

CITY OF MOMENCE, ILLINOIS

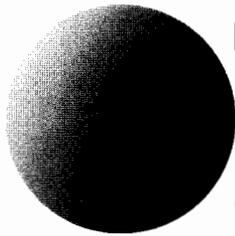
Audited Financial Statements

April 30, 2009

CITY OF MOMENCE, ILLINOIS
REPORT ON AUDITED FINANCIAL STATEMENTS
For the year ended April 30, 2009

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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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2009, or the changes in financial position thereof for the year then ended.

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and each major fund of the City of Momence, Illinois, as of April 30, 2009, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with basis of accounting described in Note 1.

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

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

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

Payne, Groskreutz, Schmidt, Abraham + Eshleman

November 12, 2009

BASIC FINANCIAL STATEMENTS

CITY OF MOMENCE, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
April 30, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 213,658	\$ 1,503,338	\$ 1,716,996
Investments	194,842	1,011,063	1,205,905
Internal balances	(226,141)	226,141	-0-
Capital assets:			
Non-depreciable		110,378	110,378
Depreciable (net of accumulated depreciation)		1,558,164	1,558,164
 Total assets	 <u>182,359</u>	 <u>4,409,084</u>	 <u>4,591,443</u>
<u>Liabilities</u>			
Payroll withholdings payable	<u>15,614</u>		<u>15,614</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt		1,668,542	1,668,542
Restricted for:			
Street maintenance programs	65,971		65,971
Other purposes	6,794		6,794
Unrestricted	<u>93,980</u>	<u>2,740,542</u>	<u>2,834,522</u>
 Total net assets	 <u>\$ 166,745</u>	 <u>\$ 4,409,084</u>	 <u>\$ 4,575,829</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the year ended April 30, 2009

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 346,961	\$ 46,307		\$ (300,654)		\$ (300,654)
Public safety	740,949	113,417		(627,532)		(627,532)
Public works/transportation	534,077		\$ 18,140	(515,937)		(515,937)
Health and welfare	162,330	158,670		(3,660)		(3,660)
Culture and recreation	12,307	5,480	100	(6,727)		(6,727)
Total governmental activities	1,796,624	323,874	18,240	(1,454,510)		(1,454,510)
Business-Type Activities:						
Water and sewer	936,037	1,102,937			\$ 166,900	166,900
Total	<u>\$ 2,732,661</u>	<u>\$ 1,426,811</u>	<u>\$ 18,240</u>	<u>(1,454,510)</u>	<u>166,900</u>	<u>(1,287,610)</u>
General Revenues:						
Taxes						
Property taxes				314,017		314,017
Income taxes				294,149		294,149
Sales and use taxes				386,700		386,700
Other taxes				143,500		143,500
Interest				15,134	51,724	66,858
Miscellaneous				529		529
Total general revenues				<u>1,154,029</u>	<u>51,724</u>	<u>1,205,753</u>
Changes in net assets				(300,481)	218,624	(81,857)
Net assets, May 1, 2008				<u>467,226</u>	<u>4,190,460</u>	<u>4,657,686</u>
Net assets, April 30, 2009				<u>\$ 166,745</u>	<u>\$ 4,409,084</u>	<u>\$ 4,575,829</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
April 30, 2009

	General Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 147,687	\$ 65,971	\$ 213,658
Investments	194,842		194,842
Total assets	<u>\$ 342,529</u>	<u>\$ 65,971</u>	<u>\$ 408,500</u>
LIABILITIES			
Payroll withholdings payable	\$ 15,614		\$ 15,614
Due to other funds	226,141		226,141
Total liabilities	<u>241,755</u>	<u>\$ -0-</u>	<u>241,755</u>
FUND BALANCES			
Reserved for street maintenance programs		65,971	65,971
Reserved for other purposes	6,794		6,794
Unreserved, reported in General Fund	93,980		93,980
Total fund balance	<u>100,774</u>	<u>65,971</u>	<u>166,745</u>
Total liabilities and fund balances	<u>\$ 342,529</u>	<u>\$ 65,971</u>	<u>\$ 408,500</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	\$ 314,017		\$ 314,017
Income taxes	294,149		294,149
Sales and use taxes	386,700		386,700
Replacement taxes	37,507		37,507
Motor fuel taxes		\$ 83,514	83,514
Garbage fees	158,670		158,670
Licenses and fees	52,924		52,924
Fines and forfeitures	126,579		126,579
Refunds and reimbursements	2,700		2,700
Interest income	14,366	768	15,134
Miscellaneous	24,249		24,249
	<u>1,411,861</u>	<u>84,282</u>	<u>1,496,143</u>
Total revenues			
Expenditures:			
General government	346,961		346,961
Public safety	740,949		740,949
Public works/transportation	436,679	97,398	534,077
Health and welfare	162,330		162,330
Culture and recreation	12,307		12,307
	<u>1,699,226</u>	<u>97,398</u>	<u>1,796,624</u>
Total expenditures			
Net change in fund balance	(287,365)	(13,116)	(300,481)
Fund balance, May 1, 2008	<u>388,139</u>	<u>79,087</u>	<u>467,226</u>
Fund balance, April 30, 2009	<u>\$ 100,774</u>	<u>\$ 65,971</u>	<u>\$ 166,745</u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
WATER AND SEWER FUND
April 30, 2009

ASSETS

Current assets:		
Cash and cash equivalents	\$	1,503,338
Investments		1,011,063
Due from other funds		<u>226,141</u>
Total current assets		<u>2,740,542</u>
Non-current assets:		
Property and equipment:		
Sewer plant		4,571,560
Sewer equipment		1,350,571
Water equipment		<u>1,781,399</u>
		<u>7,703,530</u>
Less accumulated depreciation		<u>(6,034,988)</u>
Property and equipment, net		<u>1,668,542</u>
Total assets		<u>4,409,084</u>

NET ASSETS

Invested in capital assets, net of related debt		1,668,542
Unrestricted		<u>2,740,542</u>
Total net assets	\$	<u><u>4,409,084</u></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, 2009

Operating revenues:	
Fees for services	\$ 1,102,387
Meter sales and tap-on fees	440
Other operating income	<u>110</u>
Total operating revenues	<u>1,102,937</u>
Operating expenses:	
Personal services	196,996
Payroll taxes and benefits	75,022
Utilities	259,781
Repairs and maintenance	139,582
Materials and supplies	56,700
Testing expenses	13,989
Waste removal	36,978
Chemicals	9,052
Professional services	5,292
Depreciation	120,878
Other operating expenses	<u>21,767</u>
Total operating expenses	<u>936,037</u>
Operating income	166,900
Nonoperating revenue:	
Interest income	<u>51,724</u>
Change in net assets	218,624
Net assets, May 1, 2008	<u>4,190,460</u>
Net assets, April 30, 2009	<u><u>\$ 4,409,084</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, 2009

Cash flows from (used for) operating activities:	
Receipts from customers	\$ 1,102,827
Other receipts	110
Payments to employees	(196,996)
Payments to suppliers	<u>(618,163)</u>
Net cash from (used for) operating activities	<u>287,778</u>
Cash flows from (used for) noncapital and related financing activities:	
Loans to other funds	<u>(95,231)</u>
Cash flows from (used for) capital and related financing activities:	
Acquisition of capital assets	<u>(160,688)</u>
Cash flows from (used for) investing activities:	
Interest on investments	51,724
Purchase of investments	(453,710)
Proceeds from sale of investments	<u>550,084</u>
Net cash from (used for) investing activities	<u>148,098</u>
Net increase in cash and cash equivalents	179,957
Cash and cash equivalents, beginning of the year	<u>1,323,381</u>
Cash and cash equivalents, end of the year	<u><u>\$ 1,503,338</u></u>
Reconciliation of operating income to net cash	
from (used for) operating activities:	
Operating income	\$ 166,900
Adjustments to reconcile operating income to net cash	
from (used for) operating activities:	
Depreciation expense	<u>120,878</u>
Net cash from (used for) operating activities	<u><u>\$ 287,778</u></u>

See accompanying notes.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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, 2009

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, 2009

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 2009.

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, 2009

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, 2009

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, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS:

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

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

Investments consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Certificates of Deposit	\$ 119,990	\$ 821,387
U.S. Treasury Securities	<u>74,852</u>	<u>189,676</u>
	<u>\$ 194,842</u>	<u>\$1,011,063</u>

NOTE 3 - CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES:

	<u>Balances April 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances April 30, 2009</u>
Capital assets not being depreciated:				
Construction in progress	\$ <u>-0-</u>	\$ <u>110,378</u>	\$ <u>-0-</u>	\$ <u>110,378</u>
Capital assets being depreciated:				
Sewer system and equipment	5,761,443	50,310		5,811,753
Water system and equipment	<u>1,781,399</u>	<u> </u>	<u> </u>	<u>1,781,399</u>
Total capital assets being depreciated	7,542,842	50,310	-0-	7,593,152
Less: Accumulated depreciation	<u>(5,914,110)</u>	<u>(120,878)</u>	<u> </u>	<u>(6,034,988)</u>
Total capital assets being depreciated, net	1,628,732	<u>(70,568)</u>	-0-	<u>1,558,164</u>
Total capital assets, net	<u>\$ 1,628,732</u>	\$ <u>39,810</u>	\$ <u>-0-</u>	\$ <u>1,668,542</u>

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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 2008 was 7.91 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 2008, the City's annual pension cost of \$59,190 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>
2008	\$59,190	100%	\$-0-
2007	60,902	100%	-0-
2006	59,393	100%	-0-

The required contribution for 2008 was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, 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 11.6% 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 Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular 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, 2006 valuation was 24 years.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE 4 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued):

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the City's IMRF plan was 90.71 percent funded. The actuarial accrued liability for benefits was \$1,822,082 and the actuarial value of assets was \$1,652,723, resulting in an underfunded actuarial accrued liability (UAAL) of \$169,359. The covered payroll (annual payroll of active employees covered by the plan) was \$748,299 and the ratio of the UAAL to the covered payroll was 23 percent.

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

NOTE 5 - RESERVED EQUITY:

General Fund

Revenues and expenditures from certain tax levies are recorded in the General Fund. At April 30, 2009, the City has reserved the cumulative excess of revenues over expenditures allocable to these levies. Accordingly, fund balance is reserved for the following amount:

Municipal Band	\$ <u>6,794</u>
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Motor Fuel Tax Fund

The City has reserved the unexpended amounts allotted for the street maintenance program totaling \$65,971.

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, 2009, for collections received from the calendar year 2007 levy. Property taxes levied for calendar year 2007, were intended to finance the fiscal year 2009 expenditures. The property taxes levied for the calendar year 2008 which will be collected in fiscal year 2010 are not recorded in these financial statements.

CITY OF MOMENCE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE 7 - RISK MANAGEMENT:

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

The City's cost is based on rates determined by the Trustees of the Fund. Members of the Fund may also be subject to additional contributions not to exceed 10 percent of such member's contribution for the most recent fiscal year of the Fund if additional reserves are deemed necessary by the Fund's trustees. No additional assessments were due for the Fund fiscal year ended April 2008. Assessments, if any, for the Fund fiscal year ended April 2009 are not determinable.

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, 2009 is as follows:

	<u>Gallons</u>	<u>Water</u>	<u>Sewer</u>	<u>Expenses</u>
Billed for the period May 1, 2008 through April 30, 2009	<u>58,641,300</u>	<u>\$63,837</u>	<u>\$148,360</u>	<u>\$144,940</u>

NOTE 9 - COMMITMENTS:

The City has an active construction project as of April 30, 2009. This project and the City's commitment with the contractors at April 30, 2009 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Business-type activities: Clarifier screen	<u>\$100,378</u>	<u>\$47,305</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOMENCE, ILLINOIS
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the year ended April 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
General property taxes	\$ 315,000	\$ 314,017	\$ (983)
State replacement taxes	35,000	37,507	2,507
State income taxes	250,000	294,149	44,149
State sales and use taxes	435,000	386,700	(48,300)
Grant revenue	30,000		(30,000)
Garbage fees	160,000	158,670	(1,330)
Licenses and fees	17,500	860	(16,640)
Building and electrical permits	30,500	19,366	(11,134)
Fines	74,700	126,579	51,879
Franchise agreements	22,500	22,479	(21)
Cable and amusement fees	20,000	10,219	(9,781)
Refunds and reimbursements	2,000	2,700	700
Interest income	18,000	14,366	(3,634)
Miscellaneous	32,000	24,249	(7,751)
Total revenues	<u>1,442,200</u>	<u>1,411,861</u>	<u>(30,339)</u>
Expenditures:			
General government	723,560	346,961	(376,599)
Public safety	947,050	740,949	(206,101)
Public works/transportation	575,800	436,679	(139,121)
Health and welfare	197,000	162,330	(34,670)
Culture and recreation	141,000	12,307	(128,693)
Total expenditures	<u>2,584,410</u>	<u>1,699,226</u>	<u>(885,184)</u>
Net change in fund balance	<u>\$ (1,142,210)</u>	(287,365)	<u>\$ 854,845</u>
Fund balance, May 1, 2008		<u>388,139</u>	
Fund balance, April 30, 2009		<u>\$ 100,774</u>	

CITY OF MOMENCE, ILLINOIS
NOTE TO BUDGETARY COMPARISON SCHEDULE
April 30, 2009

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, 2009

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, 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	(53,613)	103.14%	684,811	(7.83%)
December 31, 2003	1,627,926	1,646,487	18,561	98.87%	633,173	2.93%
December 31, 2002	1,529,479	1,457,762	(71,717)	104.92%	628,661	(11.41%)
December 31, 2001	1,526,016	1,270,399	(255,617)	120.12%	534,587	(47.82%)
December 31, 2000	1,384,408	1,127,750	(256,658)	122.76%	504,928	(50.83%)
December 31, 1999	1,194,419	1,147,671	(46,748)	104.07%	573,331	(8.15%)

* On a market value basis, the actuarial value of assets as of December 31, 2008 is \$1,203,399. On a market basis, the funded ratio would be 66.05%.

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, 2009
(With comparative amounts for the year ended April 30, 2008)

	Original and Final Budget	2009 Actual	2008 Actual
Revenues:			
General property taxes	\$ 315,000	\$ 314,017	\$ 301,991
State replacement taxes	35,000	37,507	40,963
State income taxes	250,000	294,149	272,888
State sales and use taxes	435,000	386,700	404,530
Grant revenue	30,000		
Garbage fees	160,000	158,670	156,871
Licenses and fees	17,500	860	16,845
Building and electrical permits	30,500	19,366	30,592
Fines	74,700	126,579	127,885
Franchise agreements	22,500	22,479	23,390
Cable and amusement fees	20,000	10,219	20,006
Refunds and reimbursements	2,000	2,700	9,359
Interest income	18,000	14,366	35,692
Miscellaneous	32,000	24,249	127,811
Total revenues	1,442,200	1,411,861	1,568,823
Expenditures:			
General government:			
Mayor's department	24,950	15,283	16,270
City clerk department	71,150	45,077	50,415
City treasurer department	33,000	18,005	25,559
Public property department	89,000	32,896	99,171
Zoning and planning commission	14,000	20,188	25,333
Insurance department	143,000	135,937	114,709
Legal department	87,000	23,564	42,083
Local improvement department	173,000	46,359	70,873
Liquor commission	6,200	1,615	1,615
City hall	88,260	9,698	3,545
Total general government	729,560	348,621	449,572
Public safety:			
Street lighting	57,000	45,100	41,759
Police department	890,050	695,849	680,793
Total public safety	947,050	740,949	722,552

(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, 2009

(With comparative amounts for the year ended April 30, 2008)

	Original and Final Budget	2009 Actual	2008 Actual
Public works:			
Engineering department	\$ 47,000		\$ 8,231
Street and alley department	522,800	\$ 435,018	442,007
Total public works	<u>569,800</u>	<u>435,018</u>	<u>450,238</u>
Health and welfare:			
Waste removal	180,000	158,553	146,853
Sewer and water department	17,000	3,777	3,282
Total health and welfare department	<u>197,000</u>	<u>162,330</u>	<u>150,135</u>
Culture and recreation:			
Community center	141,000	12,307	111,071
Total expenditures	<u>2,584,410</u>	<u>1,699,226</u>	<u>1,883,569</u>
Net change in fund balance	<u><u>\$(1,142,210)</u></u>	<u><u>\$ (287,365)</u></u>	<u><u>\$ (314,746)</u></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, 2009

	Water	Sewer	Total
Operating revenues:			
Fees for services	\$ 391,583	\$ 710,804	\$ 1,102,387
Meter sales and tap-on fees	440		440
Other operating income		110	110
	392,023	710,914	1,102,937
Operating expenses:			
Personal services	60,704	136,292	196,996
Payroll taxes and benefits	31,019	44,003	75,022
Utilities	33,131	226,650	259,781
Repairs and maintenance	43,323	96,259	139,582
Materials and supplies	23,086	33,614	56,700
Testing expenses	6,681	7,308	13,989
Waste removal		36,978	36,978
Chemicals		9,052	9,052
Professional services	2,940	2,352	5,292
Depreciation	53,328	67,550	120,878
Other operating expenses	3,059	18,708	21,767
	257,271	678,766	936,037
Operating income	\$ 134,752	\$ 32,148	166,900
Nonoperating revenue:			
Interest income			51,724
Change in net assets			218,624
Net assets, May 1, 2008			4,190,460
Net assets, April 30, 2009			\$ 4,409,084

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF OPERATING EXPENSES - MODIFIED CASH BASIS
SEWER DEPARTMENT
For the year ended April 30, 2009

	<u>Pre-treatment</u>	<u>Final Treatment</u>	<u>Total</u>
Personal services		\$ 136,292	\$ 136,292
Social security taxes		10,113	10,113
IMRF expense		9,724	9,724
Health insurance		24,166	24,166
Telephone	\$ 4,349	8,129	12,478
Electricity	55,006	142,667	197,673
Heating	16,498		16,498
Repairs and maintenance	67,045	29,214	96,259
Gas, fuel, & oil		1,466	1,466
Supplies	21,707	10,442	32,149
Testing expenses		7,308	7,308
Waste removal		36,978	36,978
Chemicals	610	8,442	9,052
Professional services		2,352	2,352
Depreciation		67,550	67,550
Other operating expenses	100	18,608	18,708
Total operating expenses	<u>\$ 165,315</u>	<u>\$ 513,451</u>	<u>\$ 678,766</u>

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, RATES,
EXTENSIONS AND COLLECTIONS
For the tax levy years 2004 through 2008

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assessed valuations	<u>\$ 54,202,589</u>	<u>\$52,164,829</u>	<u>\$ 48,776,566</u>	<u>\$ 42,828,234</u>	<u>\$ 40,129,261</u>
Tax rates (percents):					
General corporate	0.248	0.245	0.251	0.246	0.250
Police protection	0.076	0.076	0.078	0.074	0.075
Liability insurance	0.090	0.089	0.091	0.106	0.090
Illinois municipal retirement					0.038
Workmen's compensation	0.079	0.078	0.081	0.093	0.075
Total tax rates	<u>0.493</u>	<u>0.488</u>	<u>0.501</u>	<u>0.519</u>	<u>0.528</u>
Tax extensions:					
General corporate	\$ 134,422	\$ 127,804	\$ 122,429	\$ 105,357	\$ 100,323
Police protection	41,194	39,645	38,046	31,693	30,097
Liability insurance	48,782	46,427	44,387	45,398	36,116
Illinois municipal retirement					15,249
Workmen's compensation	42,820	40,689	39,509	39,830	30,097
Total tax extensions	<u>\$ 267,219</u>	<u>\$ 254,565</u>	<u>\$ 244,371</u>	<u>\$ 222,278</u>	<u>\$ 211,882</u>
Tax collections:					
General Fund		\$ 254,143	\$ 243,877	\$ 221,941	\$ 212,266
Road & Bridge Twp Levy		59,874	58,114	53,525	50,803
Total tax collections		<u>\$ 314,017</u>	<u>\$ 301,991</u>	<u>\$ 275,466</u>	<u>\$ 263,069</u>
Percentage of General Fund extensions collected		<u>99.83%</u>	<u>99.80%</u>	<u>99.85%</u>	<u>100.18%</u>

CITY OF MOMENCE, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN
April 30, 2009

Assessed valuation -2008 levy year, net of abatements	<u>\$ 54,202,589</u>
Statutory debt limit - 8.625% of assessed valuation	\$ 4,674,973
Total debt	<u>-0-</u>
Legal debt margin	<u>\$ 4,674,973</u>