

**CITY OF MOMENCE, ILLINOIS**

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**Audited Financial Statements**

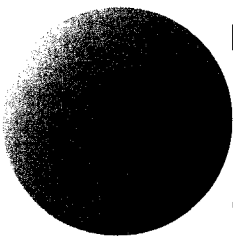
**April 30, 2008**

**CITY OF MOMENCE, ILLINOIS**  
**REPORT ON AUDITED FINANCIAL STATEMENTS**  
**For the year ended April 30, 2008**

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ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

City Council and Mayor  
City of Momence  
Momence, Illinois 60954

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the

**CITY OF MOMENCE, ILLINOIS**

as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 1 to the financial statements, the City has not recorded general and infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general and infrastructure assets be capitalized and depreciated, which would change the amounts recorded as assets, net assets, and expenses of the governmental activities. The Amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City of Momence, Illinois as of April 30, 2008, or the changes in financial position thereof for the year then ended.

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and each major fund of the City of Momence, Illinois, as of April 30, 2008, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with basis of accounting described in Note 1.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Payne, Groskreutz, Schmidt, Abraham & Eckleman*

February 28, 2009

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**April 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 210,632	\$ 1,323,381	\$ 1,534,013
Investments	403,146	1,107,437	1,510,583
Internal balances	(130,910)	130,910	-0-
Capital assets:			
Depreciable (net of accumulated depreciation)		<u>1,628,732</u>	<u>1,628,732</u>
Total assets	<u>482,868</u>	<u>4,190,460</u>	<u>4,673,328</u>
<b><u>Liabilities</u></b>			
Payroll withholdings payable	<u>15,642</u>		<u>15,642</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt		1,628,732	1,628,732
Restricted for:			
Street maintenance programs	79,087		79,087
Other Purposes	11,012		11,012
Unrestricted	<u>377,127</u>	<u>2,561,728</u>	<u>2,938,855</u>
Total net assets	<u>\$ 467,226</u>	<u>\$ 4,190,460</u>	<u>\$ 4,657,686</u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the year ended April 30, 2008**

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
General government	\$ 447,484	\$ 106,320		\$ (341,164)		\$ (341,164)
Public safety	722,552	116,992		(605,560)		(605,560)
Public works/transportation	604,693		\$ 17,746	(586,947)		(586,947)
Health and welfare	150,135	156,871		6,736		6,736
Culture and recreation	111,071	1,870		(109,201)		(109,201)
Total governmental activities	2,035,935	382,053	17,746	(1,636,136)		(1,636,136)
<u>Business-Type Activities:</u>						
Water and sewer	1,061,382	1,306,610			\$ 245,228	245,228
Total	\$ 3,097,317	\$ 1,688,663	\$ 17,746	(1,636,136)	245,228	(1,390,908)
<u>General Revenues:</u>						
Taxes						
Property taxes				301,991		301,991
Income taxes				272,888		272,888
Sales and use taxes				404,530		404,530
Other taxes				153,317		153,317
Interest				37,836	89,688	127,524
Miscellaneous				89,569		89,569
Total general revenues				1,260,131	89,688	1,349,819
Changes in net assets				(376,005)	334,916	(41,089)
Net assets, May 1, 2007				843,231	3,855,544	4,698,775
Net assets, April 30, 2008				\$ 467,226	\$ 4,190,460	\$ 4,657,686

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**April 30, 2008**

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 131,545	\$ 79,087	\$ 210,632
Investments	403,146		403,146
Total assets	<u>\$ 534,691</u>	<u>\$ 79,087</u>	<u>\$ 613,778</u>
<b>LIABILITIES</b>			
Payroll withholdings payable	\$ 15,642		\$ 15,642
Due to other funds	130,910		130,910
Total liabilities	<u>146,552</u>	<u>\$ -0-</u>	<u>146,552</u>
<b>FUND BALANCES</b>			
Reserved for street maintenance programs		79,087	79,087
Reserved for other purposes	11,012		11,012
Unreserved, reported in General Fund	377,127		377,127
Total fund balance	<u>388,139</u>	<u>79,087</u>	<u>467,226</u>
Total liabilities and fund balances	<u>\$ 534,691</u>	<u>\$ 79,087</u>	<u>\$ 613,778</u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**For the year ended April 30, 2008**

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 301,991		\$ 301,991
Income taxes	272,888		272,888
Sales taxes	404,530		404,530
Replacement taxes	40,963		40,963
Motor fuel taxes		\$ 88,963	88,963
Garbage fees	156,871		156,871
Licenses and permits	90,833		90,833
Fines and forfeitures	127,885		127,885
Refunds and reimbursements	9,359		9,359
Interest income	35,692	2,144	37,836
Miscellaneous	127,811		127,811
<b>Total revenues</b>	<b>1,568,823</b>	<b>91,107</b>	<b>1,659,930</b>
Expenditures:			
General government	447,485		447,485
Public safety	722,552		722,552
Public works/transportation	452,327	152,366	604,693
Health and welfare	150,135		150,135
Culture and recreation	111,071		111,071
<b>Total expenditures</b>	<b>1,883,569</b>	<b>152,366</b>	<b>2,035,936</b>
Net change in fund balance	(314,746)	(61,259)	(376,005)
Fund balance, May 1, 2007	702,885	140,346	843,231
Fund balance, April 30, 2008	<u>\$ 388,139</u>	<u>\$ 79,087</u>	<u>\$ 467,226</u>

See accompanying notes.



**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**April 30, 2008**

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**ASSETS**

Current assets:		
Cash and cash equivalents	\$	1,323,381
Investments		1,107,437
Due from other funds		<u>130,910</u>
Total current assets		<u>2,561,728</u>
Non-current assets:		
Property and equipment:		
Sewer plant		4,571,560
Sewer equipment		1,189,883
Water equipment		<u>1,781,399</u>
		7,542,842
Less accumulated depreciation		<u>(5,914,110)</u>
Property and equipment, net		<u>1,628,732</u>
Total assets		<u>4,190,460</u>

**NET ASSETS**

Invested in capital assets, net of related debt	1,628,732
Unrestricted	<u>2,561,728</u>
Total net assets	<u>\$ 4,190,460</u>

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See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**For the year ended April 30, 2008**

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Operating revenues:	
Fees for services	\$ 1,290,729
Meter sales and tap-on fees	15,393
Other operating income	<u>488</u>
Total operating revenues	<u>1,306,610</u>
Operating expenses:	
Personal services	200,438
Payroll taxes and benefits	80,128
Utilities	299,718
Repairs and maintenance	207,971
Materials and supplies	52,272
Testing expenses	12,398
Waste removal	46,147
Chemicals	10,166
Professional services	16,308
Depreciation	109,308
Other operating expenses	<u>26,528</u>
Total operating expenses	<u>1,061,382</u>
Operating income	245,228
Nonoperating revenue:	
Interest income	<u>89,688</u>
Change in net assets	334,916
Net assets, May 1, 2007	<u>3,855,544</u>
Net assets, April 30, 2008	<u><u>\$ 4,190,460</u></u>

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See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**For the year ended April 30, 2008**

Cash flows from (used for) operating activities:	
Receipts from customers	\$ 1,306,122
Other receipts	488
Payments to employees	(200,438)
Payments to suppliers	<u>(751,636)</u>
Net cash from (used for) operating activities	<u>354,536</u>
Cash flows from (used for) noncapital and related financing activities:	
Loans to other funds	(130,910)
Repayment of loans from other funds	<u>(366)</u>
Net cash from (used for) noncapital and related financing activities	<u>(131,276)</u>
Cash flows from (used for) capital and related financing activities:	
Receipts on receivable for overpayments	10,175
Acquisition of capital assets	<u>(494,604)</u>
Net cash from (used for) capital and related financing activities	<u>(484,429)</u>
Cash flows from (used for) investing activities:	
Interest on investments	43,233
Purchase of investments	(701,581)
Proceeds from sale of investments	<u>710,460</u>
Net cash from (used for) investing activities	<u>52,112</u>
Net increase (decrease) in cash and cash equivalents	(209,057)
Cash and cash equivalents, beginning of the year	<u>1,532,438</u>
Cash and cash equivalents, end of the year	<u><u>\$ 1,323,381</u></u>
Reconciliation of operating income to net cash	
from (used for) operating activities:	
Operating income	\$ 245,228
Adjustments to reconcile operating income to net cash	
from (used for) operating activities:	
Depreciation expense	<u>109,308</u>
Net cash from (used for) operating activities	<u><u>\$ 354,536</u></u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Financial Reporting Entity**

The City of Momence (the City) is located in Kankakee County, Illinois, and was chartered in 1891. The City is governed by an elected mayor and eight-member council and provides a full range of services including public safety, public works, health and sanitation, planning, zoning and water and sewer. As required by generally accepted accounting principles, these financial statements present the City and any component units, entities for which the City is considered to be financially accountable. Blended components units, although legally separate entities are, in substance, part of the City's operations and so data from these units would be combined with data of the City. There are no component units of the City of Momence. For financial reporting purposes, the City includes all funds, accounts groups, agencies, boards, commissions and authorities that are controlled by or dependent on the City. Control by or dependence on the City (financial accountability) was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, operational independence and/or obligation of the City to finance any deficits that may occur, in accordance with Statement No. 14 of the Governmental Accounting Standards Board (GASB).

**B. Basis of Presentation**

As discussed further in Note 1, C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the business-type activities of the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply private-sector guidance issued after November 30, 1989.

The City has not presented the management's discussion and analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Government-wide Financial Statements** - The government-wide statement of net assets and statement of activities report the overall financial activities of the City on a modified cash basis. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City.

Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City has no fiduciary activities.

The statement of net assets presents the cash and investments of the governmental activities and the cash, investments and capital assets of the business-type activities of the City at year end. As discussed in Note 1, G, capital assets are not presented for the governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues normally include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - During the year, the City segregates transactions related to certain City functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The City reports the following major governmental funds:

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

**Motor Fuel Tax Fund** - This Fund accounts for the resources used for the state-approved street maintenance programs financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois. The City has elected to treat the Motor Fuel Tax Fund as major, although it has not met the criteria requiring such treatment for fiscal year 2008.

The City reports the following major proprietary fund:

**Water and Sewer Fund** - This fund accounts for the provision of water and sewer services to the residents and commercial users within the City.

**C. Basis of Accounting**

The City's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in this note. Accordingly, the City has elected to report investments, interfund transactions and capital assets as part of the modified cash basis of accounting.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements, unless they arise from cash transactions. If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the government-wide financial statements would use the accrual basis of accounting.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**CITY OF MOMENCE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**D. Budgets and Budgetary Accounting**

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

The City Clerk is required to submit to the City Council an annual estimate of expenses for the fiscal year/period commencing May 1, on or before May 15.

This estimate contributes to the development of an appropriation ordinance which must be passed during the first quarter of the fiscal year. A public hearing is conducted to obtain taxpayer comments. Responsibility for control of and amendments to the appropriation ordinance rests with the City Council. No supplemental appropriations were necessary during the year.

Appropriations for the General Fund are adopted on a basis consistent with the modified cash basis of accounting. The City Council does not make appropriations for the Motor Fuel Tax Fund.

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid assets (including restricted assets) with original maturities of three months or less to be cash equivalents.

**F. Investments**

Investments are stated at cost, which approximates market and are reported as assets.

**G. Capital Assets**

Capital assets, which include property, plant, and equipment for business-type activities are reported in the business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital and infrastructure assets are not recorded in the government-wide financial statements for governmental activities. Capital assets are defined by the City as assets with an initial, individual cost of more than its capitalization thresholds and an estimated useful life in excess of one year. Capitalization thresholds are established at \$10,000. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The City depreciates assets on a straight-line basis using the following estimated useful lives:

	<u>Years</u>
Equipment, furniture and fixtures	3 to 10
Sewers, wells, water mains, water towers, and treatment plant	30 to 50

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**H. Interfund Transactions**

During the normal course of operations the City has transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

Activity between funds that is referred to as “due to/from other funds” represents transactions when one fund incurs expenditures/expenses for the benefit of another fund and expects repayment from it. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**I. Net Assets**

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

**Invested in Capital Assets, Net of Related Debt** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City’s policy to use restricted resources first, then unrestricted resources when they are needed.

**Unrestricted** – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**J. Use of Estimates**

The modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures of the financial statements. Actual results could differ from those estimates.



**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2 – DEPOSITS AND INVESTMENTS:**

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements (meeting certain statutory requirements), certain rated instruments of commercial paper and the state treasurer's investment pool. The City has exposure to credit risk (the risk that an issuer or counterparty to an investment will not fulfill its obligations) and custodial credit risk (bank balances not covered by depository insurance). It is the City's policy to fully collateralize deposits and investments. All deposits at year-end were either insured or fully collateralized.

The City has not adopted a formal cash and investment policy that limits investments based on custodial, credit or interest rate risk. It minimizes those risks by limiting investments to the safest type of securities, obtaining additional collateral and limiting maturities to less than one year.

Investments consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Certificates of Deposit	\$ 328,965	\$ 750,274
U.S. Treasury Securities	<u>74,181</u>	<u>357,162</u>
	<u>\$ 403,146</u>	<u>\$ 1,107,436</u>

**NOTE 3 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES:**

	<u>Balances April 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances April 30, 2008</u>
Capital assets being depreciated:				
Sewer system and equipment	\$ 5,161,259	\$ 600,184		\$ 5,761,443
Water system and equipment	<u>1,781,399</u>	_____	_____	<u>1,781,399</u>
Total capital assets being depreciated	6,942,658	600,184	\$ -0-	7,542,842
Less: Accumulated depreciation	<u>(5,804,802)</u>	<u>(109,308)</u>	_____	<u>(5,914,110)</u>
Total capital assets, net	\$ <u>1,137,856</u>	\$ <u>490,876</u>	\$ -0-	\$ <u>1,628,732</u>

**NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT FUND:**

The City participates in an agent-multiple-employer public retirement system for eligible employees. Disclosures with respect to this plan are made in accordance with Governmental Accounting Standards Board Statements No.27. Information with respect to this plan follows.

**CITY OF MOMENCE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 – ILLINOIS MUNICIPAL RETIREMENT FUND (Continued):**

The City's defined benefit pension plan, Illinois Municipal Retirement (IMRF) an agent-multiple public employee retirement system, provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubshomepage.htm](http://www.imrf.org/pubs/pubshomepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 8.25 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2007 was 25 years.

For December 31, 2007, the City of Momence's annual pension cost of \$60,902 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4 percent per year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 experience study.

Trend information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2007	\$60,902	100%	\$-0-
December 31, 2006	59,393	100%	-0-
December 31, 2005	58,322	100%	-0-
December 31, 2004	56,223	100%	-0-
December 31, 2003	23,934	100%	-0-
December 31, 2002	15,968	100%	-0-
December 31, 2001	42,713	100%	-0-
December 31, 2000	38,980	100%	-0-
December 31, 1999	46,267	100%	-0-
December 31, 1998	48,638	100%	-0-

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 – RESERVED EQUITY:**

**A. General Fund**

Revenues and expenditures from certain tax levies are recorded in the General Fund. At April 30, 2008, the City has reserved the cumulative excess of revenues over expenditures allocable to these levies. Accordingly, fund balance is reserved for the following amounts:

Municipal Band	\$ 6,794
Liability insurance	<u>4,218</u>
Total	<u>\$11,012</u>

**B. Motor Fuel Tax Fund**

The City has reserved the unexpended amounts allotted for the street maintenance program totaling \$79,087.

**NOTE 6 – PROPERTY TAXES:**

Property taxes are levied each year on all taxable real property located in the City with a January 1 lien date. The certification of tax levy is filed annually, on or before the last Tuesday in December based on the assessed valuation as of January 1 of the same year. Taxes are due in two equal installments, one in June and the other in September with distributions to the City coming shortly thereafter and continuing through January of the ensuing year. Accordingly, the City recognized property tax revenue during the year ended April 30, 2008, for collections received from the calendar year 2006 levy. Property taxes levied for calendar year 2006, were intended to finance the fiscal year 2008 expenditures. The property taxes levied for the calendar year 2007 which will be collected in fiscal year 2009 are not recorded in these financial statements.

**NOTE 7 – RISK MANAGEMENT:**

The City, through membership in the Illinois Municipal League Risk Management Association, insures all major areas of risk. This insurance program combines elements of self-insurance (at the Association level) with pure insurance. Member contributions are based on the loss experience of the City and that of the Association as a whole.

The City's cost is based on rates determined by the Trustees of the Fund. Members of the Fund may also be subject to additional contributions not to exceed 10 percent of such member's contribution for the most recent fiscal year of the Fund if additional reserves are deemed necessary by the Fund's trustees. No additional assessments were due for the Fund fiscal year ended April 2007. Assessments, if any, for the Fund fiscal year ended April 2008 are not determinable.

**CITY OF MOMENCE, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 – RISK MANAGEMENT (Continued):**

Under Section 1405 of the Illinois Unemployment Insurance Act, the City of Momence has elected, in lieu of paying contributions to Illinois Unemployment Insurance, to reimburse the State for the actual amount of regular benefits and 50% of the extended benefits paid to the City's former workers if the City was both the last employer and base period employer of a worker and to reimburse 50% of these amounts if the City was the last employer but not a base period employer of a worker. The amount that the City will have to pay cannot be readily predicted because the City must reimburse for the actual benefits paid to its former workers. The amount of such reimbursement will depend upon the number of workers who become unemployed, the duration of their unemployment, the number of such workers who file claims for benefits and the amount of total benefits paid to them.

**NOTE 8 – MAJOR CUSTOMERS:**

The City provides water and sewer services to Momence Packing, a commercial entity located in Momence. In addition to charges for water and sewer, the City is reimbursed for expenses directly related to pretreatment. Activity for the year ended April 30, 2008 is as follows:

	<u>Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Expenses</u>
Billed for the period May 1, 2007 through April 30, 2008	<u>65,735,000</u>	<u>\$71,995</u>	<u>\$166,310</u>	<u>\$193,850</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MOMENCE, ILLINOIS**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**For the year ended April 30, 2008**

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>			
General property taxes	\$ 280,000	\$ 301,991	\$ 21,991
State replacement taxes	36,000	40,963	4,963
State income taxes	265,000	272,888	7,888
State sales taxes	462,000	404,530	(57,470)
Grant revenue	36,000		(36,000)
Garbage fees	145,000	156,871	11,871
Licenses and permits	12,600	16,845	4,245
Building and electrical permits	25,500	30,592	5,092
Fines	70,700	127,885	57,185
Franchise agreements	12,000	23,390	11,390
Cable and amusement fees	15,000	20,006	5,006
Refunds and reimbursements		9,359	9,359
Interest income	25,000	35,692	10,692
Miscellaneous	35,500	127,811	92,311
<b>Total revenues</b>	<u>1,420,300</u>	<u>1,568,823</u>	<u>148,523</u>
<b>Expenditures:</b>			
General government	718,900	447,485	(271,415)
Public safety	846,012	722,552	(123,460)
Public works/transportation	505,500	452,327	(53,173)
Health and welfare	172,000	150,135	(21,865)
Culture and recreation	144,000	111,071	(32,930)
<b>Total expenditures</b>	<u>2,386,412</u>	<u>1,883,569</u>	<u>(502,843)</u>
<b>Net change in fund balance</b>	<u>\$ (966,112)</u>	(314,746)	<u>\$ 651,366</u>
Fund balance, May 1, 2007		<u>702,885</u>	
Fund balance, April 30, 2008		<u>\$ 388,139</u>	

**CITY OF MOMENCE, ILLINOIS**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**APRIL 30, 2008**

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**NOTE 1 - BUDGETARY ACCOUNTING:**

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

The City Clerk is required to submit to the City Council an annual estimate of expense for the fiscal year/period commencing May 1, on or before May 15. This estimate contributes to the development of an appropriation ordinance which must be passed during the first quarter of the fiscal year. A public hearing is conducted to obtain taxpayer comments. Responsibility for control of and amendments to the appropriation ordinance rests with the City Council. No supplemental appropriations were necessary during the year.

Appropriations for the General Fund are adopted on a basis consistent with the modified cash basis of accounting. The City Council does not make appropriations for the Motor Fuel Tax Fund.

**CITY OF MOMENCE, ILLINOIS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF FUNDING PROGRESS**  
**April 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2007	\$2,060,420 *	\$1,889,234	\$(171,186)	109.06% *	\$738,203	(23.19%)
December 31, 2006	1,926,613	1,868,922	(57,691)	103.09%	726,080	(7.95%)
December 31, 2005	1,710,944	1,679,872	(31,072)	101.85%	664,257	(4.68%)
December 31, 2004	1,762,836	1,709,233	(53,613)	103.14%	684,811	(7.83%)
December 31, 2003	1,627,926	1,646,487	18,561	98.87%	633,173	2.93%
December 31, 2002	1,529,479	1,457,762	(71,717)	104.92%	628,661	(11.41%)
December 31, 2001	1,526,016	1,270,399	(255,617)	120.12%	534,587	(47.82%)
December 31, 2000	1,384,408	1,127,750	(256,658)	122.76%	504,928	(50.83%)
December 31, 1999	1,194,419	1,147,671	(46,748)	104.07%	573,331	(8.15%)
December 31, 1998	1,049,021	1,008,289	(40,732)	104.04%	557,773	(7.30%)

\* On a market value basis, the actuarial value of assets as of December 31, 2007 is \$2,181,155. On a market basis, the funded ratio would be 115.45%.



**SUPPLEMENTAL SCHEDULES**

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the year ended April 30, 2008**  
**(With comparative amounts for the year ended April 30, 2007)**

	Original and Final Budget	2008 Actual	2007 Actual
<b>Revenues:</b>			
General property taxes	\$ 280,000	\$ 301,991	\$ 276,067
State replacement taxes	36,000	40,963	35,916
State income taxes	265,000	272,888	264,243
State sales taxes	462,000	404,530	456,483
Grant revenue	36,000		15,000
Charges for services	145,000	156,871	141,325
Licenses and permits	12,600	16,845	11,925
Building and electrical permits	25,500	30,592	19,558
Fines	70,700	127,885	127,486
Franchise agreements	12,000	23,390	11,467
Cable and amusement fees	15,000	20,006	14,493
Refunds and reimbursements		9,359	117,616
Donations			1,000
Interest income	25,000	35,692	24,255
Miscellaneous	35,500	127,811	44,616
<b>Total revenues</b>	<b>1,420,300</b>	<b>1,568,823</b>	<b>1,561,450</b>
<b>Expenditures:</b>			
<b>General government:</b>			
Mayor's department	24,650	16,270	13,469
City clerk department	68,750	50,415	51,488
City treasurer department	31,000	25,559	16,244
Public property department	95,000	99,171	37,450
Zoning and planning commission	45,500	25,333	28,568
Insurance department	133,000	114,709	97,125
Legal department	100,500	42,083	64,090
Local improvement department	217,000	70,873	48,986
Liquor commission	3,500	1,615	1,690
City hall		1,456	2,660
<b>Total general government</b>	<b>718,900</b>	<b>447,484</b>	<b>361,770</b>
<b>Public safety:</b>			
Street lighting	57,000	41,759	28,239
Police department	789,012	680,793	654,942
<b>Total public safety</b>	<b>846,012</b>	<b>722,552</b>	<b>683,181</b>

(Continued)

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - MODIFIED CASH BASIS**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**(Continued)**  
**For the year ended April 30, 2008**  
**(With comparative amounts for the year ended April 30, 2007)**

	Original and Final Budget	2008 Actual	2007 Actual
Public works:			
Engineering department	\$ 47,000	\$ 8,231	\$ 9,876
Street and alley department	458,500	444,096	386,382
Total public works	<u>505,500</u>	<u>452,327</u>	<u>396,258</u>
Health and welfare:			
Waste removal	155,000	146,853	138,511
Sewer and water department	17,000	3,282	7,700
Total health and welfare department	<u>172,000</u>	<u>150,135</u>	<u>146,211</u>
Culture and recreation:			
Community center	144,000	111,071	15,303
Total expenditures	<u>2,386,412</u>	<u>1,883,569</u>	<u>1,602,723</u>
Net change in fund balance	<u>\$ (966,112)</u>	<u>\$ (314,746)</u>	<u>\$ (41,273)</u>

**CITY OF MOMENCE, ILLINOIS**  
**DEPARTMENTAL SCHEDULE OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS**  
**WATER AND SEWER FUND**  
**For the year ended April 30, 2008**

	Water	Sewer	Total
Operating revenues:			
Fees for services	\$ 437,360	\$ 853,369	\$ 1,290,729
Meter sales and tap-on fees	8,493	6,900	15,393
Other operating income	488		488
Total operating revenues	<u>446,341</u>	<u>860,269</u>	<u>1,306,610</u>
Operating expenses:			
Personal services	68,871	131,567	200,438
Payroll taxes and benefits	36,685	43,443	80,128
Utilities	39,401	260,317	299,718
Repairs and maintenance	90,675	117,296	207,971
Materials and supplies	22,539	29,733	52,272
Testing expenses	7,389	5,009	12,398
Waste removal		46,147	46,147
Chemicals		10,166	10,166
Professional services	9,060	7,248	16,308
Depreciation	61,084	48,224	109,308
Other operating expenses	4,426	22,102	26,528
Total operating expenses	<u>340,130</u>	<u>721,252</u>	<u>1,061,382</u>
Operating income	<u>\$ 106,211</u>	<u>\$ 139,017</u>	245,228
Nonoperating revenue:			
Interest income			<u>89,688</u>
Change in net assets			334,916
Net assets, May 1, 2007			<u>3,855,544</u>
Net assets, April 30, 2008			<u>\$ 4,190,460</u>

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF OPERATING EXPENSES - MODIFIED CASH BASIS**  
**SEWER DEPARTMENT**  
**For the year ended April 30, 2008**

	<u>Pre-treatment</u>	<u>Final Treatment</u>	<u>Total</u>
Personal services		\$ 131,567	\$ 131,567
Social security taxes		9,650	9,650
IMRF expense		10,582	10,582
Health insurance		23,211	23,211
Telephone	\$ 2,705	5,086	7,791
Electricity	35,778	102,582	138,360
Heating	114,166		114,166
Repairs and maintenance	17,891	99,405	117,296
Gas, fuel, & oil		10,525	10,525
Supplies	8,245	10,963	19,208
Testing expenses		5,009	5,009
Waste removal		46,147	46,147
Chemicals	2,364	7,802	10,166
Professional services		7,248	7,248
Depreciation		48,224	48,224
Other operating expenses	371	21,731	22,102
Total operating expenses	<u>\$ 181,520</u>	<u>\$ 539,732</u>	<u>\$ 721,252</u>

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF ASSESSED VALUATIONS, RATES,**  
**EXTENSIONS AND COLLECTIONS**  
**For the tax levy years 2003 through 2007**

	2007	2006	2005	2004	2003
Assessed valuations	<u>\$ 52,164,829</u>	<u>\$48,775,566</u>	<u>\$ 42,828,234</u>	<u>\$ 40,129,261</u>	<u>\$ 38,802,712</u>
Tax rates (percents):					
General corporate	0.245	0.251	0.246	0.250	0.245
Police protection	0.076	0.078	0.074	0.075	0.073
Liability insurance	0.089	0.091	0.106	0.090	0.088
Illinois municipal retirement				0.038	0.055
Workmen's compensation	0.078	0.081	0.093	0.075	0.065
Total tax rates	<u>0.488</u>	<u>0.501</u>	<u>0.519</u>	<u>0.528</u>	<u>0.526</u>
Tax extensions:					
General corporate	\$ 127,804	\$ 122,429	\$ 105,357	\$ 100,323	\$ 95,067
Police protection	39,645	38,046	31,693	30,097	28,326
Liability insurance	46,427	44,387	45,398	36,116	34,146
Illinois municipal retirement				15,249	21,341
Workmen's compensation	40,689	39,509	39,830	30,097	25,222
Total tax extensions	<u>\$ 254,565</u>	<u>\$ 244,371</u>	<u>\$ 222,278</u>	<u>\$ 211,882</u>	<u>\$ 204,102</u>
Tax collections:					
General Fund		\$ 243,877	\$ 221,941	\$ 212,266	\$ 201,792
Road & Bridge Twp Levy		58,114	53,525	50,803	52,993
Total tax collections		<u>\$ 301,991</u>	<u>\$ 275,466</u>	<u>\$ 263,069</u>	<u>\$ 254,785</u>
Percentage of General Fund extensions collected		<u>99.80%</u>	<u>99.85%</u>	<u>100.18%</u>	<u>98.87%</u>

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF LEGAL DEBT MARGIN**  
**April 30, 2008**

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Assessed valuation -2007 levy year, net of abatements	<u>\$52,164,829</u>
Statutory debt limit - 8.625% of assessed valuation	\$ 4,499,217
Total debt	<u>-0-</u>
Legal debt margin	<u>\$ 4,499,217</u>