VILLAGE OF SENECA

SENeca, ILLINOIS

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2012

Prepared by:

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VILLAGE OF SENECA, ILLINOIS

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INDEPENDENT AUDITORS' REPORT
Independent Auditors' Report

To the Honorable Mayor and
Village Council
Village of Seneca, Illinois

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 Seneca, Illinois as of and for the year ended March 31, 2012, which collectively comprise the Village’s basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Seneca, Illinois’ management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the Village of Seneca, Illinois prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Seneca, Illinois as of March 31, 2012, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2012, on our consideration of Village of Seneca, Illinois’ internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, Schedule of IMRF Funding Progress, and budgetary comparison information on pages 3 through 10 and 44 through 53 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.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Seneca, Illinois’ financial statements as a whole. The combining and individual nonmajor fund financial statements and the statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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. In our opinion, the combining and individual non-major fund financial statements and are fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mack & Associates, P.C.
Mack & Associates, P.C.
Certified Public Accountants

Morris, Illinois
May 15, 2012
MANAGEMENT’S DISCUSSION & ANALYSIS (UNAUDITED)
VILLAGE OF SENECA, ILLINOIS

Management’s Discussion and Analysis - Unaudited
For the Year Ended March 31, 2012

The Village of Seneca, Illinois’ (the “Village”) management discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village’s financial activities, (3) identify changes in the Village’s financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit’s financial plan (budget), and (5) identify individual fund issues or concerns.

This discussion and analysis of the Village of Seneca’s financial performance provides an overview of the Village’s financial activities for the fiscal year ended March 31, 2012. Please read it in conjunction with the Village’s financial statements, which begin on page 11.

HIGHLIGHTS

Governmental Financial Highlights:

- The Village’s governmental assets exceeded its liabilities at the close of the fiscal year by $4,497,712 (net assets). Of this amount, $1,105,192 (unrestricted net assets) may be used to meet the Village’s ongoing obligations.
- The Village’s total governmental net assets decreased by $13,700 during the fiscal year 2012 as reported in the statement of activities.
- The Village’s governmental major revenue consisted of $664,025 in property tax revenues, $861,296 in TIF property tax and reimbursement revenues, and $849,555 in other tax revenue.
- As of the close of fiscal year 2012, the Village’s governmental funds reported combined ending fund balances of $2,420,078, a decrease of $540,379 in comparison to the prior year.

Business-type Financial Highlights:

- The Village’s business-type assets exceeded its liabilities at the close of the fiscal year by $3,317,760 (net assets).
- The Village’s business-type net assets decreased by $58,183 during fiscal year 2012 as reported in the statement of activities.
- The Village’s major business-type revenue consisted of $738,784 in charges for services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management’s Discussion and Analysis is intended to serve as an introduction to the Village of Seneca’s basic financial statements. The Village of Seneca’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village of Seneca’s finances, in a manner similar to a private-sector business, using the modified cash basis of accounting.
The statement of net assets presents the Village of Seneca’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Seneca is improving or deteriorating. The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as cash flows occur.

Both of the government-wide financial statements distinguish functions of the Village of Seneca 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 of Seneca include general government, public safety, highways and streets, culture and recreation, and debt services. There are two business-type activities accounted for by the Village, the water and sewer utilities.

**Fund Financial Statements**

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

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The governmental fund financial statements are reported using the cash basis of accounting.

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

The Village maintains 17 individual governmental funds and 2 business-type funds. Information is presented separately in the governmental funds statement of assets, liabilities and fund balance and in the governmental funds statement of revenues received, expenditures disbursed, and changes in fund balances for major governmental funds (the General Fund, Police Building Fund, Shipyard Road Improvement Fund, TIF Fund and Motor Fuel Tax Fund). All other non-major governmental funds are combined and presented in one column. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found of pages 13-14 of this report.
VILLAGE OF SENeca, ILLINOIS

Management’s Discussion and Analysis - Unaudited
For the Year Ended March 31, 2012

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements as both are presented using the modified cash basis of accounting. The information for the proprietary funds can be found in the business-type activities column on the government-wide financial statements. The Village maintains two proprietary funds, the Waterworks Fund and Sewer Fund, which are in the form of enterprise funds.

The proprietary fund financial statements provide separate information for the Waterworks Fund and Sewer Fund, considered to be major funds of the Village. The proprietary funds financial statements can be found on pages 15-17 of this report.

Notes to 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 18-43 of this report.

Required Supplementary Information

This information addresses the Village’s budgetary comparison schedules, and the IMRF (Illinois Municipal Retirement Fund), Schedule of Funding Progress. The Village adopts an annual estimate of appropriations for its General Fund, Special Revenue Funds, and Enterprise Funds. A budgetary comparison schedule has been provided for the General Fund, the Motor Fuel Tax Fund, the Police Building Restoration Fund, the TIF Fund, and the Shipyard Road Improvement Fund (the Village’s major governmental funds) to demonstrate compliance with this appropriated budget. The pension schedules have been provided to present the Village’s progress in funding its obligation to provide pension benefits to Village employees through the Illinois Municipal Retirement Fund. Required supplementary information can be found of pages 44-53 of this report.

Other Supplementary Information

Combining statements as discussed earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pages 54-55 of this report. The Village has also elected to include a statement of assets, liabilities and fund balance and a statement of revenues received, expenditures disbursed and changes in fund balance compared with budgeted amounts of the following: General Fund (pages 44-48), Special Revenue Funds (page 49-65), Debt Service Funds (page 66-67) and a statement of fund net assets and statement of revenues, expenses, and changes in fund net assets with budgetary comparison for the Waterworks and Sewer Funds (pages 68-73). The assessed valuations, tax rates, extensions and collections are presented on page 74.
Government-wide Financial Analysis

Program revenues were generated from charges for services (which includes water and sewer charges, various local and county fines, park user fees, miscellaneous licenses, permits, and fees, windmill royalties, and IEMA grant (to compensate the Village for expenses incurred in implementing plans and programs to deal with the possibility of a nuclear accident). General revenues were generated from local property taxes, other taxes (consisting of income tax, sales tax, use tax, motor fuel tax, replacement tax, utility taxes, and telecommunications tax), investment interest, and miscellaneous sources.

The Village’s total revenues increased by $193,882, while expenditures increased by $1,139,707. The revenue increase is related to the contractor income received for the shipyard road improvement project. Expenses increased significantly due to the Village spending additional TIF funds in fiscal year 2012 as a result of the accumulation of these funds over multiple years. Expenditures also increased due to the addition of the new police building.

Financial Analysis of the Village’s Major Funds

The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Budgetary Highlights
The Village’s budget is prepared according to Illinois law and is based on accounting for certain transactions on a cash basis of accounting. A budget to actual schedule is provided as required supplementary information for the General Fund, the Motor Fuel Tax Fund, the TIF Fund, the Police Building Restoration Fund, & the Shipyard Road Improvement Fund. A budget to actual schedule is provided for the Non-major Special Revenue & Debt Service Funds on a more detailed basis as part of other supplementary information. The Village’s actual expenditures exceeded appropriations in various funds as seen in more detail in the notes to financial statements (Note 12).
VILLAGE OF SENECA, ILLINOIS

Management's Discussion and Analysis - Unaudited
For the Year Ended March 31, 2012

Discussion of Financial Statements (Current Year Compared to Prior Year):

Table 1
Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>% Change</th>
<th>Business-Type Activities</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$ 2,460,349</td>
<td>$ 3,017,033</td>
<td>-18.45%</td>
<td>$ 713,436</td>
</tr>
<tr>
<td>Capital assets</td>
<td>2,644,347</td>
<td>2,212,440</td>
<td>19.52%</td>
<td>3,912,324</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 5,104,696</td>
<td>$ 5,229,473</td>
<td>-2.39%</td>
<td>4,625,760</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>$ 40,271</td>
<td>56,576</td>
<td>-28.82%</td>
<td>$ 11,039</td>
</tr>
<tr>
<td>Due in one year</td>
<td>80,065</td>
<td>94,771</td>
<td>-15.52%</td>
<td>85,479</td>
</tr>
<tr>
<td>Long-term debt outstanding</td>
<td>486,648</td>
<td>566,714</td>
<td>-14.13%</td>
<td>1,211,482</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$ 606,984</td>
<td>718,061</td>
<td>-58.47%</td>
<td>1,308,000</td>
</tr>
</tbody>
</table>

Net assets:
Invested in capital assets
net of debt           | $ 2,077,634 | 1,550,955 | 33.96%   | 2,615,363 | 2,740,970 | -4.58% |
Restricted             | 1,314,886 | 245,174 | 436.31%   | 631,967 | 398,360 | 58.64% |
Unrestricted           | 1,105,192 | 2,715,283 | -59.30%   | 70,430 | 236,613 | -70.23% |
Total net assets       | $ 4,497,712 | 4,511,412 | -0.30%    | 3,317,760 | 3,375,943 | -1.72% |

Condensed Financial Information: (Statement of Net Assets)

As shown above, the Village’s governmental net assets decreased by 0.30% during the current fiscal year. The change is related to the TIF funds which were paid out during the current fiscal year after accumulation of these funds for multiple years. Also addition of the police building was completed. The Village has $1,105,192 in unrestricted net assets to fund daily operations.

Business-type activities net assets decreased by 1.72% during the 2012 fiscal year. Depreciation of capital assets was the main reason for the decrease. The Village has $702,397 to fund the daily Water & Sewer Operations.

In total, the Village’s net assets decreased by approximately 1% which indicates the Village’s financial position slightly deteriorated during the current fiscal year.
Table 2
Change in Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>% Change</th>
<th>Business-Type Activities</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 150,786</td>
<td>81,753</td>
<td>84.44%</td>
<td>738,784</td>
</tr>
<tr>
<td>Federal grants,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State grants and entitlements</td>
<td>17,002</td>
<td>360,276</td>
<td>-95.28%</td>
<td>12,500</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>664,025</td>
<td>1,288,957</td>
<td>-48.48%</td>
<td>24,857</td>
</tr>
<tr>
<td>Other taxes</td>
<td>1,360,851</td>
<td>754,475</td>
<td>80.37%</td>
<td>-</td>
</tr>
<tr>
<td>Other general revenues</td>
<td>724,549</td>
<td>237,870</td>
<td>204.60%</td>
<td>(51,660)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,917,213</td>
<td>2,723,331</td>
<td>7.12%</td>
<td>711,981</td>
</tr>
<tr>
<td>Program expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>1,949,395</td>
<td>520,503</td>
<td>274.52%</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>761,949</td>
<td>912,056</td>
<td>-16.46%</td>
<td>-</td>
</tr>
<tr>
<td>Highways &amp; streets</td>
<td>147,901</td>
<td>286,647</td>
<td>-48.40%</td>
<td>-</td>
</tr>
<tr>
<td>Culture &amp; recreation</td>
<td>57,930</td>
<td>48,917</td>
<td>18.43%</td>
<td>-</td>
</tr>
<tr>
<td>Water</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
<td>391,119</td>
</tr>
<tr>
<td>Sewer</td>
<td>-</td>
<td>-</td>
<td>N/A</td>
<td>379,045</td>
</tr>
<tr>
<td>Unallocated interest</td>
<td>13,738</td>
<td>23,083</td>
<td>-40.48%</td>
<td>-</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>2,930,913</td>
<td>1,791,206</td>
<td>63.63%</td>
<td>770,164</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(13,700)</td>
<td>932,125</td>
<td>101.47%</td>
<td>(58,183)</td>
</tr>
<tr>
<td>Net assets at beginning of the year</td>
<td>4,511,412</td>
<td>3,579,287</td>
<td>26.04%</td>
<td>3,375,943</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$ 4,497,712</td>
<td>4,511,412</td>
<td>-0.30%</td>
<td>3,317,760</td>
</tr>
</tbody>
</table>

**Condensed Financial Information:** (Statement of Activities)

Governmental revenues increased from 2011 to 2012 by 7%. The increase is related to the $350K received for the shipyard road improvement project. Governmental expenditures increased by 64%. The increase was due to the expenditure of TIF funds which have accumulated over multiple years and the addition of a new police building.

Business-type revenues were consistent with the prior year, increasing by less 1% during the current fiscal year. Business-type expenses increased by almost 2%. The increase was related to repairs & maintenance made to the sewer system.
Capital Asset and Long-term Debt Activity

Capital Assets

The Village’s investment in capital assets for its governmental activities at year end totaled $2,644,347 (net of accumulated depreciation), while the investment in capital assets for business-type activities at year end totaled $3,912,324 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, other improvements, and infrastructure, such as streets, water and sewer. There were $621,153 ($585,204 governmental & $35,949 business-type) of capital asset additions recorded during the year, and $419,743 of depreciation charges were expensed on the total capital assets. See footnote 4 for details of capital assets.

### Governmental

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$238,189</td>
<td>$238,189</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td>2,654,489</td>
<td>2,379,428</td>
</tr>
<tr>
<td>Equipment</td>
<td>262,568</td>
<td>235,228</td>
</tr>
<tr>
<td>Vehicles</td>
<td>387,210</td>
<td>417,839</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>358,228</td>
<td>339,878</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(1,296,637)</td>
<td>(1,398,122)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,644,347</td>
<td>$2,212,440</td>
</tr>
</tbody>
</table>

### Business-Type

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$114,148</td>
<td>$114,148</td>
</tr>
<tr>
<td>Vehicles</td>
<td>32,620</td>
<td>32,620</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7,914,670</td>
<td>7,878,721</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(4,149,114)</td>
<td>(3,882,668)</td>
</tr>
<tr>
<td>Total</td>
<td>$3,912,324</td>
<td>$4,142,821</td>
</tr>
</tbody>
</table>

The Village’s significant capital purchases consisted of the following:

- Police Building Addition $475,061
  - The old police building was sold during the current fiscal year.
- Sewer System Improvements 35,949
- 2012 Ford Pickup 31,070
- 2011 Ford Ranger 14,369
- Kioti with Blade 19,014
  - The Village disposed of four vehicles during the current fiscal year.
VILLAGE OF SENeca, ILLINOIS

Management’s Discussion and Analysis - Unaudited
For the Year Ended March 31, 2012

Debt Administration

At March 31, 2012, the Village had $566,713 in governmental activities long-term debt which consisted of notes payable and bonds payable. Amounts due next year on these obligations are $80,065.

<table>
<thead>
<tr>
<th>Governmental Activities - Outstanding Debt</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable</td>
<td>$ 260,713</td>
<td>315,485</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>306,000</td>
<td>346,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 566,713</td>
<td>661,485</td>
</tr>
</tbody>
</table>

At March 31, 2012, the Village had $1,296,961 in business-type activities long-term debt which consists of an EPA loan payable and bonds payable. Amounts due next year on these obligations are $85,479.

<table>
<thead>
<tr>
<th>Business-Type Activities - Outstanding Debt</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPA loan payable</td>
<td>$ 892,961</td>
<td>937,851</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>404,000</td>
<td>464,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,296,961</td>
<td>1,401,851</td>
</tr>
</tbody>
</table>

Refer to Note 5 for long-term debt obligation information.

Economic Factors

Financial and budget planning is directly related to and supportive of the Village’s budget plan and operational needs. The Village’s financial outlook is influenced by factors such as the economy, employment rates, and commercial and residential growth.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and potential creditors with a general overview of the Village’s finances and to demonstrate the Village’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Village of Seneca, Illinois
340 N. Cash Street
Seneca, Illinois 61360
Phone: (815) 357-8771
FINANCIAL STATEMENTS
## VILLAGE OF SENECA, ILLINOIS

Government-wide Financial Statement  
Statement of Net Assets - Modified Cash Basis  
March 31, 2012

### Assets

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$72,095</td>
<td>29,734</td>
<td>101,829</td>
<td>346,561</td>
</tr>
<tr>
<td>Investments</td>
<td>2,388,254</td>
<td>51,735</td>
<td>2,439,989</td>
<td>3,258,139</td>
</tr>
<tr>
<td>Investments - Restricted</td>
<td>-</td>
<td>631,967</td>
<td>631,967</td>
<td>127,540</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>2,460,349</strong></td>
<td><strong>713,436</strong></td>
<td><strong>3,173,785</strong></td>
<td><strong>3,732,240</strong></td>
</tr>
</tbody>
</table>

### Non-current Assets:

#### Capital Assets

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>238,189</td>
<td></td>
<td>238,189</td>
<td>238,189</td>
</tr>
<tr>
<td>Equipment</td>
<td>262,568</td>
<td>114,148</td>
<td>376,716</td>
<td>349,376</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>2,654,489</td>
<td></td>
<td>2,654,489</td>
<td>2,719,306</td>
</tr>
<tr>
<td>Vehicles</td>
<td>387,210</td>
<td>32,620</td>
<td>419,830</td>
<td>450,459</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>358,228</td>
<td>7,914,670</td>
<td>8,272,898</td>
<td>7,878,721</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(1,256,337)</td>
<td>(4,149,114)</td>
<td>(5,405,451)</td>
<td>(5,280,790)</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>2,644,347</strong></td>
<td><strong>3,912,324</strong></td>
<td><strong>6,556,671</strong></td>
<td><strong>6,335,261</strong></td>
</tr>
</tbody>
</table>

|                |                         |                          |            |            |
| **Total assets** | **$5,104,696**            | **4,625,760**            | **9,730,456** | **10,087,501** |

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdraft payable</td>
<td>$40,271</td>
<td>1,012</td>
<td>41,284</td>
<td>128,005</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>-</td>
<td>10,026</td>
<td>10,026</td>
<td>8,805</td>
</tr>
<tr>
<td><strong>Due within one year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>38,565</td>
<td></td>
<td>38,565</td>
<td>54,771</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>41,500</td>
<td>63,500</td>
<td>105,000</td>
<td>100,000</td>
</tr>
<tr>
<td>EPA loan payable</td>
<td>-</td>
<td>21,979</td>
<td>21,979</td>
<td>42,615</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>120,336</strong></td>
<td><strong>96,518</strong></td>
<td><strong>216,854</strong></td>
<td><strong>334,196</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable</td>
<td>222,148</td>
<td></td>
<td>222,148</td>
<td>260,714</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>264,500</td>
<td>340,500</td>
<td>605,000</td>
<td>710,000</td>
</tr>
<tr>
<td>EPA loan payable</td>
<td>-</td>
<td>870,982</td>
<td>870,982</td>
<td>895,236</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td><strong>486,648</strong></td>
<td><strong>1,211,482</strong></td>
<td><strong>1,698,130</strong></td>
<td><strong>1,865,950</strong></td>
</tr>
</tbody>
</table>

|                |                         |                          |            |            |
| **Total liabilities** | **$606,984**             | **1,308,000**            | **1,914,984** | **2,200,146** |

### Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$2,077,634</td>
<td>2,615,363</td>
<td>4,692,997</td>
<td>4,291,925</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,105,192</td>
<td>70,430</td>
<td>1,175,622</td>
<td>1,617,581</td>
</tr>
<tr>
<td>Restricted</td>
<td>1,314,886</td>
<td>631,967</td>
<td>1,946,853</td>
<td>1,977,849</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$4,497,712</strong></td>
<td><strong>3,317,760</strong></td>
<td><strong>7,815,472</strong></td>
<td><strong>7,887,355</strong></td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of this statement.
### VILLAGE OF SENECA, ILLINOIS

**Government-wide Financial Statement**
Statement of Activities - Modified Cash Basis
For the Year Ended March 31, 2012

<table>
<thead>
<tr>
<th>Program Activities</th>
<th>Expenditures</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>$1,891,696</td>
<td>68,354</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,823,344)</td>
<td>(478,365)</td>
</tr>
<tr>
<td>Public Safety</td>
<td>761,949</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(761,949)</td>
<td>(521,051)</td>
</tr>
<tr>
<td>Highways and Streets</td>
<td>205,598</td>
<td>82,432</td>
<td>17,002</td>
<td>-</td>
<td>-</td>
<td>(106,164)</td>
<td>(286,647)</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>57,930</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(57,930)</td>
<td>(40,131)</td>
</tr>
<tr>
<td>Unallocated interest - expense</td>
<td>13,738</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(13,738)</td>
<td>(23,082)</td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>2,950,913</td>
<td>150,786</td>
<td>17,002</td>
<td>-</td>
<td>-</td>
<td>(2,763,125)</td>
<td>(1,349,177)</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>391,119</td>
<td>388,220</td>
<td>-</td>
<td>-</td>
<td>(2,899)</td>
<td>(2,899)</td>
<td>(44,651)</td>
</tr>
<tr>
<td>Sewer</td>
<td>379,045</td>
<td>350,564</td>
<td>-</td>
<td>-</td>
<td>(28,481)</td>
<td>(28,481)</td>
<td>(20,475)</td>
</tr>
<tr>
<td><strong>Total business-type activities</strong></td>
<td>770,164</td>
<td>738,784</td>
<td>-</td>
<td>-</td>
<td>(31,380)</td>
<td>(31,380)</td>
<td>(65,126)</td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td>$3,701,077</td>
<td>889,570</td>
<td>17,002</td>
<td>-</td>
<td>(2,763,125)</td>
<td>(2,794,505)</td>
<td>(1,414,303)</td>
</tr>
</tbody>
</table>

#### General revenues:

- **Taxes:**
  - Property taxes: 664,025
  - Utility tax: 384,146
  - Sales tax: 193,764
  - Income tax: 162,349
  - Replacement tax: 9,880
  - Local use tax: 33,954
  - TIF revenue: 861,296
  - Motor fuel tax: 65,462
  - Intergovernmental revenue: 60,000
  - Interest on investments: 31,462
  - Sale of Assets: 181,128
  - Miscellaneous: 41,908
  - Special item - transfers: 60,051

- **Total general revenues:** 2,749,425
- **Change in net assets:** (13,700)
- **Net assets at beginning of year:** 4,511,412
- **Net assets at end of year:** $4,497,712

The Notes to Financial Statements are an integral part of this statement.
## VILLAGE OF SENECA, ILLINOIS

### Statement of Assets, Liabilities, and Fund Balances

#### Modified Cash Basis - Governmental Funds

**March 31, 2012**

<table>
<thead>
<tr>
<th>Major Funds</th>
<th>General Fund</th>
<th>Motor Fuel Tax Fund</th>
<th>Police Building Restoration Fund</th>
<th>TIF Fund</th>
<th>Shipyard Road Improvement Fund</th>
<th>Non-major Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 61,270</td>
<td>-</td>
<td>3,256</td>
<td>-</td>
<td>7,569</td>
<td>2,065,444</td>
<td>2,103,912</td>
</tr>
<tr>
<td>Investments</td>
<td>$34,792</td>
<td>48,862</td>
<td>20,778</td>
<td>2,754</td>
<td>350,710</td>
<td>1,110,408</td>
<td>2,388,234</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,419</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 96,062</td>
<td>48,862</td>
<td>24,034</td>
<td>2,751</td>
<td>350,710</td>
<td>1,117,927</td>
<td>2,460,349</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Fund Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>Overdraft payable</td>
</tr>
<tr>
<td>Due to other funds</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
</tr>
</tbody>
</table>

| Fund Balances:              |
| Non-spendable               | $ -          |
| Unassigned                  | 614,036      |
| Assigned                    | -            |
| Committed                   | -            |
| Restricted                  | 304,036      |
| **Total Fund Balances**     | $ 916,012    |

| Reconciliation to Statement of Net Assets |
| Amounts reported for governmental activities in the statement of net assets are different because: |
| Capital assets used in governmental activities of $3,900,084 (net of accumulated depreciation of $1,256,337), are not financial resources and, therefore, are not reported in the funds |
| Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds. |

| Net assets of governmental activities | $ 4,497,712 | $ 4,511,412 |

The Notes to Financial Statements are an integral part of this statement.
VILLAGE OF SENECA, ILLINOIS

Statement of Revenues Received, Expenditures Disbursed, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2012

<table>
<thead>
<tr>
<th>Major Funds</th>
<th>Cessna Fund</th>
<th>Motor Fuel Tax Fund</th>
<th>Police Building Restoration Fund</th>
<th>TIF Fund</th>
<th>Sewer and Road Improvement Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues received</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$363,744</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utility tax</td>
<td>384,146</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales tax</td>
<td>153,764</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income tax</td>
<td>162,349</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Replacement tax</td>
<td>9,880</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local use tax</td>
<td>33,954</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>9,430</td>
<td>239</td>
<td>2,210</td>
<td>7,233</td>
<td>112,214</td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>-</td>
<td>65,600</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TIF Revenue</td>
<td>123</td>
<td>-</td>
<td>432,395</td>
<td>359,000</td>
<td>73,778</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>60,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Meters, Fees, and Permits</td>
<td>69,154</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>17,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>62,908</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of Assets</td>
<td>7,381</td>
<td>-</td>
<td>173,847</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>39,381</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenues received</td>
<td>1,413,432</td>
<td>65,201</td>
<td>176,007</td>
<td>439,628</td>
<td>353,237</td>
</tr>
</tbody>
</table>

Expenditures disbursed:

<table>
<thead>
<tr>
<th>Expenditures disbursed</th>
<th>Cessna Fund</th>
<th>Motor Fuel Tax Fund</th>
<th>Police Building Restoration Fund</th>
<th>TIF Fund</th>
<th>Sewer and Road Improvement Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>200,316</td>
<td>-</td>
<td>-</td>
<td>1,195,414</td>
<td>2,527</td>
</tr>
<tr>
<td>Public safety</td>
<td>761,949</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>147,901</td>
<td>57,607</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>57,930</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>109,105</td>
<td>-</td>
<td>532,802</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>45,302</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>6,055</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Expenditures disbursed</td>
<td>1,128,748</td>
<td>57,607</td>
<td>532,802</td>
<td>1,195,414</td>
<td>2,527</td>
</tr>
</tbody>
</table>

Excess (deficiency) of revenues received over (under) expenditures disbursed | 82,084 | 8,004 | (346,715) | (355,786) | 350,710 | 60,703 | (600,430) | 947,769 |
| Other financing sources (uses): |
| Transfers Out          | 36,000      | -                   | -                                | -       | -                               | -       | (949)   | (4,460) |
| Transfers In           | 61,000      | -                   | -                                | -       | -                               | -       | 36,000  | 97,000  |
| Total Other financing sources (uses) | 25,000 | - | - | - | - | (35,051) | 60,051 | 33,033 |
| Net Change in Fund Balance | 107,084 | 8,004 | (346,715) | (355,786) | 350,710 | 95,754 | (510,379) | 1,009,403 |
| Fund balances - beginning | 808,328 | 49,858 | 370,779 | 727,517 | - | 1,012,975 | 2,950,357 | 1,952,054 |
| Fund balances - ending  | $ 916,012  | 48,862 | 24,034 | (28,269) | 350,719 | 1,109,229 | 2,420,078 | 2,060,456 |

Reconciliation to the Statement of Activities:

| Net Change in Fund Balances - total governmental funds | $ (510,379) | 1,009,403 |

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

- Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets for Bonds Payable.

- 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 change in fund balance must be increased by capital purchases and decreased by depreciation expense.

| Purchase of capital assets | 585,204 | $ (153,293) | (48,720) |
| Depreciation               |         | $ (13,700) | 922,124 |

The Notes to Financial Statements are an integral part of this statement.
VILLAGE OF SENeca, ILLINOIS

Statement of Fund Net Assets
Proprietary Funds
March 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Waterworks Fund</th>
<th>Sever Fund</th>
<th>March 31, 2012</th>
<th>March 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$19,037</td>
<td>10,697</td>
<td>29,734</td>
<td>35,968</td>
</tr>
<tr>
<td>Investments</td>
<td>51,735</td>
<td>-</td>
<td>51,735</td>
<td>582,670</td>
</tr>
<tr>
<td>Investments - Restricted</td>
<td>273,290</td>
<td>358,677</td>
<td>631,967</td>
<td>127,540</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>344,062</td>
<td>369,374</td>
<td>713,436</td>
<td>746,178</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>30,948</td>
<td>83,200</td>
<td>114,148</td>
<td>114,148</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3,489,100</td>
<td>4,425,570</td>
<td>7,914,670</td>
<td>7,878,721</td>
</tr>
<tr>
<td>Vehicles</td>
<td>32,620</td>
<td>-</td>
<td>32,620</td>
<td>32,620</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,359,079)</td>
<td>(2,790,035)</td>
<td>(4,149,114)</td>
<td>(3,882,668)</td>
</tr>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td>2,193,589</td>
<td>1,718,735</td>
<td>3,912,324</td>
<td>4,142,821</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,537,651</td>
<td>2,088,109</td>
<td>4,625,760</td>
<td>4,888,999</td>
</tr>
</tbody>
</table>

| **Liabilities**         |                 |            |                |               |
| Current Liabilities:    |                 |            |                |               |
| Payables                | $ -             | -          | -              | 30,971        |
| Overdraft payable       | -               | 1,013      | 1,013          | 71,429        |
| Customer deposits       | 10,026          | -          | 10,026         | 8,805         |
| Notes Payable-current portion | 36,979       | 48,500     | 85,479         | 102,615       |
| **Total Current Liabilities** | 47,005        | 49,513     | 96,518         | 213,820       |
| Long-term Liabilities:  |                 |            |                |               |
| Bonds payable - long term portion | 35,000       | 305,500    | 340,500        | 404,000       |
| EPA Loan Payable-long term portion | 870,982    | -          | 870,982        | 895,236       |
| **Total Noncurrent Liabilities** | 905,982      | 305,500    | 1,211,482      | 1,299,236     |
| **Total liabilities**   | 952,987         | 355,013    | 1,308,000      | 1,513,056     |

| **Net Assets**          |                 |            |                |               |
| Invested in capital assets, net of related debt | 1,250,628    | 1,364,735  | 2,615,363      | 2,740,970     |
| Restricted              | 273,290         | 358,677    | 631,967        | 398,360       |
| Unrestricted            | 60,746          | 9,684      | 70,430         | 236,613       |
| **Total net assets**    | $1,584,664      | 1,733,096  | 3,317,760      | 3,375,943     |

The Notes to Financial Statements are an integral part of this statement.
VILLAGE OF SENECA, ILLINOIS

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended March 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Waterworks Fund</th>
<th></th>
<th>Year Ended March 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer charges</td>
<td>$ 381,272</td>
<td>345,267</td>
<td>345,267</td>
<td>315,530</td>
</tr>
<tr>
<td>Water charges</td>
<td>9,125</td>
<td>8,402</td>
<td>17,527</td>
<td>75,122</td>
</tr>
<tr>
<td>Other</td>
<td>6,948</td>
<td>5,297</td>
<td>12,245</td>
<td>31,790</td>
</tr>
<tr>
<td>Total Operating Revenues:</td>
<td>388,220</td>
<td>350,564</td>
<td>738,784</td>
<td>692,632</td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Sewer Operations</td>
<td>237,300</td>
<td>203,051</td>
<td>440,351</td>
<td>367,507</td>
</tr>
<tr>
<td>Supplies</td>
<td>9,125</td>
<td>8,402</td>
<td>17,527</td>
<td>75,122</td>
</tr>
<tr>
<td>Depreciation</td>
<td>118,112</td>
<td>148,333</td>
<td>266,445</td>
<td>265,017</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>364,537</td>
<td>359,786</td>
<td>724,323</td>
<td>707,646</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>23,683</td>
<td>(9,222)</td>
<td>14,461</td>
<td>(15,014)</td>
</tr>
<tr>
<td>Non-Operating Revenues (Expenses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>6,900</td>
<td>17,957</td>
<td>24,857</td>
<td>25,736</td>
</tr>
<tr>
<td>Grant proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,500</td>
</tr>
<tr>
<td>Agent fees</td>
<td>(500)</td>
<td>(500)</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Interest income</td>
<td>4,473</td>
<td>3,918</td>
<td>8,391</td>
<td>9,790</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(26,082)</td>
<td>(18,759)</td>
<td>(44,841)</td>
<td>(49,112)</td>
</tr>
<tr>
<td>Total Non-Operating Revenues (Expenses)</td>
<td>(15,209)</td>
<td>2,616</td>
<td>(12,593)</td>
<td>(2,086)</td>
</tr>
<tr>
<td>Income (Loss) Before Contributions and Transfers</td>
<td>8,474</td>
<td>(6,606)</td>
<td>1,868</td>
<td>(17,100)</td>
</tr>
<tr>
<td>Transfers In</td>
<td>199,835</td>
<td>110,455</td>
<td>310,290</td>
<td>63,644</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>(212,335)</td>
<td>(158,006)</td>
<td>(370,341)</td>
<td>(97,277)</td>
</tr>
<tr>
<td>Total</td>
<td>(12,500)</td>
<td>(47,551)</td>
<td>(60,051)</td>
<td>(33,633)</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>(4,026)</td>
<td>(54,157)</td>
<td>(58,183)</td>
<td>(50,733)</td>
</tr>
<tr>
<td>Total Net Assets - beginning</td>
<td>1,588,690</td>
<td>1,787,253</td>
<td>3,375,943</td>
<td>3,426,676</td>
</tr>
<tr>
<td>Total Net Assets - ending</td>
<td>$ 1,584,664</td>
<td>1,733,096</td>
<td>3,317,760</td>
<td>3,375,943</td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of this statement.
# VILLAGE OF SENECA, ILLINOIS

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended March 31, 2012

<table>
<thead>
<tr>
<th>Water and Sewer Enterprise Fund</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$ 763,641</td>
</tr>
<tr>
<td>Payments for goods and services</td>
<td>(575,768)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(148,555)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>39,318</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Noncapital Financing Activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in current liabilities</td>
<td>(100,166)</td>
</tr>
<tr>
<td>Transfers (to) from other funds</td>
<td>(60,051)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Noncapital Financing Activities</strong></td>
<td>(160,217)</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Capital Financing Activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital purchases</td>
<td>(35,949)</td>
</tr>
<tr>
<td>Increase (decrease) in accumulated depreciation</td>
<td>266,446</td>
</tr>
<tr>
<td>Principal paid on capital debt</td>
<td>(104,890)</td>
</tr>
<tr>
<td>Interest paid on loan payable</td>
<td>(45,841)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Capital Financing Activities</strong></td>
<td>79,766</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Investing Activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>8,391</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Investing Activities</strong></td>
<td>8,391</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Increase in Cash and Cash Equivalents</td>
<td>(32,742)</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Balance - beginning of the year</td>
<td>746,178</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Balance - end of the year</td>
<td>$ 713,436</td>
</tr>
</tbody>
</table>

The Notes to Financial Statements are an integral part of this statement.
NOTES TO FINANCIAL STATEMENTS
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Seneca have been prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Illinois, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Village’s accounting polices are described below.

A. Reporting Entity

The Village Board is the basic level of government which has oversight responsibility and control over all activities related to the operation of the Village of Seneca, the primary government unit. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. There are no component units to be included with the primary government.

Government-wide and Fund Financial Statement:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of the interfund activity has been removed from these statements.

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

Earnings on investments not included among program revenues are reported instead as general revenues.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

The government-wide financial statements are reported using the modified cash basis of accounting. Revenues are recorded when cash is received and expenses are recorded when cash is paid, regardless of the timing of related cash flows.

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, liabilities, fund equity, revenue, and expenditures, or expenses, as appropriate. Village 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. The Village has the following funds:

**Governmental Fund Types** - Governmental Funds are those through which general governmental functions of the Village are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as “fund balance.” The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the Village’s major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the Village, including operation of the Village’s general service departments, street and highway maintenance, and public safety are accounted for in this fund.

**Motor Fuel Tax Fund** - The Motor Fuel Tax Fund is a Special Revenue Fund used to account for the motor fuel tax monies received from the State of Illinois. These monies are restricted for street and road project expenditures approved by the State of Illinois.

**Police Building Restoration Fund** - The Police Building Restoration Fund is a Special Revenue Fund used to account for grant monies received which are restricted for the purpose of improving police facilities within the Village.

**TIF Fund** - The TIF Fund is described in detail in Note 18 to these financial statements.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting - (Continued)

*Shipyard Road Improvement Fund* – This Fund was created during the current fiscal year when the Village received funds from a contractor for the purpose of a Road Improvement Project.

The other governmental funds of the Village are considered non-major and are as follows:

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than assessments, fiduciary, or major capital projects) that are legally restricted to expenditures for specified purposes. The Village’s non-major Special Revenue Funds are the Audit Fund, IMRF Fund, Social Security Fund, Insurance Fund, Garbage Fund, Public Benefit Fund, Public Comfort Fund, 911 Fund, Working Cash Fund, and TIF III Fund.

*Debt Service Funds* - Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The 2003C and 2003D G.O. Bond Funds are the Village’s only Debt Service funds. The fund balances of the funds are reserved to signify the amounts that are restricted exclusively for debt service expenses.

*Proprietary Fund Types*

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed and recovered primarily through user charges. The Waterworks Fund and the Sewer Fund are the major enterprise funds of the Village.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All funds are accounted for using the cash basis of accounting. Revenues are recognized when cash is received. Expenditures are recognized when checks are written.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

D. Capital Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Capital Assets and Long-Term Liabilities – (Continued)

The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Depreciation is provided in amounts sufficient to relate costs of the depreciable assets to operations over their estimated service lives on the straight-line basis. A capitalization threshold of $5,000 for equipment, $10,000 for improvements, and $50,000 for infrastructure is used to report capital assets. The service lives by type of asset are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Service Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Improvements</td>
<td>10 years</td>
</tr>
<tr>
<td>Other Improvements</td>
<td>20 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>5-7 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5-7 years</td>
</tr>
</tbody>
</table>

E. Property Taxes

On the cash basis of accounting, property taxes are recognized as revenues when they are received. Property taxes are levied and attach as an enforceable lien on property on January 1 and are payable in two installments due on June 1 and September 1 subsequent to the year of levy.

The 2011 property tax levy, in the amount of $673,330, increased by the bond & interest levy and reduced by statutory limitations to $708,330 was received by the Village in the current fiscal year. The 2011 tax levy was adopted on December 6, 2011 and will be received by the Village in the subsequent fiscal year.

F. Budgets and Budgetary Accounting

The Village budgets for the General, Special Revenue, and Enterprise Funds through an appropriation ordinance.

The Village’s appropriation ordinance is prepared on the basis of anticipated cash receipts and disbursements (cash basis).

The ordinance for the year ended March 31, 2012 was passed on May 17, 2011 and was not amended. For each fund, total fund expenditures may not legally exceed the budgeted expenditures. The ordinance lapses at the end of each fiscal year. The Village does not utilize an encumbrance system.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Budgets and Budgetary Accounting – (Continued)

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

a) Within the first quarter of each year, the Village prepares an annual appropriation ordinance for the fiscal year commencing April 1 of that year. The ordinance includes proposed expenditures and the means of financing them.

Legal spending control for Village monies are at the fund level, but management control is exercised at budgetary line item levels within each fund.

b) The Village may amend the ordinance anytime by a two-thirds vote of all Village Board members. The Board may make transfers between funds, but no appropriation may be reduced below an amount sufficient to cover such obligation.

c) The Village also adopts a working budget to project future expenses paid for a portion of the General Fund. A comparison of expenses paid with the working budget (where applicable) is presented in the Other Supplementary Information section of these financial statements.

H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. Certain amounts for 2011 may have been reclassified to conform to the 2012 presentation.

NOTE 2: CASH AND INVESTMENTS

Cash and cash equivalents, for reporting purposes, include bank accounts, petty cash and all short-term investments with a remaining maturity of three months or less when purchased, such as certificates of deposit. All amounts are stated at cost which approximates market.

Separate bank accounts are not maintained for all Village funds. Certain funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the Board. Such overdrafts constitute unauthorized interfund loans, since they were not authorized by the Village Council.
NOTE 2: CASH AND INVESTMENTS – (Continued)

Cash and investments as of March 31, 2012 are classified for the Village as follows:

<table>
<thead>
<tr>
<th></th>
<th>Statement of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$</td>
</tr>
<tr>
<td>Investments</td>
<td>61,558</td>
</tr>
<tr>
<td></td>
<td>3,070,943</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>3,132,501</td>
</tr>
</tbody>
</table>

The Village’s deposits and certificates of deposits are required to be covered by federal depository insurance (FDIC) or by securities held by the pledging financial institution. The FDIC currently insures the first $250,000 of the Village’s deposits at each financial institution. Effective December 31, 2010 through December 31, 2012, the FDIC will insure 100% of all non-interest bearing accounts. Deposit balances over $250,000 are collateralized with securities held by the pledging financial institution. At March 31, 2012, the carrying amount of the Village’s deposits was $61,558 and the bank balance was $84,525.

<table>
<thead>
<tr>
<th>Category</th>
<th>Carrying Amount</th>
<th>Bank Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category #1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Category #2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Category #3</td>
<td>61,558</td>
<td>84,525</td>
</tr>
<tr>
<td>Total</td>
<td>61,558</td>
<td>84,525</td>
</tr>
</tbody>
</table>

Category #1 - Uncollateralized;

Category #2 - Collateralized with securities held by the pledging financial institution;

Category #3 - Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name.
NOTE 2: CASH AND INVESTMENTS – (Continued)

Investments include United States government obligations valued at cost, adjusted for amortization of premium and discounts, which approximates market. Investments include basic fixed coupon repurchase agreements which are stated at cost which approximates market.

State statutes, Village bond ordinances and Village resolutions authorize the Village’s investments. The Village is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality, obligations of any state or political subdivision of any state rated within the four highest general classifications established by a nationally recognized rating service, money market mutual funds registered under the Investment Company Act of 1940 that invest in allowable securities and fully collateralized repurchase agreements.

Investments:

As of March 31, 2012, the Village’s investments were as follows:

<table>
<thead>
<tr>
<th>Carrying Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market</td>
</tr>
<tr>
<td>U.S. Government Obligations</td>
</tr>
<tr>
<td>Municipal Bonds</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village has no specific policy on the interest rate risk at year-end.

Information about the sensitivity of the fair values of the Village investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village’s investments by maturity.
NOTE 2: CASH AND INVESTMENTS — (Continued)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Remaining Maturity (in Months)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12 Months or Less</td>
<td>13-24 Months</td>
<td>25+ Months</td>
<td>Total</td>
</tr>
<tr>
<td>Money Market</td>
<td>$ 412,017</td>
<td>-</td>
<td>-</td>
<td>412,017</td>
</tr>
<tr>
<td>U.S. Government Obligations</td>
<td>58,546</td>
<td>23,522</td>
<td>1,877,574</td>
<td>1,959,642</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>430,000</td>
<td>-</td>
<td>-</td>
<td>430,000</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>250,000</td>
<td>-</td>
<td>-</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td>$ 1,150,562</td>
<td>23,522</td>
<td>1,877,574</td>
<td>3,051,659</td>
</tr>
</tbody>
</table>

Credit Risk:

Generally, 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.

Concentration of Credit Risk:

The Village places no limit on the amount the Village may invest in any one issuer.

Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of another party. At March 31, 2012, the Village had no custodial credit risk.

Foreign Currency Risk:

The Village has no foreign currency risk for investments at year end.
NOTE 2: CASH AND INVESTMENTS – (Continued)

Other Investments:

The Village has $19,284 in the “Illinois Money Market Fund,” formerly known as IPTIP. It is a money market fund that was created in 1975 by the Illinois General Assembly. Its primary purpose is to provide the custodians of public funds with an alternative investment vehicle which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds. The monies invested by the individual participants are pooled together and invest in U.S. Treasury bills and notes backed by the full faith and credit of the U.S. Treasury. In addition, monies are invested in fully collateralized time deposits in Illinois financial institutions, in collateralized repurchase agreements, and in treasury mutual funds that invest in U.S. Treasury obligations and collateralized repurchase agreements. The time deposits are collateralized 110% over FDIC or FSLIC $100,000 insurance with U.S. Treasury obligations and marked to market on a weekly basis to maintain sufficiency. The repurchase agreements are collateralized at 102% with U.S. Treasury obligations, and the collateral is checked daily to determine sufficiency.

The individual participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral; therefore no collateral is identified with each individual participant’s account.

For financial statement purposes, the Village shows Illinois Funds as investments.

NOTE 3: PERSONAL PROPERTY REPLACEMENT TAX

The Personal Property Replacement Tax represents an additional State of Illinois income tax on corporations (certain utilities), trusts, partnerships, and Subchapter S corporations and a new tax on the invested capital of public utilities providing gas, communications, electrical and waste services.
### NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$238,189</td>
<td></td>
<td></td>
<td>$238,189</td>
</tr>
<tr>
<td><strong>Other capital assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>417,839</td>
<td>64,453</td>
<td>(95,082)</td>
<td>387,210</td>
</tr>
<tr>
<td>Equipment</td>
<td>235,228</td>
<td>27,340</td>
<td></td>
<td>262,568</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td>2,379,428</td>
<td>475,061</td>
<td>(200,000)</td>
<td>2,654,489</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>339,878</td>
<td>18,350</td>
<td></td>
<td>358,228</td>
</tr>
<tr>
<td><strong>Total other capital assets</strong></td>
<td>3,372,373</td>
<td>585,204</td>
<td>(295,082)</td>
<td>3,662,495</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td></td>
<td></td>
<td>(295,082)</td>
<td></td>
</tr>
<tr>
<td><strong>Total governmental assets, net</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total governmental activities, net</strong></td>
<td>$2,212,440</td>
<td>431,907</td>
<td></td>
<td>2,644,347</td>
</tr>
<tr>
<td><strong>Business-Type Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>$32,620</td>
<td></td>
<td></td>
<td>$32,620</td>
</tr>
<tr>
<td>Equipment</td>
<td>114,148</td>
<td></td>
<td></td>
<td>114,148</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7,878,721</td>
<td>35,949</td>
<td></td>
<td>7,914,670</td>
</tr>
<tr>
<td><strong>Total Capital assets</strong></td>
<td>8,025,489</td>
<td>35,949</td>
<td></td>
<td>8,061,438</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td>4,149,114</td>
</tr>
<tr>
<td><strong>Total business-type activities, net</strong></td>
<td>$4,142,821</td>
<td>(230,497)</td>
<td></td>
<td>3,912,324</td>
</tr>
<tr>
<td><strong>Total governmental &amp; business-type</strong></td>
<td>$6,355,261</td>
<td>201,410</td>
<td></td>
<td>6,556,671</td>
</tr>
</tbody>
</table>
NOTE 4: CAPITAL ASSETS – (Continued)

Depreciation expense was charged to the following functions:

**Governmental activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$26,479</td>
</tr>
<tr>
<td>Public health and safety</td>
<td>56,246</td>
</tr>
<tr>
<td>Streets and alleys</td>
<td>65,132</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>5,440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$153,297</strong></td>
</tr>
</tbody>
</table>

**Business-type activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$118,112</td>
</tr>
<tr>
<td>Sewer</td>
<td>148,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$266,445</strong></td>
</tr>
</tbody>
</table>

**Total depreciation expense**

<table>
<thead>
<tr>
<th>Depreciation Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td><strong>$419,742</strong></td>
</tr>
</tbody>
</table>

NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS

The following is a summary of general long-term debt transactions of the Village for the year ended March 31, 2012:

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending Balance</th>
<th>Due in One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ford Motor Credit Company</td>
<td>$16,765</td>
<td>-</td>
<td>16,765</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>G.O. Bonds - Series 2003C</td>
<td>215,000</td>
<td>-</td>
<td>25,000</td>
<td>190,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Bonds Payable - Series 2003D</td>
<td>131,000</td>
<td>-</td>
<td>15,000</td>
<td>116,000</td>
<td>16,500</td>
</tr>
<tr>
<td>Seneca Regional Port District</td>
<td>54,067</td>
<td>-</td>
<td>9,500</td>
<td>44,567</td>
<td>9,500</td>
</tr>
<tr>
<td>Seneca Regional Port District</td>
<td>244,653</td>
<td>-</td>
<td>28,507</td>
<td>216,146</td>
<td>29,065</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>$661,485</td>
<td>-</td>
<td>94,772</td>
<td>566,713</td>
<td>80,065</td>
</tr>
</tbody>
</table>

| **Business-type Activities**       |                   |           |             |                |                 |
| Bonds Payable - Series 2003A       | $65,000            | -         | 15,000      | 50,000         | 15,000          |
| Bonds Payable - Series 2003B       | 100,000            | -         | 10,000      | 90,000         | 10,000          |
| Bonds Payable - Series 2003D       | 299,000            | -         | 35,000      | 264,000        | 38,500          |
| IEPA Loan Payable                  | 937,851            | -         | 44,890      | 892,961        | 21,979          |
| **Total Business-type Activities** | $1,401,851         | -         | 104,890     | 1,296,961      | 85,479          |
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS – (Continued)

Note Payable – Ford Motor Credit:

On May 26, 2009, the Village financed the purchase of two police cars through a note payable with Ford Motor Credit Company. The total amount of the note was $50,373. During the year ended March 31, 2012, the note was paid in full.

Series 2003C General Obligation Bonds:

On August 5, 2003, the Village Board of Trustees passed Ordinance 03-15 authorizing the issuance of $350,000 of general obligation revenue bonds, Series 2003C, for the purpose of paying off a note payable with Seneca Township High School District No. 160 and acquiring additional capital.

The bonds are payable annually beginning January 1, 2005. Interest varies on the bonds from 2.30% to 4.90% per annum, payable semi-annually beginning July 1, 2004.

During the current fiscal year, principal of $25,000 and interest of $10,185 was paid on the obligation. Future payment requirements are as follows:

<table>
<thead>
<tr>
<th>Due During Year Ended March 31,</th>
<th>Principal</th>
<th>Interest</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>July 1</td>
<td>January 1</td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>2013</td>
<td>$25,000</td>
<td>4,555</td>
<td>4,555</td>
<td></td>
<td>34,110</td>
</tr>
<tr>
<td>2014</td>
<td>25,000</td>
<td>3,992</td>
<td>3,993</td>
<td></td>
<td>32,985</td>
</tr>
<tr>
<td>2015</td>
<td>25,000</td>
<td>3,430</td>
<td>3,430</td>
<td></td>
<td>31,860</td>
</tr>
<tr>
<td>2016</td>
<td>25,000</td>
<td>2,818</td>
<td>2,817</td>
<td></td>
<td>30,635</td>
</tr>
<tr>
<td>2017</td>
<td>30,000</td>
<td>2,205</td>
<td>2,205</td>
<td></td>
<td>34,410</td>
</tr>
<tr>
<td>2018</td>
<td>30,000</td>
<td>1,470</td>
<td>1,470</td>
<td></td>
<td>32,940</td>
</tr>
<tr>
<td>2019</td>
<td>30,000</td>
<td>735</td>
<td>735</td>
<td></td>
<td>31,470</td>
</tr>
<tr>
<td></td>
<td>$190,000</td>
<td>19,205</td>
<td>19,205</td>
<td></td>
<td>228,410</td>
</tr>
</tbody>
</table>

It is the Village’s intent to repay the bonds and interest through the use of sales tax receipts. Therefore, the bonds payable are shown as a liability of governmental activities in the statement of net assets.
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS – (Continued)

Series 2003D General Obligation Bonds:

On August 5, 2003, the Village Board of Trustees passed Ordinance 03-15 authorizing the issuance of $1,140,000 of general obligation refunding bonds, Series 2003C, for the purpose of refinancing and paying off prior year bonds, along with helping to remedy sewerage facility issues related to environmental concerns in connection with the sewer system. Another purpose of the bonds was to provide for improvements and extensions to the water treatment and distribution facilities of the Village’s water system.

Principal on the bonds is payable annually and began on January 1, 2004. Interest varies on the bonds from 1.50% to 4.80% per annum, payable semi-annually as of July 1, 2004.

During the current fiscal year, principal of $50,000 and interest of $19,928 was paid on the obligation. Future payment requirements are as follows:

<table>
<thead>
<tr>
<th>Due During Year Ended March 31,</th>
<th>Principal</th>
<th>Interest July 1</th>
<th>Interest January 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$55,000</td>
<td>8,876</td>
<td>8,876</td>
<td>72,752</td>
</tr>
<tr>
<td>2014</td>
<td>60,000</td>
<td>7,680</td>
<td>7,680</td>
<td>75,360</td>
</tr>
<tr>
<td>2015</td>
<td>60,000</td>
<td>6,300</td>
<td>6,300</td>
<td>72,600</td>
</tr>
<tr>
<td>2016</td>
<td>65,000</td>
<td>4,920</td>
<td>4,920</td>
<td>74,840</td>
</tr>
<tr>
<td>2017</td>
<td>70,000</td>
<td>3,360</td>
<td>3,360</td>
<td>76,720</td>
</tr>
<tr>
<td>2018</td>
<td>70,000</td>
<td>1,680</td>
<td>1,680</td>
<td>73,360</td>
</tr>
<tr>
<td></td>
<td>$380,000</td>
<td>32,816</td>
<td>32,816</td>
<td>445,632</td>
</tr>
</tbody>
</table>

A portion of the Series 2003D bonds (approximately 30%) is being financed through property tax receipts and is shown as a liability of governmental activities in the statement of net assets. It is the Village’s intent to repay the remaining portion (approximately 70%) of the bonds and interest from sewer receipts. Therefore, 70% of the Series 2003D bonds are shown as a liability of the Sewer Fund.
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS – (Continued)

Seneca Regional Port District Note Payable – Garage:

On August 21, 2006, the Village entered into an agreement with the Seneca Regional Port District for financial assistance related to the construction of a new public garage for the street department. Instead of directly loaning funds to the Village to be used for construction expenditures, the Port District maintained control of the funds and had the garage built on behalf of the Village at a cost of $92,067.

Since a secondary purpose of the garage is to help enhance the “look” of downtown Seneca and its industrial areas, the Port District is allowing the Village to pay back the note interest-free. Repayment of the note requires nine annual principal payments of $9,500, with a payment of $6,567 in the tenth and final year. Payments are due by March 1, and the first payment was made on March 1, 2008. The current balance of the note is $44,567, and the payments described above will continue until the final payment is made on March 1, 2017.

Seneca Regional Port District Note Payable - Storm Sewer Project:

On February 17, 2009, the Village entered into an agreement with the Seneca Regional Port District for financial assistance related to the storm sewer drainage project. The Port District agreed to loan the Village $300,000, to be paid back over ten years with payments to begin on January 30, 2010. The final payment is due January 30, 2019. Annual payments, principal and interest, amount to $33,400 with interest accruing at the rate of 2.0% of the outstanding loan balance.

During the year ended March 31, 2012, principal of $28,507 and interest of $4,893 was paid on the note. Future payment requirements are as follows:

<table>
<thead>
<tr>
<th>Year Ended March 31</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>29,065</td>
<td>4,335</td>
<td>33,400</td>
</tr>
<tr>
<td>2014</td>
<td>29,658</td>
<td>3,742</td>
<td>33,400</td>
</tr>
<tr>
<td>2015</td>
<td>30,251</td>
<td>3,149</td>
<td>33,400</td>
</tr>
<tr>
<td>2016</td>
<td>30,856</td>
<td>2,544</td>
<td>33,400</td>
</tr>
<tr>
<td>2017</td>
<td>31,474</td>
<td>1,926</td>
<td>33,400</td>
</tr>
<tr>
<td>2018</td>
<td>32,103</td>
<td>1,297</td>
<td>33,400</td>
</tr>
<tr>
<td>2019</td>
<td>32,739</td>
<td>661</td>
<td>33,400</td>
</tr>
</tbody>
</table>

Total: $216,146  Interest: $17,654  Total: $233,800
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS – (Continued)

Series 2003A General Obligation Bonds:

On August 5, 2003, the Village Board of Trustees passed Ordinance 03-15 authorizing the issuance of $160,000 of general obligation waterworks bonds, Series 2003A, for the purpose of paying for various operation and maintenance expenses and improvements of the Waterworks system.

Principal on the bonds is payable annually and began on January 1, 2005. Interest varies on the bonds from 2.75% to 4.6% per annum, payable semi-annually as of July 1, 2004.

During the current fiscal year, principal of $15,000 and interest of $2,915 was paid on the obligation. Future payments requirements are as follows:

<table>
<thead>
<tr>
<th>Due During Year Ended March 31,</th>
<th>Principal</th>
<th>Interest July 1</th>
<th>Interest January 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$15,000</td>
<td>1,131</td>
<td>1,131</td>
<td>17,262</td>
</tr>
<tr>
<td>2014</td>
<td>15,000</td>
<td>805</td>
<td>805</td>
<td>16,610</td>
</tr>
<tr>
<td>2015</td>
<td>20,000</td>
<td>460</td>
<td>460</td>
<td>20,920</td>
</tr>
<tr>
<td></td>
<td>$50,000</td>
<td>2,396</td>
<td>2,396</td>
<td>54,792</td>
</tr>
</tbody>
</table>

Series 2003B General Obligation Bonds:

On August 5, 2003, the Village Board of Trustees passed Ordinance 03-15 authorizing the issuance of $160,000 of general obligation sewerage bonds, Series 2003B, for the purpose of paying for various operation and maintenance expenses and improvements of the Sewerage system.

Principal on the bonds is payable annually and began on January 1, 2005. Interest varies on the bonds from 3.10% to 5.00% per annum, payable semi-annually as of July 1, 2004.
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS – (Continued)

Series 2003B General Obligation Bonds - Continued

During the current fiscal year, principal of $10,000 and interest of $4,810 was paid on the obligation. Future payment requirements are as follows:

<table>
<thead>
<tr>
<th>Due During Year Ended March 31,</th>
<th>Principal</th>
<th>Interest July 1</th>
<th>Interest January 1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$10,000</td>
<td>2,190</td>
<td>2,190</td>
<td>14,380</td>
</tr>
<tr>
<td>2014</td>
<td>10,000</td>
<td>1,955</td>
<td>1,955</td>
<td>13,910</td>
</tr>
<tr>
<td>2015</td>
<td>10,000</td>
<td>1,720</td>
<td>1,720</td>
<td>13,440</td>
</tr>
<tr>
<td>2016</td>
<td>10,000</td>
<td>1,485</td>
<td>1,485</td>
<td>12,970</td>
</tr>
<tr>
<td>2017</td>
<td>10,000</td>
<td>1,250</td>
<td>1,250</td>
<td>12,500</td>
</tr>
<tr>
<td>2018</td>
<td>10,000</td>
<td>1,000</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>750</td>
<td>750</td>
<td>16,500</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>375</td>
<td>375</td>
<td>15,750</td>
</tr>
</tbody>
</table>

$90,000 10,725 10,725 111,450

It is the Village’s intent to repay the bonds and interest from sewer receipts. Therefore, the bonds payable are shown as a liability of the Sewer Fund.

Illinois Environmental Protection Agency Loan Payable:

On August 15, 2007, the Village obtained a loan from the Illinois Environmental Protection Agency (IEPA), the proceeds of which are being used to fund a large water and sewer improvement project. The project was awarded to Vanguard Contractors, Inc. in the amount of $943,000. In accordance with the terms of the loan, the Village was authorized to draw funds from the IEPA in an amount not to exceed $1,042,000. The total amount borrowed was $1,042,000, and the payment schedule calls for semi-annual payments of $34,029, principal and interest, with payments due on April 3 and October 4 of each fiscal year. The final payment is due April 4, 2028. Interest on each payment is calculated at the rate of 2.5% of the outstanding loan balance.

During the fiscal year ended March 31, 2012, principal of $44,890 and interest of $23,167 was paid. The April 4, 2011 payment was made prior to year-end. The current balance of the loan is $892,961. Future payment requirements are as follows:
NOTE 5: CHANGE IN LONG-TERM OBLIGATIONS — (Continued)

Illinois Environmental Protection Agency Loan Payable - Continued

<table>
<thead>
<tr>
<th>Due During Year Ended March 31,</th>
<th>Principal</th>
<th>Interest</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>July 1</td>
<td>January 1</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$ 21,979</td>
<td>-</td>
<td>11,162</td>
<td>33,141</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>46,595</td>
<td>10,876</td>
<td>10,586</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>47,767</td>
<td>10,293</td>
<td>9,997</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>48,969</td>
<td>9,697</td>
<td>9,391</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>50,200</td>
<td>9,084</td>
<td>8,773</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>51,463</td>
<td>8,457</td>
<td>8,137</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>52,758</td>
<td>7,813</td>
<td>7,486</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>54,085</td>
<td>7,154</td>
<td>6,818</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>55,446</td>
<td>6,478</td>
<td>6,133</td>
<td>68,057</td>
<td></td>
</tr>
<tr>
<td>Later years</td>
<td>463,699</td>
<td>24,466</td>
<td>22,268</td>
<td>510,433</td>
<td></td>
</tr>
</tbody>
</table>

$ 892,961  94,318  100,751  1,088,030

NOTE 6: INDIVIDUAL FUND DISCLOSURES

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds financial statements generally reflect such transactions as transfers. The internal service funds record charges for services to Village departments as operating revenue.

All Village funds record these payments to internal service funds as operating expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure or transfer.

At March 31, 2012, there were no individual fund interfund receivable or payable balances.
NOTE 6: **INDIVIDUAL FUND DISCLOSURES - (Continued)**

The transfers represent both routine and non-routine items. Generally, transfers occur to meet the operating purposes of another fund. A transfer by the General Fund of $36,000 was made to the Series 2003C G.O. Bond Fund for long-term debt payment. Transfers were made from the Water & Sewer Funds to both capital project and debt service funds. The transfers were made to fund capital projects and for the Village to pay long-term debt. The Richard Street Project Fund was transferred to close the fund as this project has expired.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transfer to Other Funds</th>
<th>Transfer From Other Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>$36,000</td>
<td>61,000</td>
</tr>
<tr>
<td>Series 2003C G.O. Bond Fund</td>
<td>-</td>
<td>36,000</td>
</tr>
<tr>
<td>Series 2003D G.O. Bond Fund</td>
<td>949</td>
<td>-</td>
</tr>
<tr>
<td>Total Governmental Funds</td>
<td>36,949</td>
<td>97,000</td>
</tr>
<tr>
<td>Business-type Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Fund</td>
<td>100,498</td>
<td>-</td>
</tr>
<tr>
<td>Sewer Fund</td>
<td>125,500</td>
<td>949</td>
</tr>
<tr>
<td>Water Capital</td>
<td>111,837</td>
<td>50,200</td>
</tr>
<tr>
<td>Sewer Capital</td>
<td>-</td>
<td>101,506</td>
</tr>
<tr>
<td>EPA Water Construction</td>
<td>-</td>
<td>111,837</td>
</tr>
<tr>
<td>Water- 2003 A Series G.O. Bond</td>
<td>-</td>
<td>9,000</td>
</tr>
<tr>
<td>Sewer- 2003 B Series G.O. Bond</td>
<td>-</td>
<td>8,000</td>
</tr>
<tr>
<td>Water/EPA</td>
<td>-</td>
<td>28,798</td>
</tr>
<tr>
<td>Richard Street Project</td>
<td>32,506</td>
<td>-</td>
</tr>
<tr>
<td>Total Business-type Funds:</td>
<td>370,341</td>
<td>310,290</td>
</tr>
</tbody>
</table>

**Total Transfers**

$407,290

$407,290

NOTE 7: **PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The Village is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the Village participates in the Illinois Municipal League Risk Management Association. The Village is liable for up to a $500 annual deductible for all years it participates in the plan. The Village's policy is to record any related expenditures in the year in which the Village is notified and pays the assessment. The Village is not aware of any additional assessments owed as of March 31, 2012.

During the year ended March 31, 2012, there were no significant reductions in insurance coverage from the prior year. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.
NOTE 8: CONTINGENCIES - LITIGATION

The Village is not a defendant in any current litigation. With regards to other pending matters, the eventual outcome and the related liability, if any, is not determinable at this time.

NOTE 9: ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF)

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

Funding Policy - As set by statute, your employer 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 contribution rate for calendar year 2011 was 13.91 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost – The required contribution for calendar year 2011 was $95,388.

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Annual Pension Cost (APC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2011</td>
<td>95,389</td>
<td>100%</td>
<td>*$0</td>
</tr>
<tr>
<td>12/31/2010</td>
<td>102,041</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>12/31/2009</td>
<td>87,396</td>
<td>100%</td>
<td>0</td>
</tr>
</tbody>
</table>
NOTE 9: ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF) – (Continued)

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent 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% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer 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 employer Regular plan’s unfunded actuarial accrued liability at December 31, 2009 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, 2011, the most recent actuarial valuation date, the Regular plan was 67.07 percent funded. The actuarial accrued liability for benefits was $2,298,799 and the actuarial value of assets was $1,541,887, resulting in an underfunded actuarial accrued liability (UAAL) of $756,912. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was $685,755 and the ratio of the UAAL to the covered payroll was 110 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: LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the Village as of March 31, 2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed valuation - 2011</td>
<td>$48,117,274</td>
</tr>
<tr>
<td>Statutory debt limitation (8.625% of assessed valuation)</td>
<td>$4,150,115</td>
</tr>
<tr>
<td>Debt outstanding at March 31, 2012:</td>
<td></td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>$710,000</td>
</tr>
<tr>
<td>Notes payable</td>
<td>260,713</td>
</tr>
<tr>
<td>EPA loan payable</td>
<td>892,961</td>
</tr>
<tr>
<td></td>
<td>1,863,674</td>
</tr>
</tbody>
</table>
| EPA loan not included for purposes of debt limitation statute | (892,961) | 970,713
| Legal debt margin                                        | $3,179,402 |
NOTE 11: SOCIAL SECURITY

Employees not qualifying for coverage under the Illinois Retirement Fund are considered as “non-participating employees.” These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under social security. The Village paid $47,163, the total required contribution for the year ended March 31, 2012.

NOTE 12: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the fund financial statements, an overview of certain information concerning individual funds including:

1) The following funds overspend their appropriations (as provided by Ordinance 11-05) by the amount stated:

   Police Building Restoration Fund  $  522,802
   TIF Fund                       1,195,414
   Shipyard Road Improvement Fund  2,527
   Public Benefit Fund            5,525
   911 Fund                       16,692
   TIF III Fund                  66,696
   Series 2003C G.O. Bond Fund    35,685
   Series 2003D G.O. Bond Fund    21,478

2) Deficit fund equity:

   • The TIF Fund had a deficit fund balance of $28,269 at March 31, 2012.
   • The TIF III Fund had a deficit fund balance of $6,330 at March 31, 2012.
VILLAGE OF SENECA

Notes to Financial Statements
For the Year Ended March 31, 2012

NOTE 13: RESTRICTED FUND BALANCE

Amounts classified as restricted fund balance represent portions of fund balance which are specifically restricted by legal or administrative policy are not available for general operation expenditures.

Restricted tax levies:

Cash receipts and the related disbursements of the following restricted tax levies are accounted for in the General Fund. A portion of the General Fund’s equity represents cumulative receipts over cumulative disbursements which is restricted for future expenditures for the following purposes:

<table>
<thead>
<tr>
<th>Parks and recreation</th>
<th>$ 133,244</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storm sewer projects</td>
<td>36,053</td>
</tr>
<tr>
<td>Fire protection</td>
<td>134,779</td>
</tr>
<tr>
<td><strong>Total General Fund Restriction</strong></td>
<td><strong>$ 304,076</strong></td>
</tr>
</tbody>
</table>

NOTE 14: TORT IMMUNITY

Revenue collected and the related expenses paid out of this restricted tax levy are accounted for in the Liability Insurance Fund. A total of $65,827 was collected and $63,462 was spent; resulting in a restricted fund balance of $17,661 at year end.

<table>
<thead>
<tr>
<th>Liability Insurance Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
</tr>
<tr>
<td>Property Taxes</td>
</tr>
<tr>
<td>Interest Income</td>
</tr>
<tr>
<td>Total Revenue</td>
</tr>
<tr>
<td>Expenditures:</td>
</tr>
<tr>
<td>Liability Insurance</td>
</tr>
<tr>
<td>Workmen's Compensation Insurance</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
</tr>
<tr>
<td>Total Expenditures</td>
</tr>
<tr>
<td>Net Change in Fund Balance</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
</tr>
</tbody>
</table>
NOTE 15: MOTOR FUEL TAX ALLOTMENTS

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

NOTE 16: GRANTS

The Village has been awarded a grant from Federal Department of Emergency Management (FEMA). The grant was awarded to the Village to implement plans and programs to deal with the possibility of a nuclear accident, as authorized by the Illinois Nuclear Safety Preparedness Act. The Village received a total of $15,902 for this program during the 2012 fiscal year.

The Village also was awarded $1,100 from the Illinois Department of Health Care and Family Services for a Tobacco Grant. The program is designed for tobacco awareness within the Village.

NOTE 17: OTHER POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. Projections of benefits for financial reporting purposes are based on a given plan and include the 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. As of March 31, 2012, the Village has not adopted a plan that would meet these criteria.

NOTE 18: TIF DISTRICT

On December 16, 2003, the Village Board of Trustees passed Ordinance 03-32 establishing two tax increment financing districts. The goal of the Tax Increment Financing law is to induce private development, which would not occur without public expenditures, in economically depressed areas in order to improve property value and eliminate blight.

During a prior fiscal year, the Village approved the Seneca Redevelopment Plan and designated the Shipyard Business Redevelopment Project Area and the Old State Road Business Redevelopment Project Area as the two TIF Districts.

The Village will use incremental tax revenues to pay for redevelopment project costs and obligations incurred during both projects.

The TIF Fund is accounted for on these financial statements as a Special Revenue Fund.

The Village made a payment of $1,155,389 to a developer during the current fiscal year per an approved agreement in which the developer receives 90 percent of property tax revenue.
NOTE 18: TIF DISTRICT – (Continued)

Another TIF District was established in fiscal year 2009 in an attempt to revitalize the Seneca railport and Interstate 80 area. Significant legal fees have been incurred in conjunction with the district and railport project. Many of these fees are being reimbursed by a local business operation with a vested economic interest in the potential benefits associated with the TIF district. The legal costs and the reimbursements are benefits associated with the TIF district. The legal costs and the reimbursements are being recorded along with the tax revenues and other expenses in the TIF III Fund. The TIF III Fund is accounted for on these financial statements as a Special Revenue Fund.

NOTE 19: FUND BALANCE – GASB 54 PRESENTATION

According to Government Accounting Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and a reconciliation of how these balances are reported.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Nonspendable</th>
<th>Committed</th>
<th>Assigned</th>
<th>Restricted</th>
<th>Unassigned</th>
<th>Total Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>611,936</td>
<td>611,936</td>
</tr>
<tr>
<td>Fire Protection</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>134,779</td>
<td>-</td>
<td>134,779</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>133,244</td>
<td>-</td>
<td>133,244</td>
</tr>
<tr>
<td>Storm Sewer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,053</td>
<td>-</td>
<td>36,053</td>
</tr>
<tr>
<td>Motor Fuel Tax - Streets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48,862</td>
<td>-</td>
<td>48,862</td>
</tr>
<tr>
<td>Police Building Restoration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,034</td>
<td>-</td>
<td>24,034</td>
</tr>
<tr>
<td>TIF - See Note 18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>(28,269)</td>
<td>(28,269)</td>
</tr>
<tr>
<td>Shipyard Road Improvement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>350,710</td>
<td>-</td>
<td>350,710</td>
</tr>
<tr>
<td>Audit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,661</td>
<td>-</td>
<td>11,661</td>
</tr>
<tr>
<td>IMRF Contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>72,018</td>
<td>-</td>
<td>72,018</td>
</tr>
<tr>
<td>Social Security &amp; Medicare</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>76,360</td>
<td>-</td>
<td>76,360</td>
</tr>
<tr>
<td>Liability Insurance/Tort</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,661</td>
<td>-</td>
<td>17,661</td>
</tr>
<tr>
<td>Garbage Services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,684</td>
<td>-</td>
<td>22,684</td>
</tr>
<tr>
<td>Public Benefit</td>
<td>-</td>
<td>-</td>
<td>53,339</td>
<td>-</td>
<td>-</td>
<td>53,339</td>
</tr>
<tr>
<td>Public Comfort</td>
<td>-</td>
<td>-</td>
<td>88,785</td>
<td>-</td>
<td>-</td>
<td>88,785</td>
</tr>
<tr>
<td>911 Emergency Response</td>
<td>-</td>
<td>-</td>
<td>62,338</td>
<td>-</td>
<td>-</td>
<td>62,338</td>
</tr>
<tr>
<td>Working Cash</td>
<td>-</td>
<td>-</td>
<td>323,393</td>
<td>-</td>
<td>-</td>
<td>323,393</td>
</tr>
<tr>
<td>TIF III - See Note 18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>(6,330)</td>
<td>(6,330)</td>
</tr>
<tr>
<td>Series 2003C Debt Service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,061</td>
<td>-</td>
<td>46,061</td>
</tr>
<tr>
<td>Series 2003D Debt Service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>340,759</td>
<td>-</td>
<td>340,759</td>
</tr>
<tr>
<td>Total All Funds</td>
<td>$</td>
<td>-</td>
<td>527,855</td>
<td>1,314,886</td>
<td>577,337</td>
<td>2,420,078</td>
</tr>
</tbody>
</table>
NOTE 19: FUND BALANCE – GASB 54 PRESENTATION – (Continued)

A. Non-spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Debt Service Funds are by definition restricted for these specified purposes. The Village has several different funds that also fall into these categories.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (the Village Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the Village Board itself or (b) the finance committee or by the Treasurer/Administrator when the Village Board has delegated the authority to assign amounts to be used for specific purposes.

E. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Funds for amounts that have not been restricted, committed, or assigned to specific purposes within the General Funds.
NOTE 20: ENTERPRISE FUNDS INDIVIDUAL FUND DISCLOSURE

The Waterworks Fund is an enterprise fund that consists of the following sub accounts and balances:

Water Fund $70,772
Water Capital Improvement Fund $78,757
Water EPA Fund $134,981
Debt 2003A Fund $59,552

The Sewer Fund consists of the following sub accounts and balances:

Sewer Fund $9,684
Sewer Capital Fund $323,914
Storm Sewer Project Fund $36,053
Sewer 2003B Fund $34,763

Both Enterprise Funds’ sub accounts are grouped together to come up with the total for the Waterworks Fund and Sewer Fund balances.