

**CITY OF MOMENCE, ILLINOIS**

---

**Annual Financial Statements**

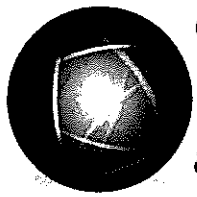
**For the Fiscal Year Ended**

**April 30, 2017**

**CITY OF MOMENCE, ILLINOIS**  
**ANNUAL FINANCIAL STATEMENTS**  
**April 30, 2017**

---

	<u>Page</u>
Independent Auditors' Report	1-2
<b><u>Basic Financial Statements</u></b>	
Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4
Balance Sheet - Modified Cash Basis - Governmental Funds	5
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities - Modified Cash Basis	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	7
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities - Modified Cash Basis	8
Statement of Fund Net Position - Modified Cash Basis - Proprietary Fund - Water and Sewer Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund - Water and Sewer Fund	10
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund - Water and Sewer Fund	11
Notes to Financial Statements	12-28
<b><u>Other Information</u></b>	
Budgetary Comparison Schedule - Budget Basis - General Fund	29-30
Note to Budgetary Comparison Schedule	31
Departmental Schedule of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Water and Sewer Fund	32
Schedule of Operating Expenses - Modified Cash Basis - Sewer Department	33
Illinois Municipal Retirement Fund - Schedule of Employer Contributions	34
Illinois Municipal Retirement Fund - Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	35
Schedule of Assessed Valuations, Rates, Extensions, and Collections	36



**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members of the City Council  
City of Momence  
Momence, IL 60954

We have audited the accompanying modified cash basis 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 ending April 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Momence, Illinois, as of April 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Momence, Illinois' basic financial statements. The other information on pages 29 through 36, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Groskreutz, Abraham, Eskleman & Genetse LLC*

Kankakee, Illinois  
October 6, 2017

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**April 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 556,824	\$ 1,341,176	\$ 1,898,000
Investments	63,875	833,421	897,296
Capital assets:			
Non-depreciable	3,896,345		3,896,345
Depreciable (net of accumulated depreciation)	<u>4,474,384</u>	<u>3,479,118</u>	<u>7,953,502</u>
Total assets	<u>8,991,428</u>	<u>5,653,715</u>	<u>14,645,143</u>
<b><u>Liabilities</u></b>			
Payroll withholdings	8,823		8,823
Long-term liabilities:			
Due within one year	22,124	53,142	75,266
Due in more than one year	<u>346,682</u>	<u>1,168,531</u>	<u>1,515,213</u>
Total liabilities	<u>377,629</u>	<u>1,221,673</u>	<u>1,599,302</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	7,993,100	2,257,445	10,250,545
Restricted for:			
Street maintenance programs	221,616		221,616
Debt service	6,864		6,864
Boorda memorial fund	10,654		10,654
Unrestricted	<u>381,565</u>	<u>2,174,597</u>	<u>2,556,162</u>
Total net position	<u>\$ 8,613,799</u>	<u>\$ 4,432,042</u>	<u>\$ 13,045,841</u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
For the year ended April 30, 2017

	Program Revenues		Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 223,182	\$ 64,136	\$ 11,000	\$ (148,046)		\$ (148,046)
Public safety	944,742	138,461		(806,281)		(806,281)
Public works/transportation	483,832		234,183	(249,649)		(249,649)
Culture and recreation	115,917			(115,917)		(115,917)
Health and welfare	215,738	212,103		(3,635)		(3,635)
Interest	28,102			(28,102)		(28,102)
Total governmental activities	2,011,513	414,700	245,183	(1,351,630)		(1,351,630)
<b>Business-Type Activities:</b>						
Water and sewer	1,755,096	1,680,919	252,155		\$ 177,978	177,978
Total	\$ 3,766,609	\$ 2,095,619	\$ 497,338	(1,351,630)	177,978	(1,173,652)
<b>General Revenues:</b>						
Taxes						
Property taxes				375,997		375,997
Replacement taxes				39,219		39,219
Income taxes				315,154		315,154
Sales and use taxes				462,555		462,555
Other taxes				75,425		75,425
Rental income				2,500		2,500
Investment income				989	4,218	5,207
Miscellaneous				19,969		19,969
Total general revenues				1,291,808	4,218	1,296,026
Changes in net position				(59,822)	182,196	122,374
Net position, May 1, 2016				8,673,621	4,199,913	12,873,534
Prior period adjustment					49,933	49,933
Net position, May 1, 2016, restated				8,673,621	4,249,846	12,923,467
Net position, April 30, 2017				\$ 8,613,799	\$ 4,432,042	\$ 13,045,841

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**April 30, 2017**

	General Fund	Motor Fuel Tax Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 328,344	\$ 221,616	\$ 6,864	\$ 556,824
Investments	63,875			63,875
<b>Total assets</b>	<b>\$ 392,219</b>	<b>\$ 221,616</b>	<b>\$ 6,864</b>	<b>\$ 620,699</b>
<b>LIABILITIES</b>				
Payroll withholdings	\$ 8,823	\$ -0-	\$ -0-	\$ 8,823
<b>FUND BALANCES</b>				
Restricted for:				
Street maintenance programs		221,616		221,616
Debt service			6,864	6,864
Boorda memorial fund	10,654			10,654
Unassigned	372,742			372,742
<b>Total fund balances</b>	<b>383,396</b>	<b>221,616</b>	<b>6,864</b>	<b>611,876</b>
<b>Total liabilities and fund balances</b>	<b>\$ 392,219</b>	<b>\$ 221,616</b>	<b>\$ 6,864</b>	<b>\$ 620,699</b>

See accompanying notes.



**CITY OF MOMENCE, ILLINOIS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS**  
**April 30, 2017**

---

Total governmental fund balance	\$ 611,876
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	8,370,729
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(360,000)
Notes payable	<u>(8,806)</u>
Net position of governmental activities	<u>\$ 8,613,799</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, 2017**

	General Fund	Motor Fuel Tax Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 375,997			\$ 375,997
Replacement taxes	39,219			39,219
State income taxes	315,154			315,154
Sales and use taxes	462,555			462,555
Gaming tax	39,540			39,540
Grant revenue	150,000			150,000
Motor fuel taxes		\$ 84,183		84,183
Garbage fees	212,103			212,103
Licenses and fees	38,426			38,426
Franchise agreements	35,885			35,885
Police revenue	138,461			138,461
Refunds and reimbursements	25,710			25,710
Contributions	11,000			11,000
Rental income	2,500			2,500
Investment income	790	199		989
Miscellaneous	19,969			19,969
<b>Total revenues</b>	<b>1,867,309</b>	<b>84,382</b>	<b>\$ -0-</b>	<b>1,951,691</b>
<b>Expenditures:</b>				
General government	211,085			211,085
Public safety	926,937			926,937
Public works/transportation	577,694			577,694
Culture and recreation	112,817			112,817
Health and welfare	215,738			215,738
<b>Debt service:</b>				
Principal retirement	10,016		20,000	30,016
Interest expense	149		27,953	28,102
<b>Total expenditures</b>	<b>2,054,436</b>	<b>-0-</b>	<b>47,953</b>	<b>2,102,389</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(187,127)</b>	<b>84,382</b>	<b>(47,953)</b>	<b>(150,698)</b>
<b>Other financing sources (uses):</b>				
Issuance of note payable	8,806			8,806
Transfers in (out)	(15,123)	(39,694)	54,817	-0-
<b>Total other financing sources (uses)</b>	<b>(6,317)</b>	<b>(39,694)</b>	<b>54,817</b>	<b>8,806</b>
<b>Net change in fund balance</b>	<b>(193,444)</b>	<b>44,688</b>	<b>6,864</b>	<b>(141,892)</b>
Fund balance, May 1, 2016	576,840	176,928	-0-	753,768
<b>Fund balance, April 30, 2017</b>	<b>\$ 383,396</b>	<b>\$ 221,616</b>	<b>\$ 6,864</b>	<b>\$ 611,876</b>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For the year ended April 30, 2017**

---

Net change in fund balance - total governmental funds \$ (141,892)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, on  
the statement of activities the cost of those assets is allocated over their  
useful lives as depreciation expense.

Expenditure for capital assets	197,409
Depreciation	(136,549)

The repayment of the principal portion of long-term debt is reported as an  
expenditure in governmental funds but as a reduction of principal  
outstanding in the statement of activities.

Principal payments on bonds payable	20,000
Principal payments on installment notes	10,016

Proceeds from issuance of long-term debt obligations are other financing  
sources in the governmental funds, but the issuance increases the  
long-term liabilities on the statement of net position.

Proceeds from issuance of notes payable	<u>(8,806)</u>
---	----------------

Change in net position of governmental activities \$ (59,822)

---

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**April 30, 2017**

<b>ASSETS</b>		Enterprise Funds
Current assets:		
Cash and cash equivalents		\$ 1,341,176
Investments		<u>833,421</u>
Total current assets		<u>2,174,597</u>
Non-current assets:		
Capital assets:		
Water equipment		3,747,031
Sewer plant		4,571,560
Sewer equipment		<u>2,044,343</u>
		10,362,934
Less accumulated depreciation		<u>(6,883,816)</u>
Capital assets, net		<u>3,479,118</u>
Total assets		<u>5,653,715</u>
<b>LIABILITIES</b>		
Current liabilities:		
Illinois EPA loan within one year		48,894
Notes payable due within one year		<u>4,248</u>
Total current liabilities		53,142
Long-term liabilities:		
Illinois EPA loan payable, less portion due within one year		1,155,167
Notes payable, less portion due within one year		<u>13,364</u>
Total liabilities		<u>1,221,673</u>
<b>NET POSITION</b>		
Net investment in capital assets		2,257,445
Unrestricted		<u>2,174,597</u>
Total net position		<u>\$ 4,432,042</u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**WATER AND SEWER FUND**  
**For the year ended April 30, 2017**

	Enterprise Fund
Operating revenues:	
Fees for services	\$ 1,675,139
Meter sales and tap-on fees	2,380
Other operating income	3,400
Total operating revenues	1,680,919
Operating expenses:	
Personal services	384,119
Payroll taxes and benefits	152,002
Insurance	160,521
Utilities	241,437
Repairs and maintenance	277,240
Materials and supplies	184,083
Testing expenses	11,825
Waste removal	68,528
Chemicals	11,159
Professional services	32,800
Depreciation	189,272
Miscellaneous	1,771
Other operating expenses	30,931
Total operating expenses	1,745,688
Operating income (loss)	(64,769)
Nonoperating revenues (expenses):	
Interest income	4,218
Interest expense	(9,408)
Total nonoperating revenues (expenses)	(5,190)
Income (loss) before capital grants and contributions	(69,959)
Capital grants and contributions	252,155
Change in net position	182,196
Net position, May 1, 2016	4,199,913
Prior period adjustment	49,933
Net position, May, 1 2016, restated	4,249,846
Net position, April 30, 2017	\$ 4,432,042

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, 2017**

	<u>Enterprise Fund</u>
Cash flows from (used for) operating activities:	
Receipts from customers	\$ 1,677,519
Other receipts	3,400
Payments to employees	(384,119)
Payments to suppliers	<u>(1,172,297)</u>
Net cash from (used for) operating activities	<u>124,503</u>
Cash flows from (used for) capital and related financing activities:	
Grant from IEPA (Loan forgiven)	252,155
Loan proceeds	1,197,716
Principal paid on loans	(31,638)
Interest paid on loans	(9,408)
Acquisition of capital assets	<u>(1,704,770)</u>
Net cash from (used for) capital and related financing activities	<u>(295,945)</u>
Cash flows from (used for) investing activities:	
Repayment of loans by other funds	8,393
Interest income	4,218
Interest reinvested	<u>(1,979)</u>
Net cash from (used for) investing activities	<u>10,632</u>
Net increase (decrease) in cash and cash equivalents	(160,810)
Cash and cash equivalents, May 1, 2016	<u>1,501,986</u>
Cash and cash equivalents, April 30, 2017	<u>\$ 1,341,176</u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities:	
Operating income (loss)	\$ (64,769)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:	
Depreciation expense	<u>189,272</u>
Net cash from (used for) operating activities	<u>\$ 124,503</u>
Noncash transaction related to capital and related financing activities:	
Interest capitalized on IEPA loan	<u>\$ 5,661</u>

See accompanying notes.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

As discussed further in Note 1.B., the financial statements of the City of Momence, Illinois (the City) are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

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 general administrative services, public safety, public works, health and welfare, culture and recreation, planning, zoning and water and sewer utilities. The City has adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity*, under which the financial statements include all organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. The accompanying basic financial statements present the City only since the City does not have component units.

**B. Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

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

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting.

**C. Fund Accounting**

The City uses funds to report its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

**D. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the overall activities of the City. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. The City has no fiduciary activities.

The statement of net position presents the cash, investments, capital assets and long-term liabilities of the governmental and business-type activities of the City at the fiscal year end.



**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 funds include the cost of providing such services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. However, revenues received for capital financing activities are considered neither operating nor nonoperating and are presented after nonoperating activities.

The City has elected to report all of its funds as major, even though some of them have not met the criteria requiring such treatment in fiscal year 2017.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City and is used to account for all financial resources of the City unless required to be accounted for in another fund.

The **Motor Fuel Tax Fund** accounts for the revenues received from motor fuel taxes and expenditures for maintenance of roads.

The **Debt Service Fund** accounts for payment of principal and interest on the general obligation bonds.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** is used to account for the provision of water and sewer services to the residents and commercial users within the City.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

**E. Cash and Cash Equivalents**

For the statement of cash flows, the City considers all deposits in demand accounts (cash) and investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

**F. Investments**

Investments consist entirely of certificates of deposit with a maturity of more than three months when purchased and are stated at cost.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment, furniture and fixtures	3 -10
Sewer infrastructure, wells, water mains, water towers and treatment plant	20-50

**H. Long-Term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund financial statements.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

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

**I. Fund Balances/Net Position**

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Council. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Mayor. Any residual fund balance of the General Fund is reported as unassigned.

The City has not adopted a flow of funds policy and therefore applies the flow of funds from GASB Statement No. 54, which prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds. For net position, restricted funds are spent first then unrestricted funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Investment in capital assets represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

**J. 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/expensed 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.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

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

These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans, if any, are classified as "interfund receivables/payables." Long-term interfund loans, if any, are classified as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund service transactions are accounted for as revenues or expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services, transactions and reimbursements, are reported as transfers.

**K. 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.

**NOTE 2 - PROPERTY TAX CALENDAR:**

Property taxes are levied each year on all taxable real property located in the City. 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. The City receives property tax distributions shortly after the installment dates and continuing through January of the ensuing year. Accordingly, the City recognized property tax revenue during the year ended April 30, 2017, for collections received from the calendar year 2015 tax levy. Property taxes levied for calendar year 2015, were intended to finance the fiscal year 2017 expenditures. The property taxes levied for the calendar year 2016, which will be collected in fiscal year 2018, are not recorded in these financial statements.

The following information gives significant dates on the property tax calendar of the City:

- The property tax lien date is January 1.
- The annual tax levy ordinance for 2016 was passed in December 2016.
- Property taxes are due to the County Collector in two installments, June 1 and September 1.
- Significant amounts of property taxes for 2016 will be distributed to the City during June 2017 - January 2018.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS:**

Permitted Deposits and Investments – The City's investment policy authorizes the City to make deposits/invest in insured commercial banks, savings and loan institutions, 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's investment policy limits its deposits and investments to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

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

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, with the collateral held by the City or an independent third party. At April 30, 2017, the bank balances of deposits not covered by depository insurance were fully collateralized by pledges of securities held by independent third parties.

The City has not adopted a formal cash and investment policy that limits investments based on custodial, credit or interest rate risk. The City minimizes those risks by limiting investments to certificates of deposit, 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>\$63,875</u>	<u>\$833,421</u>

**NOTE 4 - INTERFUND TRANSFERS:**

The Motor Fuel Tax Fund transferred \$39,694 to the Debt Service Fund to provide for bond and interest retirement.

During the year, the General Fund transferred \$15,123 of its debt service cash account to the Debt Service Fund where it will be used for future bond and interest retirement.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 5 - CAPITAL ASSETS:**

The beginning balances of the capital assets reported in the business-type activities of the City, were restated by \$49,933 to capitalize expenses incurred in prior years relating to the main water line project funded by the IEPA loan at May 1, 2016.

A summary of changes in capital assets of the City for the year ended April 30, 2017 is as follows:

	<u>Balance</u> <u>May 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$3,757,758	\$ 24,836		\$3,782,594
Construction in progress	<u>                    </u>	<u>113,751</u>	<u>                    </u>	<u>113,751</u>
Total capital assets not being depreciated:	<u>3,757,758</u>	<u>138,587</u>	\$ <u>-0-</u>	<u>3,896,345</u>
Capital assets being depreciated:				
Buildings	2,358,023			2,358,023
Equipment	489,336	11,500	7,772	493,064
Vehicles	619,698	12,811	12,000	620,509
Land improvements	256,756			256,756
Infrastructure	<u>3,994,494</u>	<u>34,511</u>	<u>                    </u>	<u>4,029,005</u>
Total capital assets being depreciated	<u>7,718,307</u>	<u>58,822</u>	<u>19,772</u>	<u>7,757,357</u>
Less accumulated depreciation:				
Buildings	787,653	42,910		830,563
Equipment	435,328	7,098	7,772	434,654
Vehicles	335,034	38,610	12,000	361,644
Land improvements	215,956	2,400		218,356
Infrastructure	<u>1,392,225</u>	<u>45,531</u>	<u>                    </u>	<u>1,437,756</u>
Total accumulated depreciation	<u>3,166,196</u>	<u>136,549</u>	<u>19,772</u>	<u>3,282,973</u>
Total capital assets being depreciated, net	<u>4,552,111</u>	<u>(77,727)</u>	<u>-0-</u>	<u>4,474,384</u>
Total capital assets, net	<u>\$8,309,869</u>	<u>\$ 60,860</u>	<u>\$ -0-</u>	<u>\$8,370,729</u>

Depreciation expense for governmental activities for the year ended April 30, 2017 was charged to functions as follows:

General government	\$ 36,934
Public safety	29,305
Public works/transportation	67,210
Culture and recreation	<u>3,100</u>
	<u>\$136,549</u>

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	Balance May 1, 2016 (Restated)	Additions	Deletions	Balance April 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 49,933	\$ -0-	\$49,933	\$ -0-
Capital assets being depreciated:				
Water system and equipment	2,181,989	1,565,042		3,747,031
Sewer system and equipment	6,420,581	195,322		6,615,903
Total capital assets being depreciated	8,602,570	1,760,364	-0-	10,362,934
Less accumulated depreciation:				
Water system and equipment	1,197,881	63,427		1,261,308
Sewer system and equipment	5,496,664	125,844		5,622,508
Total accumulated depreciation	6,694,545	189,271	-0-	6,883,816
Total capital assets being depreciated, net	1,908,025	1,571,093	-0-	3,479,118
Total capital assets, net	\$1,957,958	\$1,571,093	\$49,933	\$ 3,479,118

**NOTE 6 - LONG TERM DEBT:**

A summary of changes in long-term debt for the year ended April 30, 2017 is as follows:

	Balance May 1, 2016	Additions	Retirements	Balance April 30, 2017	Due within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$380,000		\$20,000	\$360,000	\$20,000
Installment notes	10,016		10,016	-0-	
Notes payable	-0-	\$8,806		8,806	2,124
Total long-term debt	\$390,016	\$8,806	\$30,016	\$368,806	\$22,124
Business-type activities:					
Illinois EPA loan	\$49,933	\$1,185,766	\$31,638	\$1,204,061	\$48,894
Notes payable	-0-	17,612		17,612	4,248
Total long-term debt	\$49,933	\$1,203,378	\$31,638	\$1,221,673	\$53,142

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

**NOTE 6 - LONG TERM DEBT (Continued):**

Long-term debt is comprised of the following:

General Obligation Bonds

During the fiscal year ended April 30, 2011, the City issued \$450,000 Series 2010 General Obligation Bonds (Alternate Revenue Source), dated November 1, 2010, which mature serially December 1, 2011 through 2030 at various interest rates (interest rate varies from 4.0% to 7.5%). The bonds are to be payable first from receipts of motor fuel taxes then receipts of personal property replacement taxes. The proceeds of the bond issuance were used to finance various public capital infrastructure improvements including streets, lighting, parking lots, and sidewalks.

Installment Notes

On October 12, 2012, the City incurred \$75,000 of government obligation contract for the purchase of certain public safety equipment. The note was fully paid through quarterly installments in the amount of \$5,083, including interest at 3.97%, through September 24, 2016.

Notes payable

On May 11, 2016, the city incurred a \$26,418 note for the purchase of a 2013 GMC Sierra used equally between General, Water and Sewer funds. It is payable in annual payments of \$7,004, including interest, through May 11, 2020. Note and payments are allocated equally to the three funds distributing 1/3 to Governmental activities and 2/3 to Business-type activities.

Illinois EPA Loan

On January 6, 2016, the City was approved for a \$1,681,030 Illinois Environmental Protection Agency (IEPA) loan for the construction of a water main that will cross under the Kankakee River near Harvard Street to provide an additional connection between the north and south sides of the City and miscellaneous improvements to distribution system. As of April 30, 2017, the City has drawn down proceeds of \$1,482,192. The City had drawn down \$49,933 as of April 30, 2016 as reported in prior year. Total current year addition of \$1,185,765 consists of proceeds of \$1,432,259 received this year, less loan forgiven of \$252,155 plus capitalized interest of \$5,661. This loan is secured by current and future utility revenues and is payable in 40 semi-annual payments, including interest at 1.86%.



**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 6 - LONG TERM DEBT (Continued):**

The annual debt service requirements including interest payments are as follows:

Fiscal Year Ending <u>April 30</u>	Series 2010 General Obligation Bonds (Alternate Revenue Source)		2016 IEPA Loan		2017 Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$20,000	\$17,735	\$48,894	\$20,127	\$6,373	\$ 631
2019	20,000	16,385	54,677	21,271	6,525	479
2020	20,000	15,085	55,699	20,250	6,680	324
2021	20,000	13,785	56,740	19,209	6,840	164
2022	20,000	12,585	57,800	18,149		
2023	25,000	11,785	58,880	17,069		
2024	25,000	10,760	59,980	15,968		
2025	25,000	9,710	61,101	14,847		
2026	25,000	8,635	62,243	13,706		
2027	30,000	7,535	63,406	12,543		
2028	30,000	6,185	64,591	11,358		
2029	30,000	4,805	65,798	10,151		
2030	35,000	3,395	67,028	8,922		
2031	35,000	1,715	68,280	7,669		
2032			69,556	6,394		
2033			70,356	5,594		
2034			71,680	4,270		
2035			73,028	2,920		
2036			74,324	1,624		
<b>Total</b>	<b><u>\$360,000</u></b>	<b><u>\$140,100</u></b>	<b><u>\$1,204,061</u></b>	<b><u>\$232,041</u></b>	<b><u>\$26,418</u></b>	<b><u>\$1,598</u></b>

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM:**

**Plan Description**

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued):**

**Benefits Provided**

The IMRF provides two tiers of pension benefits. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3 percent of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of the final rate of earnings for the first 15 years of service credit, plus 2 percent for each year of service credit after 15 years to a maximum of 75 percent of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of 3 percent of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

**Employees Covered by Benefit Terms**

As of December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	14
Inactive Plan members entitled to but not yet receiving benefits	13
Active Plan members	<u>19</u>
Total	<u>46</u>

**Contributions**

As set by statute, the City's employees are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2016 was 7.87 percent. For the fiscal year ended April 30, 2017, the City contributed \$72,833 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued):**

**Net Pension Liability and Actuarial Assumptions**

The components of the net pension liability as of April 30, 2017 were as follows:

Total pension liability	\$4,296,889
Plan fiduciary net position	<u>4,019,802</u>
City's net pension liability	\$ <u>277,087</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.55%</u>

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

Actuarial valuation date	December 31, 2016
Actuarial cost method	Entry-age normal
Asset valuation method	Market value of assets
Assumptions:	
Inflation	2.75%
Salary increases	3.75% to 14.50%
Discount rate	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued):**

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These expected future real rate of return are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rate of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target</u>	<u>Long-term expected real rate of return</u>
Equities	38%	6.85%
International Equities	17%	6.75%
Fixed Income	27%	3.00%
Real Estate	8%	5.75%
Alternatives	9%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash Equivalents	<u>1%</u>	2.25%
	<u>100%</u>	

**Single Discount Rate**

A single discount rate of 7.50 percent was used to measure the total pension liability. The projection of cash flow used to determine this single discount rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The single discount rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50 percent, the municipal bond rate is 3.57 percent and the resulting single discount rate is 7.50 percent.

Due to the City preparing its financial statements on the modified cash basis of accounting, pension liabilities and deferred inflows and outflows referred to throughout this note disclosure are not recognized in the actual financial statements.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued):**

**Changes in the Net Pension Liability**

	Total Pension Liability <u>(A)</u>	Plan Fiduciary Net Position <u>(B)</u>	Net Pension Liability <u>(A) - (B)</u>
Balances at December 31, 2015	\$4,119,930	\$3,881,062	\$238,868
Changes for the year:			
Service cost	84,923		84,923
Interest on the total pension liability	301,714		301,714
Changes of benefit terms	-0-		-0-
Differences between expected and actual experience of the total pension liability	69,405		69,405
Changes of assumptions	-0-		-0-
Contributions – employer		72,833	(72,833)
Contributions – employees		41,645	(41,645)
Net investment income		268,598	(268,598)
Benefit payments, including refunds of employee contributions	(279,083)	(279,083)	
Other (Net transfer)	<u>(279,083)</u>	<u>34,747</u>	<u>(34,747)</u>
Net changes	<u>176,959</u>	<u>138,740</u>	<u>38,219</u>
Balances at December 31, 2016	\$4,296,889	\$4,019,802	\$ 277,087

**Sensitivity of the Net Pension Liability to Changes in the Discount**

The following presents the plan's net pension liability, calculated using a single discount rate of 7.50 percent as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

	1% Lower <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Higher <u>(8.50%)</u>
Net pension liability (asset)	\$766,540	\$277,087	\$(126,876)

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM (Continued):**

**Pension Expense and Deferred Outflows of Resources Related to Pension**

The City, for the fiscal year ended April 30, 2017, had a pension expense of \$133,347. The City, at April 30, 2017, had the following deferred outflows of resources related to IMRF:

Deferrals at measurement date (December 31, 2016):

Difference between expected and actual experience in measurement of the total pension liability	\$194,051
Change in assumptions	-0-
Difference between projected and actual earnings on plan fiduciary net position	<u>178,053</u>
Total deferrals at measurement date, December 31, 2016	372,104
Pension contributions made subsequent to measurement date	<u>25,997</u>
Total deferred outflows of resources	<u>\$398,101</u>

The amounts reported as deferred outflows resulting from pension contributions made subsequent to the measurement date in the above table will be recognized as reductions in the net pension liabilities for the year ending December 31, 2017. The remaining amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows of Resources</u>
2017	109,312
2018	109,312
2019	109,310
2020	37,140
2021	<u>7,030</u>
Total	<u>\$372,104</u>

**NOTE 8 - RISK MANAGEMENT:**

The City is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers' compensation, employee health and public official liability. To limit exposure to these risks, the City participates in the Illinois Counties Risk Management Trust. Insurance coverage provided for the above risks ranges from \$5,000 to \$7,000,000 with deductibles ranging from \$1,000 to \$5,000 per claim. There are separate deductibles of \$50,000 per claim that apply to flood damages and \$25,000 or 2% of the damaged location; whichever is greater per claim for earthquake damages. The City's policy is to record any related expenditures in the year in which they are notified and pay the assessment. The City is not aware of any additional assessments owed as of April 30, 2017. The City purchases health insurance through a third party indemnity for employee health coverage.

**CITY OF MOMENCE, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**April 30, 2017**

---

**NOTE 9 – LEGAL DEBT MARGIN:**

Assessed valuation - 2016 levy year, net of abatements	<u>\$48,621,203</u>
Statutory debt limit – 8.625% of assessed valuation	<u>\$4,193,579</u>
Total long-term debt	1,590,479
Alternate revenue bonds, not subject to debt limit	<u>(360,000)</u>
Debt subject to limit	<u>1,230,479</u>
Legal debt margin	<u>\$2,963,100</u>

**NOTE 10 – RESTATEMENT OF NET POSITION:**

The City has restated the net position of its proprietary fund financial statements and the business-type activities of its government-wide financial statements as of May 1, 2016, to record capital assets not reported in prior year.

Net position, May 1, 2016, as previously reported	\$4,199,913
Prior period adjustment:	
Record construction in progress not reported in prior year	<u>49,933</u>
Net position, May 1, 2016, restated	<u>\$4,249,846</u>

## **OTHER INFORMATION**



**CITY OF MOMENCE, ILLINOIS**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET BASIS**  
**GENERAL FUND**  
**For the year ended April 30, 2017**

	Original and Final Budget	Actual
<b>Revenues:</b>		
General property taxes	\$ 390,000	\$ 375,997
State replacement taxes	25,000	39,219
State income taxes	380,000	315,154
State sales and use taxes	397,000	462,555
Gaming tax	36,000	39,540
Grant revenue		150,000
Garbage fees	208,000	212,103
Licenses and fees	16,730	19,245
Building and electrical permits	30,000	19,181
Franchise agreements	37,200	35,885
Police revenue	170,100	138,461
Refunds and reimbursements	68,800	25,710
Contributions	7,050	11,000
Rental income	2,500	2,500
Investment income	700	790
Miscellaneous	35,300	19,969
	<u>1,804,380</u>	<u>1,867,309</u>
<b>Total revenues</b>		
<b>Expenditures:</b>		
<b>General government:</b>		
Mayor's department	25,375	24,496
City clerk department	7,325	6,342
City treasurer department	15,350	11,314
Zoning and planning commission department	25,775	12,020
Insurance department	91,000	89,120
Legal department	46,200	47,275
Liquor commission department	1,650	1,615
City hall department	18,690	18,903
Engineering department	2,500	
	<u>233,865</u>	<u>211,085</u>
<b>Total general government</b>		
<b>Public safety:</b>		
Police department	877,245	926,937
<b>Public works/transportation:</b>		
Street and alley department	315,800	528,425
Street lighting department	58,000	49,269
	<u>373,800</u>	<u>577,694</u>
<b>Total public works/transportation</b>		

(Continued)

**CITY OF MOMENCE, ILLINOIS**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET BASIS**  
**GENERAL FUND**  
(Continued)  
For the year ended April 30, 2017

	Original and Final Budget	Actual
<b>Culture and recreation:</b>		
Public property department	\$ 46,780	\$ 14,990
Local improvement department	60,650	97,827
Total culture and recreation	<u>107,430</u>	<u>112,817</u>
<b>Health and welfare:</b>		
Waste removal department	207,000	212,833
Sewer and water department	3,287	2,905
Total health and welfare	<u>210,287</u>	<u>215,738</u>
<b>Debt service:</b>		
Principal retirement		10,016
Interest expense		149
Total debt service	<u>-0-</u>	<u>10,165</u>
Total expenditures	<u>1,695,197</u>	<u>2,054,436</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 109,183</u>	<u>\$ (187,127)</u>

**CITY OF MOMENCE, ILLINOIS**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**April 30, 2017**

---

**NOTE 1 - BUDGETARY ACCOUNTING:**

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

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**  
**DEPARTMENTAL SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS**  
**WATER AND SEWER FUND**  
**For the year ended April 30, 2017**

	Water	Sewer	Total
Operating revenues:			
Fees for services	\$ 590,447	\$ 1,084,692	\$ 1,675,139
Meter sales and tap-on fees	2,030	350	2,380
Other operating income	3,400		3,400
Total operating revenues	<u>595,877</u>	<u>1,085,042</u>	<u>1,680,919</u>
Operating expenses:			
Personal services	163,953	220,166	384,119
Payroll taxes and benefits	84,012	67,990	152,002
Insurance	80,146	80,375	160,521
Utilities	31,602	209,835	241,437
Repairs and maintenance	45,050	232,190	277,240
Materials and supplies	27,886	156,197	184,083
Testing expenses	3,758	8,067	11,825
Waste removal		68,528	68,528
Chemicals		11,159	11,159
Professional services	4,897	27,903	32,800
Depreciation	63,428	125,844	189,272
Miscellaneous		1,771	1,771
Other operating expenses	7,443	23,488	30,931
Total operating expenses	<u>512,175</u>	<u>1,233,513</u>	<u>1,745,688</u>
Operating income (loss)	<u>83,702</u>	<u>(148,471)</u>	<u>(64,769)</u>
Nonoperating revenues (expenses):			
Interest income	2,069	2,149	4,218
Interest expense	(9,408)		(9,408)
Total nonoperating revenues (expenses)	<u>(7,339)</u>	<u>2,149</u>	<u>(5,190)</u>
Income (loss) before capital grants and contributions	76,363	(146,322)	(69,959)
Capital grants and contributions	<u>252,155</u>		<u>252,155</u>
Change in net position	<u>328,518</u>	<u>(146,322)</u>	<u>182,196</u>
Net position, May 1, 2016	1,934,776	2,265,137	4,199,913
Prior period adjustment	49,933		49,933
Net position, May 1, 2016, restated	<u>1,984,709</u>	<u>2,265,137</u>	<u>4,249,846</u>
Net position, April 30, 2017	<u>\$ 2,313,227</u>	<u>\$ 2,118,815</u>	<u>\$ 4,432,042</u>

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF OPERATING EXPENSES - MODIFIED CASH BASIS**  
**SEWER DEPARTMENT**  
**For the year ended April 30, 2017**

	<u>Pre-treatment</u>	<u>Final Treatment</u>	<u>Total</u>
Operating expenses:			
Personal services		\$ 220,166	\$ 220,166
Social security taxes		16,333	16,333
IMRF expense		16,297	16,297
Health insurance		35,360	35,360
Insurance		80,375	80,375
Telephone	\$ 4,189	17,326	21,515
Electricity	57,683	128,528	186,211
Heating	2,109		2,109
Repairs and maintenance	96,490	135,700	232,190
Gas, fuel, and oil		2,252	2,252
Supplies	136,287	17,658	153,945
Testing expenses		8,067	8,067
Waste removal		68,528	68,528
Chemicals	11,159		11,159
Professional services		27,903	27,903
Depreciation		125,844	125,844
Miscellaneous		1,771	1,771
Other operating expenses		23,488	23,488
	<u>          </u>	<u>          </u>	<u>          </u>
Total operating expenses	<u>\$ 307,917</u>	<u>\$ 925,596</u>	<u>\$ 1,233,513</u>

CITY OF MOMENCE, ILLINOIS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
MULTIYEAR SCHEDULE OF EMPLOYER CONTRIBUTIONS  
April 30, 2017

---

Calendar year ended December 31,	2016	2015
Actuarially determined contribution	\$ 72,833	\$ 83,752
Contributions in relation to the actuarially determined contribution	72,833	83,752
Contribution deficiency (excess)	\$ -0-	\$ -0-
Covered-employee payroll	\$ 925,448	\$ 853,745
Contributions as a percentage of covered-employee payroll	7.87%	9.81%

Note: The City of Momence implemented GASB Statement No. 68 beginning with the fiscal year ended April 30, 2016. Similar information will be displayed for future years as it becomes available.

**CITY OF MOMENCE, ILLINOIS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**MULTIYEAR SCHEDULE OF CHANGES IN THE EMPLOYER'S**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**April 30, 2017**

Calendar year ended December 31,	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 84,923	\$ 82,995
Interest	301,714	278,897
Changes in benefit terms	-	-
Differences between expected and actual experience	69,405	214,441
Changes of assumptions	-	-
Benefit payments, including refunds of contributions	<u>(279,083)</u>	<u>(267,060)</u>
 Net change in total pension liability	 176,959	 309,273
 Total pension liability - beginning	 <u>4,119,930</u>	 <u>3,810,657</u>
 Total pension liability - ending	 <u>4,296,889</u>	 <u>4,119,930</u>
 <b>Plan fiduciary net position</b>		
Employer contributions	72,833	83,752
Employee contributions	41,645	38,419
Net investment income	268,598	19,345
Benefit payments, including refunds of contributions	(279,083)	(267,060)
Other	<u>34,747</u>	<u>65,178</u>
 Net change in plan fiduciary net position	 138,740	 (60,366)
 Plan fiduciary net position - beginning	 <u>3,881,062</u>	 <u>3,941,428</u>
 Plan fiduciary net position - ending	 <u>4,019,802</u>	 <u>3,881,062</u>
 Employer's net pension liability	 <u>\$ 277,087</u>	 <u>\$ 238,868</u>
 Plan fiduciary net position as a percentage of the total pension liability	 93.55%	 94.20%
 Covered-employee payroll	 \$ 925,448	 \$ 853,745
 Employer's net pension liability as a percentage of covered-employee payroll	 29.94%	 27.98%

Note: The City of Momence implemented GASB Statement No. 68 beginning with the fiscal year ended April 30, 2016. Similar information will be displayed for future years as it becomes available.

**CITY OF MOMENCE, ILLINOIS**  
**SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS**  
**For the tax levy years 2016, 2015, 2014, 2013 and 2012**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assessed valuations	<u>\$ 48,621,203</u>	<u>\$48,539,507</u>	<u>\$ 47,998,338</u>	<u>\$ 48,407,458</u>	<u>\$ 51,703,253</u>
Tax rates (percents):					
General corporate	0.2499	0.2572	0.2594	0.2547	0.2350
IMRF	0.0605	0.0623	0.0628	0.0617	0.0580
Police protection	0.0954	0.0982	0.0990	0.0973	0.0910
Liability insurance	0.1113	0.1146	0.1155	0.1135	0.1060
Workmen's compensation	<u>0.0979</u>	<u>0.1008</u>	<u>0.1016</u>	<u>0.0998</u>	<u>0.0940</u>
Total tax rates	<u>0.6150</u>	<u>0.6331</u>	<u>0.6383</u>	<u>0.6270</u>	<u>0.5840</u>
Tax extensions:					
General corporate	\$ 121,504	\$ 124,844	\$ 124,508	\$ 123,294	\$ 121,503
IMRF	29,416	30,240	30,143	29,867	29,988
Police protection	46,385	47,666	47,518	47,100	47,050
Liability insurance	54,115	55,626	55,438	54,942	54,805
Workmen's compensation	47,600	48,928	48,766	48,311	48,601
Total tax extensions	<u>\$ 299,020</u>	<u>\$ 307,304</u>	<u>\$ 306,373</u>	<u>\$ 303,514</u>	<u>\$ 301,947</u>
Tax collections:					
General property tax		\$ 304,893	\$ 306,929	\$ 299,484	\$ 293,929
Road and Bridge - Township		71,104	72,228	70,233	69,207
Total tax collections		<u>\$ 375,997</u>	<u>\$ 379,157</u>	<u>\$ 369,717</u>	<u>\$ 363,136</u>
Percentage of general property tax extensions collected		<u>99.22%</u>	<u>100.18%</u>	<u>98.67%</u>	<u>97.34%</u>