Works Utility Tax	TIF District	Capital Projects	Cemetery Trust	Total
REVENUES								
Motor fuel taxes	$388,748	$ -	$ -	$ -	$ -	$ -	$ -	$ 388,748
Telecommunications tax	-	-	-	66,487	-	-	-	66,487
Fees and services charges	-	850	129,530	-	-	-	20,050	150,430
Federal grants	-	-	-	-	-	37,084	-	37,084
Investment income	419	22	674	4	1,427	617	1,618	4,781
Total revenues	389,167	872	130,204	66,491	1,427	37,701	21,668	647,530
EXPENDITURES								
Current:								
Culture and recreation	-	410	-	11,437	-	-	-	11,847
Public safety	-	-	-	80,074	-	-	-	80,074
Public works/transportation	414,145	-	115,104	67,537	-	-	-	596,786
Capital outlay	-	-	-	-	-	386,242	-	386,242
Debt service:								
Principal	-	-	-	-	115,000	-	-	115,000
Interest	-	-	-	-	8,459	-	-	8,459
Total expenditures	414,145	410	115,104	159,048	123,459	386,242	-	1,198,408
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(24,978)	462	15,100	(92,557)	(122,032)	(348,541)	21,668	(550,878)
OTHER FINANCING SOURCES								
Transfer in	-	-	-	-	123,500	389,347	-	512,847
Capital lease proceeds	-	-	-	87,200	-	-	-	87,200
Total other financing sources	-	-	-	87,200	123,500	389,347	-	600,047
NET CHANGE IN FUND BALANCE	(24,978)	462	15,100	(5,357)	1,468	40,806	21,668	49,169
FUND BALANCE – MAY 1, 2013	212,844	10,395	187,434	32,945	107,167	214,425	367,406	1,132,616
FUND BALANCE – APRIL 30, 2014	$187,866	$ 10,857	$202,534	$ 27,588	$108,635	$255,231	$389,074	$1,181,785

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

SPECIAL REVENUE FUNDS

For the Year Ended April 30, 2014

	Motor Fuel Tax		Veteran's Memorial Brick		Yard Waste, Recycling and Refuse		Police and Public Works Utility Tax	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
REVENUES								
Motor fuel tax	$385,173	$388,748	$ -	$ -	$ -	$ -	$ -	$ -
Telecommunications tax	-	-	-	-	-	-	72,500	66,487
Fees and services charges	-	-	1,000	850	119,000	129,530	-	-
Investment income	500	419	50	22	800	674	-	4
Total revenues	385,673	389,167	1,050	872	119,800	130,204	72,500	66,491
EXPENDITURES								
Street maintenance and improvements	425,673	414,145	-	-	-	-	-	-
Yard waste supplies and services	-	-	-	-	97,000	77,534	-	-
Professional services	-	-	-	-	15,000	10,221	-	-
Building and grounds maintenance	-	-	1,000	410	-	-	-	-
Equipment	-	-	-	-	27,500	27,349	172,500	159,048
Total expenditures	425,673	414,145	1,000	410	139,500	115,104	172,500	159,048
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(40,000)	(24,978)	50	462	(19,700)	15,100	(100,000)	(92,557)
OTHER FINANCING SOURCES								
Capital lease proceeds	-	-	-	-	-	-	87,000	87,200
NET CHANGE IN FUND BALANCE	($ 40,000)	(24,978)	$ 50	462	($ 19,700)	15,100	($ 13,000)	(5,357)
FUND BALANCE – MAY 1, 2013		212,844		10,395		187,434		32,945
FUND BALANCE – APRIL 30, 2014		$187,866		$ 10,857		$202,534		$ 27,588

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended April 30, 2014

	TIF District	
	Final Budget	Actual
REVENUES		
Investment income	$ -	$ 1,427
EXPENDITURES		
Debt service:		
Principal	115,000	115,000
Interest	8,500	8,459
Total expenditures	123,500	123,459
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(123,500)	(122,032)
OTHER FINANCING SOURCES		
Transfer in	123,500	123,500
NET CHANGE IN FUND BALANCE	$ -	1,468
FUND BALANCE – MAY 1, 2013		107,167
FUND BALANCE – APRIL 30, 2014		$108,635

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended April 30, 2014

	Capital Projects	
	Final Budget	Actual
REVENUES		
Federal grants	$ -	$ 37,084
Investment income	500	617
Miscellaneous revenue	100,000	-
Total revenues	100,500	37,701
EXPENDITURES		
Construction	1,915,215	386,242
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(1,814,715)	(348,541)
OTHER FINANCING SOURCES		
Transfers in	1,614,750	389,347
NET CHANGE IN FUND BALANCE	($ 199,965)	40,806
FUND BALANCE – MAY 1, 2013		214,425
FUND BALANCE – APRIL 30, 2014		$ 255,231

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

PERMANENT FUND

For the Year Ended April 30, 2014

	Cemetery Trust	
	Final Budget	Actual
REVENUES		
Fees and service charges	$ 20,000	$ 20,050
Investment income	2,000	1,618
Total revenues	22,000	21,668
EXPENDITURES		
Construction	-	-
NET CHANGE IN FUND BALANCE	$ 22,000	21,668
FUND BALANCE – MAY 1, 2013		367,406
FUND BALANCE – APRIL 30, 2014		$389,074

See accompanying Independent Auditor's Report.

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Chatham, Illinois

COMPARATIVE STATEMENT OF NET POSITION

ELECTRIC FUND

April 30, 2014 and 2013

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 1,078,622	$ 1,437,319
Restricted accounts - cash	148,426	210,272
Accounts receivables	735,510	627,101
Due from other funds	-	-
Inventory	456,095	480,027
Total current assets	2,418,653	2,754,719
CAPITAL ASSETS		
Capital assets, not being depreciated	279,734	279,734
Property and equipment	18,078,332	17,700,278
Less: accumulated depreciation	(7,066,544)	(6,549,729)
Total capital assets	11,291,522	11,430,283
TOTAL ASSETS	13,710,175	14,185,002
CURRENT LIABILITIES		
Accounts payable	76,136	42,633
Unearned revenue	24,869	-
Accrued payroll	38,602	34,679
Accrued compensated absences payable	134,754	109,507
Due to other funds	-	6,851
Customer deposits	116,100	123,950
Accrued interest payable	36,022	85,376
Other payables	8,215	7,528
Current maturities of long term debt:		
G.O. bonds (Alternate Revenue Source) payable	234,000	205,000
Debt certificates	40,000	40,000
Loan payable	-	20,068
Capital lease payable	-	14,231
Total current liabilities	708,698	689,823
LONG-TERM LIABILITIES		
Net OPEB obligation	88,903	62,571
G.O. bonds (Alternate Revenue Source) payable	3,571,000	3,785,000
Debt certificates	45,000	85,000
Total long-term liabilities	3,704,903	3,932,571
TOTAL LIABILITIES	4,413,601	4,622,394
NET POSITION		
Investment in capital assets	7,401,522	7,280,984
Restricted for debt service	148,426	210,272
Unrestricted	1,746,626	2,071,352
TOTAL NET POSITION	$ 9,296,574	$ 9,562,608

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

ELECTRIC FUND

For the Years Ended April 30, 2014 and 2013

	2014	2013
REVENUES		
User charges	$8,616,182	$8,567,190
Other income	143,231	64,927
Total revenues	8,759,413	8,632,117
EXPENSES		
Electricity purchases	6,276,254	5,767,189
Distribution and customer service	2,131,183	1,994,809
Depreciation	520,363	518,387
Total expenses	8,927,800	8,280,385
OPERATING (LOSS) INCOME	(168,387)	351,732
NONOPERATING INCOME (EXPENSE)		
Investment income	3,497	7,965
Grant income	55,529	-
Interest expense	(156,673)	(174,390)
Total nonoperating (expense)	(97,647)	(166,425)
CHANGE IN NET POSITION	(266,034)	185,307
FUND BALANCE – BEGINNING	9,562,608	9,377,301
FUND BALANCE – ENDING	$9,296,574	$9,562,608

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

COMPARATIVE BALANCE SHEET

TIF DISTRICT

April 30, 2014 and 2013

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents – restricted	$1,222,446	$1,008,709
Taxes receivable	552,117	526,261
TOTAL ASSETS	$1,774,563	$1,534,970
LIABILITIES		
Accounts payable	$ 1,111	$ 8
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue – property taxes	552,117	526,261
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	553,228	526,269
FUND BALANCES		
Restricted for economic development	1,221,335	1,008,701
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$1,774,563	$1,534,970

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

TIF DISTRICT

For the Years Ended April 30, 2014 and 2013

	2014	2013
REVENUES		
Property taxes	$ 526,300	$ 498,991
Investment income	1,886	1,906
Total revenues	528,186	500,897
EXPENDITURES		
Current operations:		
General government	3,276	6,576
Economic development	45,429	34,683
Total expenditures	48,705	41,259
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING (USES)	479,481	459,638
OTHER FINANCING (USES)		
Transfers out	(266,847)	(111,022)
NET CHANGE IN FUND BALANCE	212,634	348,616
FUND BALANCE – MAY 1, 2013	1,008,701	660,085
FUND BALANCE – APRIL 30, 2014	$1,221,335	$1,008,701

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF DEBT SERVICE REQUIREMENTS

GOVERNMENTAL ACTIVITIES

April 30, 2014

	Tax Increment Financing General Obligation (Alternative Revenue Source) Bonds, Series 2009		General Obligation Bonds Series 2001		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2014 – 2015	$ 120,000	$ 5,400	$ 33,000	$ 5,200	$ 163,600
2015 – 2016	125,000	1,875	35,000	3,550	165,425
2016 – 2017	-	-	36,000	1,800	37,800
	$ 245,000	$ 7,275	$ 104,000	$ 10,550	$ 366,825

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF DEBT SERVICE REQUIREMENTS

BUSINESS-TYPE ACTIVITIES

April 30, 2014

	Electric General Obligation (Alternative Revenue Source) Bonds, Series 2014		Electric Fund Debt Certificates of 2010		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2014 – 2015	$ 234,000	$ 97,665	$ 40,000	$ 2,438	$ 374,103
2015 – 2016	231,000	119,547	45,000	844	396,391
2016 – 2017	235,000	112,501	-	-	347,501
2017 – 2018	247,000	105,287	-	-	352,287
2018 – 2019	260,000	97,555	-	-	357,555
2019 – 2020	263,000	89,391	-	-	352,391
2020 – 2021	273,000	81,081	-	-	354,081
2021 – 2022	279,000	72,126	-	-	351,126
2022 – 2023	295,000	62,807	-	-	357,807
2023 – 2024	306,000	52,719	-	-	358,719
2024 – 2025	314,000	42,192	-	-	356,192
2025 – 2026	321,000	31,234	-	-	352,234
2026 – 2027	336,000	19,870	-	-	355,870
2027 – 2028	106,000	7,976	-	-	113,976
2028 – 2029	105,000	3,969	-	-	108,969
	$3,805,000	$995,920	$ 85,000	$ 3,282	$4,889,202

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF INVESTMENTS

April 30, 2014

	Cost	Fair Value	Interest Rate	Maturity
Police Pension Fund				
Charles Schwab Account:				
Mutual Funds:				
Equity Funds:				
Baron Growth Fund	$ 92,500	$ 91,813		
Champlain Small Company	112,500	110,149		
Harbor International	117,500	124,282		
Longleaf Partners Fund	159,000	166,577		
Longleaf Partners Small	141,000	149,445		
Mainstay Large Cap	129,000	125,447		
Oakpark Fund	159,000	164,070		
Primecap Odyssey Growth	129,000	128,713		
Third Avenue Value Fund	93,000	96,799		
Tweedy Browne Global	117,500	122,567		
Total Equity Funds	1,250,000	1,279,862		
Corporate Bonds:				
IBM Corp	65,714	65,416	8.375%	11/01/2019
Wal-Mart Stores	104,307	104,128	3.250%	10/25/2020
Total Corporate Bonds	170,021	169,544		
Municipal Bonds:				
CCD 502	83,869	82,767	4.875%	10/25/2020
Mortgage Pools:				
GNMA Pool AE4614	153,026	154,268	3.250%	01/01/2019
United Community Bank:				
Certificate of Deposit	133,556	133,556	2.90%	09/29/2014
Certificate of Deposit	135,357	135,357	2.50%	09/25/2015
Certificate of Deposit	136,992	136,992	2.45%	06/11/2014
Town and Country Bank:				
Certificate of Deposit	152,630	152,630	2.41%	07/30/2014
Carrolton Bank:				
Certificate of Deposit	112,113	112,113	3.06%	06/11/2015
Marine Bank:				
Certificate of Deposit	110,548	110,548	2.88%	08/01/2015
Certificate of Deposit	130,052	130,052	2.14%	03/08/2016
Certificate of Deposit	53,300	53,300	2.14%	01/31/2016
Certificate of Deposit	54,053	54,053	2.24%	08/31/2014
Bank of Springfield:				
Certificate of Deposit	101,186	101,186	3.11%	08/28/2014
Certificate of Deposit	111,213	111,213	0.81%	12/30/2015
First Bankers Trust:				
Certificate of Deposit	101,296	101,296	1.00%	12/04/2015
Certificate of Deposit	148,704	148,704	2.60%	10/27/2014
Security Bank:				
Certificate of Deposit	250,000	250,000	0.75%	11/13/2015
Bank & Trust:				
Certificate of Deposit	101,666	101,666	1.10%	08/27/2015
Certificate of Deposit	101,361	101,361	0.90%	08/27/2014
Certificate of Deposit	208,949	208,949	1.75%	08/27/2015
Certificate of Deposit	162,627	162,627	1.75%	06/23/2014
Certificate of Deposit	105,128	105,128	2.00%	08/16/2016
Certificate of Deposit	255,482	255,482	1.45%	10/30/2017
Williamsville State Bank:				
Certificate of Deposit	150,000	150,000	3.21%	08/31/2014
Total Fiduciary Funds	$4,473,129	$4,502,654		

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF INSURANCE COVERAGE

April 30, 2014

Type of Coverage and Name of Company	Policy Number	Policy Period From	Policy Period To	Details of Coverage	Liability Limits	Annual Premium
General Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2013	12/31/2014	Bodily Injury and Property Damage	General, Products/ Completed Operations, Advertising Injury, and Personal Injury - $1,000,000 per occurrence, $16,000,000 aggregate Fire Damage - $1,000,000 per occurrence Liquor Liability - $1,000,000 per occurrence	$195,428
Commercial General Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2013	12/31/2014	Commercial Liability	$1,000,000 per occurrence $16,000,000 aggregate	
Automobile Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2013	12/31/2014	Automobile Liability	$1,000,000 per occurrence	
Worker's Compensation Illinois Municipal League Risk Management Association	0687D0105	12/31/2013	12/31/2014	Workers Compensation Employers Liability	Statutory $3,000,000 per occurrence	
Property/Inland Marine/Auto Coverage Physical Damage Illinois Municipal League Risk Management Association	0687D0105	12/31/2013	12/31/2014	Property Liability	$250,000,000 per occurrence	
Boiler & Machinery Illinois Municipal League Risk Management Association	0687D0105	05/01/2014	12/31/2014	Boiler & Machinery	$1,000,000	$ 806
Boiler & Machinery Cincinnati Insurance	BEP2647869	10/01/2013	10/29/2014	Boiler & Machinery	$1,000,000	$ 4,427

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF ELECTRIC RATES CHARGED

April 30, 2014

The Electric System served 5,311 customers as of April 30, 2014. The Village provided 76,054,006 kilowatt hours to its customers during fiscal year 2014. The electric rates charged by the Village are as follows:

Standard Residential Service Rates

(1) Rate: $0.09825 net per kwh
Facility Charge $10.00

Senior Citizen Residential and Village Park Service Rate

(1) Rate: $0.08843 net per kwh
Facility Charge $10.00

Governmental Service

(1) Rate: $0.08843/kwh
(2) Demand Charge: $5.423/multiplier/demand unit (demand will be the highest average kilowatt demand measured in any 15 minute period during the month)
(3) Facility charge $21.50

General Service – Commercial Without Demand

(1) Rate: $0.1158/kwh
(2) Facility Charge – Commercial, institutional, and non-residential or for three phase, residential, non-residential, institutional, and commercial use taken through a single meter at the utility standard secondary voltage without Demand metering.
   a) $10.00 per month single phase
   b) $21.50 per month three phase

General Service – Commercial With Demand

(1) Rate: $0.0917/kwh
(2) Demand Charge: $5.423/multiplier/demand unit (demand will be the highest average kilowatt demand measured in any 15 minute period during the month)
(3) Facility Charge - Commercial, institutional, and non-residential or for three phase, residential, non-residential, institutional, and commercial use taken through a single meter at the utility standard secondary voltage without Demand metering.
   a) $10.00 per month single phase
   b) $21.50 per month three phase

Industrial Service

(1) Rate
   a) $0.0802/kwh
   b) $7.222/multiplier/demand unit (demand will be the highest average kilowatt demand measured inn any 15 minute period during the month, minimum of 70kw. The Village may determine the actual demand either by permanently installed instruments or by tests
(2) Facility Charge
   a) $17.20 per month single phase
   b) $43.00 per month three phase
(3) Security Lighting Rate: $7.30 per month

Estes, Bridgewater & Ogden

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH STATE OF ILLINOIS PUBLIC ACT 85-1142

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

We have examined management's assertion that the Village of Chatham, Illinois, complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended April 30, 2014. As discussed in that representation letter, management is responsible for the Village of Chatham, Illinois' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village's compliance based on our examination.

Our examination was made in accordance with the standards established by the American Institute of Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village of Chatham, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village of Chatham, Illinois' compliance with statutory requirements.

In our opinion, management's assertion that the Village of Chatham, Illinois, complied with the aforementioned requirements for the year ended April 30, 2014, is fairly stated in all material respects.

This report is intended solely for the information and use of the Village Board, management and the Illinois Department of Revenue, Illinois State Comptroller's office and the Joint Review Board and should not be used by anyone other than these specified parties.

Estes, Bridgewater + Ogden

Certified Public Accountants
Springfield, Illinois

October 10, 2014

ADDITIONAL SCHEDULES

Village of Chatham, Illinois

SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS

Tax Years 2013, 2012, and 2011

	2013	2012	2011
ASSESSED VALUATION	**$226,206,007**	**$216,782,554**	**$208,597,498**
TAX RATES			
General	0.2245	0.2379	0.2139
Police pension	0.1511	0.1336	0.1561
I.M.R.F.	0.0480	0.0489	0.0479
Police Protection	0.0518	0.0553	0.0475
Total	0.4754	0.4757	0.4654
EXTENSIONS			
General	$ 507,832	$ 515,726	$ 446,190
Police pension	341,797	289,621	325,621
I.M.R.F.	108,579	106,007	99,918
Police Protection	117,175	119,881	99,084
Total	$ 1,075,383	$ 1,031,235	$ 970,813
COLLECTIONS			
General (included I.M.R.F. and Police Protection)		$ 740,665	$ 649,690
Police Pension		289,251	327,890
		$ 1,029,916	$ 977,580
Village share of road and bridge taxes		$ 49,588	$ 59,688

Note: The Village does not levy for TIF District property tax collections.

See accompanying Independent Auditor's Report.

Village of Chatham, Illinois

SCHEDULE OF LEGAL DEBT MARGIN

Tax Year 2013

ASSESSED VALUATION – 2013 LEVY		**$226,206,007**
STATUTORY DEBT LIMITATION (8.625% OF VALUATION)		**$ 19,510,268**
Total Debt:		
General obligation bonds	$ 104,000	
Electric debt certificates	85,000	
Tax increment financing general obligation (alternative revenue source) bonds	245,000	
Electric general obligation (alternative revenue source) bonds	3,805,000	
	4,239,000	
Less debt paid from other sources	(4,135,000)	(104,000)
LEGAL DEBT MARGIN		**$ 19,406,268**

See accompanying Independent Auditor's Report.