

CITY OF MOMENCE, ILLINOIS

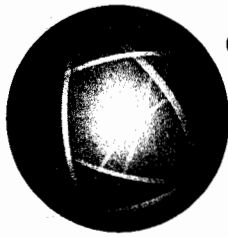
Audited Financial Statements

April 30, 2010

CITY OF MOMENCE, ILLINOIS
REPORT ON AUDITED FINANCIAL STATEMENTS
For the year ended April 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Balance Sheet – Modified Cash Basis – Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis – Governmental Funds	6
Statement of Fund Net Assets – Modified Cash Basis – Proprietary Fund – Water and Sewer Fund	7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund – Water and Sewer Fund	8
Statements of Cash Flows – Modified Cash Basis – Proprietary Fund – Water and Sewer Fund	9
Notes to Financial Statements	10-19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	20
Note to Budgetary Comparison Schedule	21
Illinois Municipal Retirement Fund – Schedule of Funding Progress	22
SUPPLEMENTAL SCHEDULES	
Schedule of Revenues and Expenditures – Modified Cash Basis – Budget and Actual – General Fund	23-24
Departmental Schedule of Revenues, Expenses and Change in Fund Net Assets – Modified Cash Basis – Water and Sewer Fund	25
Schedule of Operating Expenses – Modified Cash Basis – Sewer Department	26
Schedule of Assessed Valuations, Rates, Extensions and Collections	27
Schedule of Legal Debt Margin	28



**GROSCHREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE**

PARTNERS

Larry D. Groskreutz, C.P.A.
M. J. Abraham, C.P.A.
Amy Eshleman, C.P.A.
Dale L. Gerretse, C.P.A.

www.cpa-kankakee.com

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Momence, 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. 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, 2010, or the changes in financial position thereof for the year then ended.

Cullom

216 Hack Street • Cullom, Illinois 60929

Phone: (815)-689-2174 • Fax: (815) 689-2180

Kankakee

1949 West Court Street • Kankakee, Illinois 60901

Phone: (815) 933-7781 • Fax: (815) 933-2316

Naples

4085 Tamiami Trail North, Suite B103 • Naples, Florida 34103

Phone: (239) 593-8162 • Fax: (239) 331-7440

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 Mokenca, Illinois, as of April 30, 2010, 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.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretse

January 21, 2011

BASIC FINANCIAL STATEMENTS

CITY OF MOMENCE, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
April 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 239,065	\$ 1,725,832	\$ 1,964,897
Investments	52,069	804,641	856,710
Internal balances	(259,125)	259,125	-0-
Capital assets:			
Non-depreciable		27,500	27,500
Depreciable (net of accumulated depreciation)		1,726,757	1,726,757
	<u>32,009</u>	<u>4,543,855</u>	<u>4,575,864</u>
<u>Liabilities</u>			
Payroll withholdings payable	<u>19,072</u>		<u>19,072</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt		1,754,257	1,754,257
Restricted for:			
Street maintenance programs	72,152		72,152
Other purposes	37,384		37,384
Unrestricted	(96,599)	2,789,598	2,692,999
	<u>\$ 12,937</u>	<u>\$ 4,543,855</u>	<u>\$ 4,556,792</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the year ended April 30, 2010

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 258,624	\$ 143,084			\$ (115,540)		\$ (115,540)
Public safety	746,189	72,561		\$ 25,000	(648,628)		(648,628)
Public works/transportation	481,521		\$ 24,643		(456,878)		(456,878)
Health and welfare	164,104	163,841			(263)		(263)
Culture and recreation	15,885	8,780		45,000	37,895		37,895
Total governmental activities	1,666,323	388,266	24,643	70,000	(1,183,414)		(1,183,414)
<u>Business-Type Activities:</u>							
Water and sewer	1,036,549	1,117,644		21,700		\$ 102,795	102,795
Total	<u>\$ 2,702,872</u>	<u>\$ 1,505,910</u>	<u>\$ 24,643</u>	<u>\$ 91,700</u>	(1,183,414)	102,795	(1,080,619)
<u>General Revenues:</u>							
Taxes							
Property taxes					328,703		328,703
Income taxes					204,899		204,899
Sales and use taxes					324,972		324,972
Other taxes					135,045		135,045
Interest					5,535	31,976	37,511
Miscellaneous					30,452		30,452
Total general revenues					1,029,606	31,976	1,061,582
Changes in net assets					(153,808)	134,771	(19,037)
Net assets, May 1, 2009					166,745	4,409,084	4,575,829
Net assets, April 30, 2010					<u>\$ 12,937</u>	<u>\$ 4,543,855</u>	<u>\$ 4,556,792</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
April 30, 2010

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 166,913	\$ 72,152	\$ 239,065
Investments	52,069		52,069
Total assets	<u>\$ 218,982</u>	<u>\$ 72,152</u>	<u>\$ 291,134</u>
LIABILITIES			
Payroll withholdings payable	\$ 19,072		\$ 19,072
Due to other funds	259,125		259,125
Total liabilities	<u>278,197</u>	<u>\$ -0-</u>	<u>278,197</u>
FUND BALANCES			
Reserved for special levies	37,384		37,384
Unreserved, reported in:			
General Fund	(96,599)		(96,599)
Special Revenue Fund		72,152	72,152
Total fund balance (deficit)	<u>(59,215)</u>	<u>72,152</u>	<u>12,937</u>
Total liabilities and fund balances	<u>\$ 218,982</u>	<u>\$ 72,152</u>	<u>\$ 291,134</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, 2009

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 328,703		\$ 328,703
Replacement taxes	33,199		33,199
State income taxes	204,899		204,899
Sales and use taxes	324,972		324,972
Grant revenue	70,000		70,000
Motor fuel taxes		\$ 79,480	79,480
Garbage fees	163,841		163,841
Licenses and fees	157,786		157,786
Fines and forfeitures	79,949		79,949
Refunds and reimbursements	275		275
Interest income	5,356	179	5,535
Miscellaneous	63,876		63,876
Total revenues	<u>1,432,856</u>	<u>79,659</u>	<u>1,512,515</u>
Expenditures:			
General government	258,624		258,624
Public safety	746,189		746,189
Public works/transportation	408,043	73,478	481,521
Health and welfare	164,104		164,104
Culture and recreation	15,885		15,885
Total expenditures	<u>1,592,845</u>	<u>73,478</u>	<u>1,666,323</u>
Net change in fund balance	(159,989)	6,181	(153,808)
Fund balance, May 1, 2009	100,774	65,971	166,745
Fund balance (deficit), April 30, 2010	<u>\$ (59,215)</u>	<u>\$ 72,152</u>	<u>\$ 12,937</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
WATER AND SEWER FUND
April 30, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,725,832
Investments	738,165
Due from other funds	<u>259,125</u>
Total current assets	<u>2,723,122</u>
Non-current assets:	
Investments	<u>66,476</u>
Property and equipment:	
Sewer plant	4,571,560
Sewer equipment	1,506,574
Water equipment	<u>1,833,668</u>
	7,911,802
Less accumulated depreciation	<u>(6,157,545)</u>
Property and equipment, net	<u>1,754,257</u>
Total assets	<u>4,543,855</u>

NET ASSETS

Invested in capital assets, net of related debt	1,754,257
Unrestricted	<u>2,789,598</u>
Total net assets	<u>\$ 4,543,855</u>

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, 2010

Operating revenues:	
Fees for services	\$ 1,103,649
Meter sales and tap-on fees	12,611
Other operating income	<u>1,384</u>
Total operating revenues	<u>1,117,644</u>
Operating expenses:	
Personal services	249,453
Payroll taxes and benefits	77,339
Utilities	234,420
Insurance	13,127
Repairs and maintenance	201,180
Materials and supplies	44,196
Testing expenses	13,626
Waste removal	42,878
Chemicals	8,685
Professional services	5,704
Depreciation	122,557
Other operating expenses	<u>23,384</u>
Total operating expenses	<u>1,036,549</u>
Operating income	<u>81,095</u>
Nonoperating revenues:	
Interest income	31,976
Capital grants	<u>21,700</u>
Total nonoperating revenues and grants	<u>53,676</u>
Change in net assets	134,771
Net assets, May 1, 2009	<u>4,409,084</u>
Net assets, April 30, 2010	<u><u>\$ 4,543,855</u></u>

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, 2010

Cash flows from (used for) operating activities:	
Receipts from customers	\$ 1,116,260
Other receipts	1,384
Payments to employees	(249,453)
Payments to suppliers	<u>(664,539)</u>
Net cash from (used for) operating activities	<u>203,652</u>
Cash flows from (used for) noncapital and related financing activities:	
Loans to other funds	<u>(32,984)</u>
Cash flows from (used for) capital and related financing activities:	
Capital grants	21,700
Acquisition of capital assets	(180,772)
Addition to construction in progress	<u>(27,500)</u>
Net cash from (used for) financing activities	<u>(186,572)</u>
Cash flows from (used for) investing activities:	
Interest on investments	31,976
Purchase of investments	(748,190)
Proceeds from sale of investments	<u>954,612</u>
Net cash from (used for) investing activities	<u>238,398</u>
Net increase in cash and cash equivalents	222,494
Cash and cash equivalents, May 1, 2009	<u>1,503,338</u>
Cash and cash equivalents, April 30, 2010	<u>\$ 1,725,832</u>
Reconciliation of operating income to net cash from (used for) operating activities:	
Operating income	\$ 81,095
Adjustments to reconcile operating income to net cash from (used for) operating activities:	
Depreciation expense	<u>122,557</u>
Net cash from (used for) operating activities	<u>\$ 203,652</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

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
April 30, 2010

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
April 30, 2010

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 2010.

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
April 30, 2010

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
April 30, 2010

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
April 30, 2010

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. At April 30, 2010, the carrying amount of the City's deposits for governmental and business-type activities was \$2,821,407 and the bank balance was \$2,885,574 of which \$31,554 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

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	<u>\$52,069</u>	<u>\$804,641</u>

NOTE 3 - CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES:

	<u>Balances April 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances April 30, 2010</u>
Capital assets not being depreciated:				
Construction in progress	\$ <u>110,378</u>	\$ <u>27,500</u>	\$ <u>110,378</u>	\$ <u>27,500</u>
Capital assets being depreciated:				
Sewer system and equipment	5,811,753	266,381		6,078,134
Water system and equipment	<u>1,781,399</u>	<u>24,769</u>	—	<u>1,806,168</u>
Total capital assets being depreciated	7,593,152	291,150	-0-	7,884,302
Less: Accumulated depreciation	<u>(6,034,988)</u>	<u>(122,557)</u>	—	<u>(6,157,545)</u>
Total capital assets being depreciated, net	<u>1,558,164</u>	<u>168,593</u>	-0-	<u>1,726,757</u>
Total capital assets, net	\$ <u>1,668,542</u>	\$ <u>196,093</u>	\$ <u>110,378</u>	\$ <u>1,754,257</u>

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT FUND:

Plan Description

The City's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan, provides retirement and disability benefits, post retirement increases, and death benefits to qualified plan members and beneficiaries. 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, the plan members are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 3.28 percent of annual covered payroll. The City 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

For 2009, the City's annual pension cost of \$25,075 was equal to the City's required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year</u> <u>Ending December</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2009	\$25,075	100%	\$-0-
2008	59,190	100%	-0-
2007	60,902	100%	-0-

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, 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 the City's 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 15% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007 valuation was 23 years.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued):

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the City's IMRF plan was 83.88 percent funded. The actuarial accrued liability for benefits was \$1,747,138 and the actuarial value of assets was \$1,465,544, resulting in an underfunded actuarial accrued liability (UAAL) of \$281,594. The covered payroll (annual payroll of active employees covered by the plan) was \$764,472 and the ratio of the UAAL to the covered payroll was 37 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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

NOTE 5 - RESERVED EQUITY:

General Fund

Revenues and expenditures from certain tax levies are recorded in the General Fund. At April 30, 2010, the City has reserved the cumulative excess of revenues over expenditures allocable to these levies. Accordingly, fund balance is reserved for the following amount:

Liability Insurance	\$30,590
Municipal Band	<u>6,794</u>
	<u>\$37,384</u>

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, 2010, for collections received from the calendar year 2008 levy. Property taxes levied for calendar year 2008, were intended to finance the fiscal year 2010 expenditures. The property taxes levied for the calendar year 2009 which will be collected in fiscal year 2011 are not recorded in these financial statements.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 7 - RISK MANAGEMENT:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City, through Illinois Counties Risk Management Trust, insures all major areas of risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when a loss has occurred based on the City's modified cash accounting basis.

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, 2010 is as follows:

	<u>Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Expenses</u>
Billed for the period May 1, 2009 through April 30, 2010	<u>62,283,000</u>	<u>\$68,314</u>	<u>\$157,576</u>	<u>\$119,981</u>

NOTE 9 - FEDERAL GRANT:

The City has entered into a \$300,00 grant agreement with the Illinois Department of Commerce and Economic Opportunity (DCEO). The grant is federally funded by the Department of Housing and Urban Development and is to be used to replace water mains to supply water requirements for a factory that is planning an expansion in the City. The grant requires a \$100,000 match by the City and is expected to be completed by September 30, 2011. As of April 30, 2010 the City has received \$21,700 from the grant for engineering costs incurred. No contracts have been let for the project at April 30, 2010. Expenses financed by this grant are subject to audit by DCEO. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse DCEO.

NOTE 10 - DEFICIT FUND BALANCE:

Based on the City's modified cash basis of accounting, at April 30, 2010, the City's General Fund had a deficit fund balance of \$59,215. This deficit is not in violation of any state laws or contracts.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE 11 – CONTINGENCIES:

The City is a defendant in a lawsuit, filed by the owner of a commercial building alleging trespass against the City, which seeks damages totaling \$1,550,000. Defendant asserted damage claims due to the City taking emergency partial demolition measures to prevent further potential collapse of the building and to protect tenants and general public. As of January 17, 2011, this lawsuit and any associated claims were settled with the Defendant with a cost to the City of \$170,000. Based on the City's modified cash basis of accounting, this contingency will be recognized when the settlement is paid. Therefore, the resolution of this lawsuit has not been reflected in the accompanying financial statements.

The City is exposed to various other claims and lawsuits in the normal course of business. Management cannot reasonably predict the outcome of these claims and lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from other matters, if any, would be covered under the City's liability insurance policy and would not have a material effect on the financial position of the City.

NOTE 12 – SUBSEQUENT EVENT:

On November 2, 2010, City issued \$450,000 of General Obligation Bonds (Alternate Revenue Source), Series 2010, which mature serially December 1, 2011 through 2030 at various interest rates (interest rate varies from 4.0% to 7.5%). The Series 2010 bonds will be used to finance various public capital infrastructure improvements including street, lighting, parking lot and sidewalk.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOMENCE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the year ended April 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
General property taxes	\$ 320,000	\$ 328,703	\$ 8,703
State replacement taxes	35,000	33,199	(1,801)
State income taxes	270,000	204,899	(65,101)
State sales and use taxes	400,000	324,972	(75,028)
Grant revenue	30,000	70,000	40,000
Garbage fees	160,000	163,841	3,841
Licenses and fees	17,200	32,407	15,207
Building and electrical permits	25,000	84,283	59,283
Fines	74,700	79,949	5,249
Franchise agreements	22,500	22,365	(135)
Cable and amusement fees	15,000	18,731	3,731
Refunds and reimbursements	2,000	275	(1,725)
Interest income	12,000	5,356	(6,644)
Miscellaneous	32,000	63,876	31,876
Total revenues	<u>1,415,400</u>	<u>1,432,856</u>	<u>17,456</u>
Expenditures:			
General government	547,150	258,624	(288,526)
Public safety	937,191	746,189	(191,002)
Public works/transportation	689,500	408,043	(281,457)
Health and welfare	182,000	164,104	(17,896)
Culture and recreation	79,000	15,885	(63,115)
Total expenditures	<u>2,434,841</u>	<u>1,592,845</u>	<u>(841,996)</u>
Net change in fund balance	<u>\$ (1,019,441)</u>	(159,989)	<u>\$ 859,452</u>
Fund balance, May 1, 2009		<u>100,774</u>	
Fund balance (deficit), April 30, 2010		<u>\$ (59,215)</u>	

CITY OF MOMENCE, ILLINOIS
NOTE TO BUDGETARY COMPARISON SCHEDULE
April 30, 2010

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, 2010**

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, 2009	\$1,465,544 *	\$1,747,138	\$281,594	83.88% *	\$764,472	36.84%
December 31, 2008	1,652,723	1,822,082	169,359	90.71%	748,299	22.63%
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	(53,603)	103.14%	684,811	(7.83%)
December 31, 2003	1,627,926	1,646,437	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%)

* On a market value basis, the actuarial value of assets as of December 31, 2009 is \$1,413,401. On a market basis, the funded ratio would be 80.90%.

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, 2010
(With comparative amounts for the year ended April 30, 2009)

	Original and Final Budget	2010 Actual	2009 Actual
Revenues:			
General property taxes	\$ 320,000	\$ 328,703	\$ 314,017
State replacement taxes	35,000	33,199	37,507
State income taxes	270,000	204,899	294,149
State sales and use taxes	400,000	324,972	386,700
Grant revenue	30,000	70,000	
Garbage fees	160,000	163,841	158,670
Licenses and fees	17,200	32,407	860
Building and electrical permits	25,000	84,283	19,366
Fines	74,700	79,949	126,579
Franchise agreements	22,500	22,365	22,479
Cable and amusement fees	15,000	18,731	10,219
Refunds and reimbursements	2,000	275	2,700
Interest income	12,000	5,356	14,366
Miscellaneous	32,000	63,876	24,249
Total revenues	1,415,400	1,432,856	1,411,861
Expenditures:			
General government:			
Mayor's department	30,150	20,996	15,283
City clerk department	15,550	10,758	45,077
City treasurer department	31,250	21,966	18,005
Public property department	42,700	27,251	32,896
Zoning and planning commission	34,600	47,170	20,188
Insurance department	149,500	20,044	135,937
Legal department	91,000	38,254	23,564
Local improvement department	104,000	58,486	46,359
Liquor commission	2,400	1,615	1,615
City hall	46,000	12,084	9,698
Total general government	547,150	258,624	348,622
Public safety:			
Street lighting	56,000	46,643	45,100
Police department	881,191	699,546	695,849
Total public safety	937,191	746,189	740,949

(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, 2010
(With comparative amounts for the year ended April 30, 2009)

	Original and Final Budget	2010 Actual	2009 Actual
Public works:			
Engineering department	\$ 22,000	\$ 300	
Street and alley department	667,500	407,743	\$ 435,018
Total public works	689,500	408,043	435,018
Health and welfare:			
Waste removal	170,000	161,111	158,553
Sewer and water department	12,000	2,993	3,777
Total health and welfare department	182,000	164,104	162,330
Culture and recreation:			
Community center	79,000	15,885	12,307
Total expenditures	2,434,841	1,592,845	1,699,226
Net change in fund balance	<u>\$(1,019,441)</u>	<u>\$ (159,989)</u>	<u>\$ (287,365)</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, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues:			
Fees for services	\$ 395,037	\$ 708,612	\$ 1,103,649
Meter sales and tap-on fees	4,061	8,550	12,611
Other operating income	1,084	300	1,384
Total operating revenues	<u>400,182</u>	<u>717,462</u>	<u>1,117,644</u>
Operating expenses:			
Personal services	111,524	137,929	249,453
Payroll taxes and benefits	36,058	41,281	77,339
Utilities	31,697	202,723	234,420
Insurance	5,539	7,588	13,127
Repairs and maintenance	56,475	144,705	201,180
Materials and supplies	29,028	15,168	44,196
Testing expenses	7,147	6,479	13,626
Waste removal		42,878	42,878
Chemicals		8,685	8,685
Professional services	3,030	2,674	5,704
Depreciation	48,172	74,385	122,557
Other operating expenses	2,604	20,780	23,384
Total operating expenses	<u>331,274</u>	<u>705,275</u>	<u>1,036,549</u>
Operating income	<u>\$ 68,908</u>	<u>\$ 12,187</u>	<u>81,095</u>
Nonoperating revenues:			
Interest income			31,976
Capital grants			21,700
Total nonoperating revenues and grants			<u>53,676</u>
Change in net assets			134,771
Net assets, May 1, 2009			<u>4,409,084</u>
Net assets, April 30, 2010			<u>\$ 4,543,855</u>

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF OPERATING EXPENSES - MODIFIED CASH BASIS
SEWER DEPARTMENT
For the year ended April 30, 2010

	<u>Pre-treatment</u>	<u>Final Treatment</u>	<u>Total</u>
Personal services		\$ 137,929	\$ 137,929
Social security taxes		10,243	10,243
IMRF expense		7,717	7,717
Health insurance		23,321	23,321
Insurance		7,588	7,588
Telephone	\$ 1,351	7,398	8,749
Electricity	56,258	133,337	189,595
Heating	4,379		4,379
Repairs and maintenance	78,447	66,258	144,705
Gas, fuel, & oil		4,464	4,464
Supplies	1,243	9,461	10,704
Testing expenses		6,479	6,479
Waste removal		42,878	42,878
Chemicals	226	8,459	8,685
Professional services		2,674	2,674
Depreciation		74,385	74,385
Other operating expenses	100	20,680	20,780
	<u>100</u>	<u>20,680</u>	<u>20,780</u>
Total operating expenses	<u>\$ 142,004</u>	<u>\$ 563,271</u>	<u>\$ 705,275</u>

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, RATES,
EXTENSIONS AND COLLECTIONS
For the tax levy years 2005 through 2009

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assessed valuations	<u>\$ 53,905,897</u>	<u>\$ 54,202,589</u>	<u>\$ 52,164,829</u>	<u>\$ 48,776,566</u>	<u>\$ 42,828,234</u>
Tax rates (percents):					
General corporate	0.249	0.248	0.245	0.251	0.246
Police protection	0.078	0.076	0.076	0.078	0.074
Liability insurance	0.091	0.090	0.089	0.091	0.106
Workmen's compensation	0.080	0.079	0.078	0.081	0.093
Total tax rates	<u>0.498</u>	<u>0.493</u>	<u>0.488</u>	<u>0.501</u>	<u>0.519</u>
Tax extensions:					
General corporate	\$ 134,226	\$ 134,423	\$ 127,804	\$ 122,429	\$ 105,357
Police protection	42,046	41,194	39,645	38,046	31,693
Liability insurance	49,054	48,782	46,427	44,387	45,398
Workmen's compensation	43,125	42,820	40,689	39,509	39,830
Total tax extensions	<u>\$ 268,451</u>	<u>\$ 267,219</u>	<u>\$ 254,565</u>	<u>\$ 244,371</u>	<u>\$ 222,278</u>
Tax collections:					
General Fund		\$ 266,936	\$ 254,143	\$ 243,877	\$ 221,941
Road & Bridge Twp Transfer		61,767	59,874	58,114	53,525
Total tax collections		<u>\$ 328,703</u>	<u>\$ 314,017</u>	<u>\$ 301,991</u>	<u>\$ 275,466</u>
Percentage of General Fund extensions collected		<u>99.89%</u>	<u>99.83%</u>	<u>99.80%</u>	<u>99.85%</u>

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN
April 30, 2010

Assessed valuation -2009 levy year, net of abatements	<u>\$ 53,905,897</u>
Statutory debt limit - 8.625% of assessed valuation	\$ 4,649,384
Total debt	<u>-0-</u>
Legal debt margin	<u>\$ 4,649,384</u>