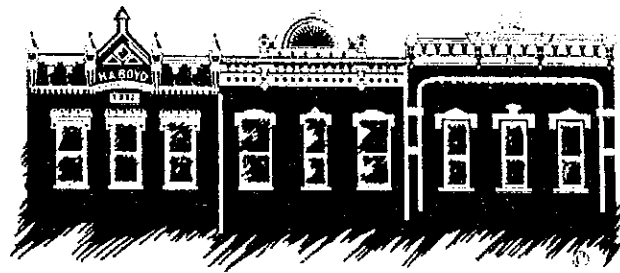


CITY OF MORRISON,
ILLINOIS



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED APRIL 30, 2009

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CITY OF MORRISON, ILLINOIS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Drey	Mayor	2009
Guy Hayenga	Alderman	2009
David Rose	Alderman	2009
Ann Slavin	Alderman	2009
Pat Zuidema	Alderman	2009
Barbara Bees	Alderman	2011
Jim Blakemore	Alderman	2011
Scott Connelly	Alderman	2011
Bob Snodgrass	Alderman	2011
Tim D. Long	City Administrator	Indefinite
Lester Weinstine	City Attorney	Indefinite
Keith B. Frederick	City Treasurer	Indefinite
Melanie Schroeder	City Clerk	2009

Independent Auditor's Report

Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morrison, Illinois, as of and for the year ended April 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Morrison, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morrison, Illinois, as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010, on our consideration of the City of Morrison, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and Budgetary Comparison Information on pages 4 through 10 and 41 through 47 are not required parts of the basic financial statements, but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morrison, Illinois' basic financial statements. Other supplemental information is presented for purposes of additional analysis and is 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.

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other form of assurance on them.

Clifton Gunderson LLP

Clinton, Iowa
February 5, 2010

CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009

The City of Morrison, Illinois provides this Management's Discussion and Analysis ("MD&A") of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended April 30, 2009. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The City's Governmental Activities net assets declined from \$4,186,961 (April 30, 2008) to \$3,483,806 on April 30, 2009. The Business-Type Activities net assets, \$2,015,050 on April 30, 2008, rose to \$2,202,618 on April 30, 2009.
- The City's combined Governmental Funds balance on April 30, 2009 was \$1,168,130, a decrease of \$147,131 from the prior year end balance of \$1,315,261.
- The April 30, 2009 General Fund balance alone stood at \$812,746, down significantly from the \$1,763,189 balance for the prior year end.
- General Fund revenues decreased from \$1,654,980 in fiscal year 2008 to \$1,531,895 in fiscal year 2009, while General Fund expenditures increased from \$1,547,763 in fiscal year 2008 to \$1,868,303 in fiscal year 2009.
- The Water and Sewer Fund revenues increased approximately 5% from \$628,743 in fiscal year 2008 to \$661,856 in fiscal year 2009. Water and Sewer Fund expenditures increased approximately 19% from \$657,051 in fiscal year 2008 to \$784,576 in fiscal year 2009.

The increase in General Fund expenditures is due to factors both within and outside of the city's control. In order to reduce the projected shortfall in the water and sewer enterprise fund, the 2009 budget continued with a reallocation of administrative overhead and expenses (predominantly City Hall administrative staff and operating expenses) away from the water and sewer fund and into the general fund. The allocation of 74% general and 26% water and sewer was based upon the ratio of operating expenses between funds at the beginning of the year. Of the approximately \$306,000 increase in expenses from FY 2008 to FY 2009, there was approximately \$200,000 in significant and unique changes or unexpected costs: \$48,000 was spent on the process of dealing with a collapsing 3 story historic building in the central business district, including engineering, litigation, and structure stabilization; \$6,000 was expended in the first phase of a complete re-codification of the City's ordinances; \$58,000 was spent replacing the Chief of Police, including the retirement package for the retiring Chief, costs of service for an interim Chief, and costs for conducting the selection process of the new Chief; an additional \$4,000 more than the previous year was spent on natural gas for heating the City Library; and, the Community Development budget was increased \$30,000 over the prior year due to the hiring of a full-time Director.

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the City's major funds budgets for the year to the major funds activity for the year.

Other Supplemental Information provides detailed information about the nonmajor governmental funds and provides various statistical information.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Government-wide Financial Statements are designed to emulate the corporate sector's annual reports by consolidating all governmental and business-type activities into columns that add to a total for the Primary Government. The Statement of Net Assets and Statement of Activities report provide information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental Activities include general government, public safety, public works, culture and recreation, and community and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- Business-type Activities include the water and sewer systems. These activities are financed primarily by user charges and are intended to be self sustaining.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Permanent Fund, 4) the Capital Projects Fund, and 5) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the City's Enterprise Fund and Internal Service Fund. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund is the Water and Sewer Fund and is considered to be a major fund of the City. The City is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

	Governmental		Net Assets at Year-End		Total	
	Activities		Business-type			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,715,727	\$ 3,458,356	\$ 430,325	\$ 436,521	\$ 3,146,052	\$ 3,894,877
Capital assets	<u>4,624,827</u>	<u>2,950,411</u>	<u>1,829,610</u>	<u>1,627,965</u>	<u>6,454,437</u>	<u>4,578,376</u>
Total assets	<u>7,340,554</u>	<u>6,408,767</u>	<u>2,259,935</u>	<u>2,064,486</u>	<u>9,600,489</u>	<u>8,473,253</u>
Long-term liabilities	2,290,305	109,551	23,028	19,144	2,313,333	128,695
Other liabilities	<u>1,566,443</u>	<u>2,112,255</u>	<u>34,289</u>	<u>30,292</u>	<u>1,600,732</u>	<u>2,142,547</u>
Total liabilities	<u>3,856,748</u>	<u>2,221,806</u>	<u>57,317</u>	<u>49,436</u>	<u>3,914,065</u>	<u>2,271,242</u>
Net assets:						
Invested in capital assets, net of related debt	2,382,918	2,920,739	1,829,610	1,627,965	4,212,528	4,548,704
Restricted for:						
Other special revenue purposes	1,284,951	-	-	-	1,184,951	-
Unrestricted	<u>(184,063)</u>	<u>1,266,222</u>	<u>373,008</u>	<u>387,085</u>	<u>188,945</u>	<u>1,653,307</u>
Total net assets	<u>\$ 3,483,806</u>	<u>\$ 4,186,961</u>	<u>\$ 2,202,618</u>	<u>\$ 2,015,050</u>	<u>\$ 5,686,424</u>	<u>\$ 6,202,011</u>

Net assets of governmental activities decreased from fiscal 2008 by approximately \$703,000, or 16.79%. This is primarily due to an increase in total expenses during the current year compared to the prior year. There were significant expenses incurred on the construction of the 35-acre sports complex and there were additional administrative wage reallocations from the City's water and sewer department. Net assets of business-type activities increased from fiscal 2008 by approximately \$188,000, or 9.31%. The reason for the increase is due to the change in administrative overhead costs charged to the Water and Sewer Fund and a slight increase in revenues from the prior year. A portion of the City's net assets is invested in capital assets less the related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$188,000 at the end of this year.

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

	Changes in Net Assets for the Year Ended April 30,					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services contributions	\$ 423,007	\$ 535,665	\$ 653,653	\$ 617,471	\$ 1,076,660	\$1,153,136
Capital grants and contributions	-	1,084	-	-	-	1,084
	685	16,130	-	-	685	16,130
General Revenues:						
Property taxes	441,395	437,904	-	-	441,395	437,904
Utility tax	228,461	203,230	-	-	228,461	203,230
Telecommunication tax	113,062	114,181	-	-	113,062	114,181
Road and bridge tax	26,357	24,500	-	-	26,357	24,500
State income tax	384,346	418,064	-	-	384,346	418,064
Replacement tax	52,659	61,246	-	-	52,659	61,246
Sales tax	515,437	530,690	-	-	515,437	530,690
Miscellaneous	21,705	24,267	-	632	21,705	24,899
Unrestricted investment earnings	<u>54,364</u>	<u>92,744</u>	<u>8,203</u>	<u>10,640</u>	<u>62,567</u>	<u>103,384</u>
Total revenues	<u>2,261,478</u>	<u>2,459,705</u>	<u>661,856</u>	<u>628,743</u>	<u>2,923,334</u>	<u>3,088,448</u>
Expenses:						
General government	1,066,932	846,319	-	-	1,066,932	846,319
Public safety	562,564	480,583	-	-	562,564	480,583
Public works	520,818	468,922	-	-	520,818	468,922
Culture and recreation	299,431	291,958	-	-	299,431	291,958
Community and economic development	56,245	22,861	-	-	56,245	22,861
Capital outlay	148,355	425,711	-	-	148,355	425,711
Water and sewer	-	-	<u>784,576</u>	<u>657,051</u>	<u>784,576</u>	<u>657,051</u>
Total expenses	<u>2,654,345</u>	<u>2,536,354</u>	<u>784,576</u>	<u>657,051</u>	<u>3,438,921</u>	<u>3,193,405</u>
Change in net assets before transfers	(392,867)	(76,649)	(122,720)	(28,308)	(515,587)	(104,957)
Transfers	<u>(310,288)</u>	<u>(138,431)</u>	<u>310,288</u>	<u>138,431</u>	<u>-</u>	<u>-</u>
Change in net assets	(703,155)	(215,080)	187,568	110,123	(515,587)	(104,957)
Net assets - beginning of year	<u>4,186,961</u>	<u>4,402,041</u>	<u>2,015,050</u>	<u>1,904,927</u>	<u>6,202,011</u>	<u>6,306,968</u>
Net assets - end of year	<u>\$ 3,483,806</u>	<u>\$ 4,186,961</u>	<u>\$ 2,202,618</u>	<u>\$ 2,015,050</u>	<u>\$ 5,686,424</u>	<u>\$6,202,011</u>

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Morrison, Illinois completed this year, its governmental funds reported a combined fund balance of \$1,168,130, which is \$147,131 less than the \$1,315,261 total fund balance at April 30, 2008. Expenditures for replacement of capital equipment, and even more significantly, expenses for the continued development and construction of the new sports complex were responsible for the drop in governmental funds.

Proprietary Fund Highlights

The water and sewer fund ended fiscal year 2009 with a \$2,202,618 net asset balance compared to the prior year ending net asset balance of \$2,015,050. The increase is primarily due to the result of an increase in the net value of depreciable assets.

BUDGETARY HIGHLIGHTS

The budgetary comparison and related disclosures are reported as Required Supplemental Information. The General, Debt Service, and Water and Sewer Funds exceeded their final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's capital assets for governmental activities totaled \$4,624,827 (net of accumulated depreciation) at April 30, 2009. Capital assets for business-type activities totaled \$1,829,610 (net of accumulated depreciation) at April 30, 2009. See Note 5 to the financial statements for more information about the City's capital assets.

Long-term Debt

At April 30, 2009, the City had \$2,290,305 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$23,028 at April 30, 2009.

**CITY OF MORRISON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2009**

ECONOMIC FACTORS THAT MAY EFFECT THE CITY'S FUTURE

During the year ending April 30, 2009, the continued economic recession eroded both local sales tax receipts, especially auto sales, and the City's pro-rata share of state income taxes. Although some economists point to a slowing in the downturn, we have not seen anything but continuing weakness from both of these important sources of revenue (\$889,000 in FY 2008), which constitute some 48% of the general fund's operating revenue. We do not plan on seeing a return to the 2008 level of revenues for some time, and will budget accordingly. Additionally, in a post year-end event, the local General Electric assembly plant, which employs 130 employees from the area, announced it will cease operations and close in July, 2010. On a more positive note, the City's 35-acre sports complex will begin operations in April, 2010, with the potential for drawing baseball and softball league tournament activity, generating revenues from field rent and concessions, and bringing players and their families to town.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's finances and operating activities. If you have any questions or require additional information please contact the City Administrator at:

Tim D. Long
City Administrator
City Hall
200 West Main Street
Morrison, Illinois 61270
815-772-7657
tlong@morrisonil.org

BASIC FINANCIAL STATEMENTS

CITY OF MORRISON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2009

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,899,270	\$ 340,479	\$ 2,239,749
Receivables:			
Taxes	750,485	-	750,485
Accounts	21,692	72,884	94,576
DCCA - Climco	8,588	-	8,588
DCCA - Altronics	2,213	-	2,213
Prepaid expenses	33,479	16,962	50,441
Noncurrent assets:			
Land and construction in progress	3,479,269	85,514	3,564,783
Depreciable assets	2,860,805	5,177,300	8,038,105
Less: accumulated depreciation	<u>(1,715,247)</u>	<u>(3,433,204)</u>	<u>(5,148,451)</u>
Total assets	<u>7,340,554</u>	<u>2,259,935</u>	<u>9,600,489</u>
LIABILITIES			
Current liabilities:			
Cash overdrafts	753,670	-	753,670
Accounts payable and accrued liabilities	293,795	16,039	309,834
Accrued interest payable	34,171	-	34,171
Deferred tax revenue	484,807	-	484,807
Customer deposits	-	18,250	18,250
Noncurrent liabilities:			
Portion due or payable within one year:			
General obligation bonds	310,000	-	310,000
Compensated absences	22,795	5,464	28,259
Capital leases payable	6,293	-	6,293
Portion due or payable after one year:			
General obligation bonds	1,874,000	-	1,874,000
Compensated absences	59,772	17,564	77,336
Capital leases payable	17,445	-	17,445
Total liabilities	<u>3,856,748</u>	<u>57,317</u>	<u>3,914,065</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,382,918	1,829,610	4,212,528
Restricted for:			
Other purposes	1,284,951	-	1,284,951
Unrestricted	<u>(184,063)</u>	<u>373,008</u>	<u>188,945</u>
Total net assets	<u>\$ 3,483,806</u>	<u>\$ 2,202,618</u>	<u>\$ 5,686,424</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MORRISON, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 1,066,932	\$ 268,253	\$ -
Public safety	562,564	-	-
Public works	520,818	116,046	-
Culture and recreation	299,431	38,708	685
Community and economic development	56,245	-	-
Capital outlay	148,355	-	-
Total governmental activities	<u>2,654,345</u>	<u>423,007</u>	<u>685</u>
Business-type activities			
Water and sewer	<u>784,576</u>	<u>653,653</u>	<u>-</u>
Total government	<u>\$ 3,438,921</u>	<u>\$ 1,076,660</u>	<u>\$ 685</u>
General revenues:			
Taxes:			
Property taxes			
Utility tax			
Telecommunication tax			
Road and bridge tax			
State income tax			
Replacement tax			
Sales tax			
Miscellaneous			
Unrestricted investment earnings			
Total general revenues			
Transfers (net)			
CHANGE IN NET ASSETS			
NET ASSETS, BEGINNING OF YEAR			
NET ASSETS, END OF YEAR			

**Net (Expenses) Revenues
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (798,679)	\$ -	\$ (798,679)
(562,564)	-	(562,564)
(404,772)	-	(404,772)
(260,038)	-	(260,038)
(56,245)	-	(56,245)
(148,355)	-	(148,355)
<u>(2,230,653)</u>	<u>-</u>	<u>(2,230,653)</u>
-	<u>(130,923)</u>	<u>(130,923)</u>
<u>(2,230,653)</u>	<u>(130,923)</u>	<u>(2,361,576)</u>
441,395	-	441,395
228,461	-	228,461
113,062	-	113,062
26,357	-	26,357
384,346	-	384,346
52,659	-	52,659
515,437	-	515,437
21,705	-	21,705
54,364	<u>8,203</u>	<u>62,567</u>
1,837,786	8,203	1,845,989
<u>(310,288)</u>	<u>310,288</u>	<u>-</u>
(703,155)	187,568	(515,587)
<u>4,186,961</u>	<u>2,015,050</u>	<u>6,202,011</u>
<u>\$ 3,483,806</u>	<u>\$ 2,202,618</u>	<u>\$ 5,686,424</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MORRISON, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
April 30, 2009

	Special Revenue		
	General <u>Fund</u>	Motor Fuel <u>Tax Fund</u>	Revolving Loan <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 602,351	\$ 501,387	\$ 592,804
Receivables:			
Property taxes	104,023	-	-
Motor fuel taxes	-	8,880	-
Other taxes	263,866	-	-
Accounts	19,343	-	-
DCCA - Climco	-	-	8,588
DCCA - Altronics	-	-	2,213
Prepaid expenditures	33,479	-	-
Due from other funds	4,469	-	-
	<u>\$ 1,027,531</u>	<u>\$ 510,267</u>	<u>\$ 603,605</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash overdrafts	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	89,584	-	-
Deferred tax revenue	125,201	-	-
Due to other funds	-	-	-
Total liabilities	<u>214,785</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for prepaid expenditures	33,479	-	-
Unreserved, undesignated reported in:			
General fund	779,267	-	-
Special revenue funds	-	510,267	603,605
Capital projects fund	-	-	-
Debt service fund	-	-	-
Unreserved, designated for:			
Permanent fund	-	-	-
Total fund balances	<u>812,746</u>	<u>510,267</u>	<u>603,605</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,027,531</u>	<u>\$ 510,267</u>	<u>\$ 603,605</u>

<u>Special Revenue</u> Illinois Municipal Retirement Fund	<u>Capital Improvement Replacement and Repair Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 64,827	\$ -	\$ 122,576	\$ 1,883,945
170,036	-	189,570	463,629
-	-	-	8,880
-	14,110	-	277,976
-	-	2,349	21,692
-	-	-	8,588
-	-	-	2,213
-	-	-	33,479
-	-	-	4,469
<u>\$ 234,863</u>	<u>\$ 14,110</u>	<u>\$ 314,495</u>	<u>\$ 2,704,871</u>
\$ -	\$ 751,321	\$ 2,349	\$ 753,670
-	170,039	34,172	293,795
170,036	-	189,570	484,807
-	-	4,469	4,469
<u>170,036</u>	<u>921,360</u>	<u>230,560</u>	<u>1,536,741</u>
-	-	-	33,479
-	-	-	779,267
64,827	-	7,601	1,186,300
-	(907,250)	-	(907,250)
-	-	(24,032)	(24,032)
-	-	100,366	100,366
<u>64,827</u>	<u>(907,250)</u>	<u>83,935</u>	<u>1,168,130</u>
<u>\$ 234,863</u>	<u>\$ 14,110</u>	<u>\$ 314,495</u>	<u>\$ 2,704,871</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MORRISON, ILLINOIS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2009**

Total governmental fund balances (page 16) \$ 1,168,130

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Construction in progress	\$	3,479,269	
Plant and related properties		1,459,700	
Infrastructure		197,231	
Machinery and equipment		578,887	
Vehicles		624,987	
Accumulated depreciation		<u>(1,715,247)</u>	
			4,624,827

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 15,325

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable		(34,171)	
Accrued compensated absences		(82,567)	
Bonds payable		(2,184,000)	
Capital leases payable		<u>(23,738)</u>	
			<u>(2,324,476)</u>

Net assets of governmental activities (page 12) \$ 3,483,806

The accompanying notes are an integral part of the financial statements.

CITY OF MORRISON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
Year Ended April 30, 2009

	Special Revenue		
	General Fund	Motor Fuel Tax Fund	Revolving Loan Fund
REVENUES			
Property taxes	\$ 100,429	\$ -	\$ -
State of Illinois - motor fuel tax allotments	-	116,046	-
Intergovernmental revenue	1,091,860	-	-
Licenses and permits	13,941	-	-
Franchise fees	43,135	-	-
Fines and costs	13,921	-	-
Charges for services	226,298	-	-
Cemetery lot sales	9,641	-	-
Donations	-	-	-
Interest	12,597	15,199	13,285
Miscellaneous	20,073	-	-
Total revenues	1,531,895	131,245	13,285
EXPENDITURES			
General government	730,927	-	-
Public safety	472,142	-	-
Public works	407,212	14,387	-
Culture and recreation	202,895	-	-
Community and economic development	55,127	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	1,868,303	14,387	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(336,408)	116,858	13,285
OTHER FINANCING SOURCES (USES)			
Operating transfers in	43,910	30,782	-
Operating transfers out	(657,945)	-	-
Bond proceeds	-	-	-
Discount on bonds	-	-	-
Total other financing sources (uses)	(614,035)	30,782	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(950,443)	147,640	13,285
FUND BALANCES, MAY 1, 2008	1,763,189	362,627	590,320
FUND BALANCES, APRIL 30, 2009	\$ 812,746	\$ 510,267	\$ 603,605

<u>Special Revenue</u> Illinois Municipal Retirement Fund	<u>Capital Improvement Replacement and Repair Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 152,726	\$ -	\$ 188,240	\$ 441,395
-	-	-	116,046
-	209,342	19,119	1,320,321
-	-	-	13,941
-	-	-	43,135
-	-	25	13,946
-	-	-	226,298
-	-	-	9,641
-	-	685	685
-	6,180	7,103	54,364
-	-	1,632	21,705
<u>152,726</u>	<u>215,522</u>	<u>216,804</u>	<u>2,261,477</u>
105,594	-	65,330	901,851
-	-	55,419	527,561
-	-	-	421,599
-	-	73,691	276,586
-	-	-	55,127
-	1,992,738	-	1,992,738
-	-	75,125	75,125
-	31,733	-	31,733
<u>105,594</u>	<u>2,024,471</u>	<u>269,565</u>	<u>4,282,320</u>
<u>47,132</u>	<u>(1,808,949)</u>	<u>(52,761)</u>	<u>(2,020,843)</u>
-	597,824	29,340	701,856
-	(315,123)	(39,076)	(1,012,144)
-	2,200,000	-	2,200,000
-	(16,000)	-	(16,000)
<u>-</u>	<u>2,466,701</u>	<u>(9,736)</u>	<u>1,873,712</u>
47,132	657,752	(62,497)	(147,131)
<u>17,695</u>	<u>(1,565,002)</u>	<u>146,432</u>	<u>1,315,261</u>
<u>\$ 64,827</u>	<u>\$ (907,250)</u>	<u>\$ 83,935</u>	<u>\$ 1,168,130</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MORRISON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2009

Net change in fund balances - total governmental funds (page 19) \$ (147,131)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is associated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 1,844,384	
Depreciation:		
General government	(37,765)	
Public safety	(24,302)	
Public works	(90,667)	
Culture and recreation	<u>(17,234)</u>	
		1,674,416

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The net expense of certain activities of the internal service fund is reported with governmental activities. (15,515)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues are as follows:

Bonds issued	(2,200,000)	
Discount on general obligation bonds issued	16,000	
Payment on capital leases payable	<u>5,934</u>	
		(2,178,066)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.

Increase in compensated absences		(2,688)
Interest on long-term debt		<u>(34,171)</u>

Change in net assets of governmental activities (page 14) \$ (703,155)

The accompanying notes are an integral part of the financial statements.

**CITY OF MORRISON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2009**

	<u>Total Water and Sewer</u>	<u>Internal Service Self Insured Deductible</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 340,479	\$ 15,325
Receivables:		
Accounts	72,884	-
Prepaid expenses	16,962	-
Total current assets	430,325	15,325
NONCURRENT ASSETS		
Land and construction in progress	85,514	-
Water plant and related properties	2,205,620	-
Sewer plant and related properties	2,915,560	-
Machinery and equipment	16,267	-
Vehicles	39,853	-
Total - at cost	5,262,814	-
Less: accumulated depreciation	3,433,204	-
Total noncurrent assets	1,829,610	-
Total assets	2,259,935	15,325
CURRENT LIABILITIES		
Accounts payable	10,743	-
Accrued wages payable	5,296	-
Customer deposits	18,250	-
Total current liabilities	34,289	-
NONCURRENT LIABILITIES		
Accrued compensated absences	23,028	-
Total liabilities	57,317	-
NET ASSETS		
Invested in capital assets, net of related debt	1,829,610	-
Unrestricted	373,008	15,325
Total net assets	\$ 2,202,618	\$ 15,325

The accompanying notes are an integral part of the financial statements.

**CITY OF MORRISON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended April 30, 2009**

	<u>Total Water and Sewer</u>	<u>Internal Service Self Insured Deductible</u>
OPERATING REVENUES		
Charges for services	\$ 647,007	\$ -
Penalties	6,646	-
Miscellaneous	-	-
Total operating revenues	653,653	-
OPERATING EXPENSES		
Personal services	229,029	-
Contractual services	352,858	-
Commodities	89,211	-
Reimbursements	-	15,515
Depreciation	113,478	-
Total operating expenses	784,576	15,515
Operating loss	(130,923)	(15,515)
NONOPERATING REVENUES		
Interest income	8,203	-
Loss before operating transfers	(122,720)	(15,515)
Operating transfers in	315,123	-
Operating transfers out	(4,835)	-
NET INCOME (LOSS)	187,568	(15,515)
NET ASSETS, MAY 1, 2008	2,015,050	30,840
NET ASSETS, APRIL 30, 2009	\$ 2,202,618	\$ 15,325

The accompanying notes are an integral part of the financial statements.

**CITY OF MORRISON, ILLINOIS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 Year Ended April 30, 2009**

	<u>Water and Sewer Department</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 649,160	\$ -
Cash paid to suppliers	(437,980)	-
Cash paid to employees	(227,333)	-
Cash paid for premiums, claims, and related services	-	(15,515)
Net cash used in operating activities	(16,153)	(15,515)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating transfers out	(4,835)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	8,203	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,785)	(15,515)
CASH AND CASH EQUIVALENTS, MAY 1, 2008	353,264	30,840
CASH AND CASH EQUIVALENTS, APRIL 30, 2009	\$ 340,479	\$ 15,325
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (130,923)	\$ (15,515)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	113,478	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(5,293)	-
(Increase) decrease in prepaid expenses	(1,296)	-
Increase (decrease) in accounts payable	5,385	-
Increase (decrease) in accrued wages payable	(2,188)	-
Increase (decrease) in accrued compensated absences	3,884	-
Increase (decrease) in customer deposits	800	-
Net cash used in operating activities	\$ (16,153)	\$ (15,515)

Non-cash investing and financing activities:

During the year, the Capital Improvement Replacement and Repair Fund transferred capital assets of \$290,954 to the Water and Sewer Fund.

The accompanying notes are an integral part of the financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Morrison, Illinois, is located in Whiteside County, Illinois and has a population of 4,447 per 2000 Bureau of Census data. The City is governed by a City mayor and eight aldermen. The principal offices are located at 200 West Main Street, Morrison, Illinois.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Reporting Entity

The financial statements include all funds of the City. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those agencies, offices, organizations, commissions, and public authorities over which the City's elected officials exercise oversight responsibility are included in the financial statements. Manifestations of oversight responsibility over an entity include: 1) financial interdependency, 2) selection of governing authority, 3) designation of management, 4) ability to significantly influence operations, and 5) accountability for fiscal matters.

Basis of Presentation

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The Motor Fuel Tax Fund is used to account for sources allocated to the City for maintenance and repair of City streets.

The Revolving Loan Fund is used to account for the Community Development Assistance Program (CDAP) Revolving Loan Fund Grants.

The Illinois Municipal Retirement Fund is used to account for sources allocated to the City for retirement contribution payments.

The Capital Improvement Replacement and Repair Fund is used to account for purchases of capital assets.

The City reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the operation and maintenance of the City's water and sewer systems.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund types:

The Internal Service Fund is used to account for the accumulation of resources from other funds and the costs related to the City's Self Insured Deductible Plan which provides health insurance benefits to its employees.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Property taxes, intergovernmental revenue, charges for services, and interest are susceptible to accrual. All other revenue items are considered to be measurable and available if the revenue has been earned by year-end and is received within sixty days after year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In reporting the financial activity of its proprietary fund, the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses 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 Internal Service Fund are charges to operating activities for employee health insurance benefits. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for the internal service fund and the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Fund Equity

Cash Equivalents - The City considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Unbilled Water Sales Receivable - Estimated water sales for water usage prior to April 30, 2009, which are unbilled at year end are recognized as current year revenue and are included in water sales receivables.

Due From and Due To Other Funds - During the course of its operations, the City has transactions between funds. To the extent certain transactions between funds had not been paid or received as of April 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Capital Assets - Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds:

Plant and related properties	\$ 25,000
Machinery and equipment	5,000
Vehicles	5,000

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Plant and related properties	10 to 40 years
Machinery and equipment	3 to 10 years
Vehicles	3 to 10 years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets - The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax that will not be recognized as revenue until the year for which it is levied.

Accumulated Unpaid Vacation and Sick-pay Benefit Amounts - Permanent employees are entitled to sick leave with pay in accordance with the following schedule:

- a) One day earned per month of service to a maximum accrued leave time of sixty days.
- b) After sixty days are accrued, employees have the option of trading unused sick leave exceeding sixty days for additional vacation leave at a rate of one vacation day for each two days of unused sick leave exceeding sixty days; or receiving one day of additional compensation for each four days of unused sick leave exceeding sixty days. Upon termination of employment, employees shall be compensated for all accrued sick leave at the rate of one day for each two days of accrued sick leave.

Paid vacation time is provided to City employees who have completed the following number of years of continuous service:

<u>Continuous Service</u>	<u>Vacation Earned</u>
After 1 year	2 weeks
After 5 years	3 weeks
After 15 years	4 weeks

Employees may carry over one week of vacation leave from one vacation season (twelve-month period between anniversary dates) to the next. Any vacation leave exceeding one week shall be lost if not taken within the vacation leave season.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplemental Information.

NOTE 2 - CASH AND CASH EQUIVALENTS

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council and the Treasurer of the State of Illinois.

Deposits - At April 30, 2009, the carrying amount of the City's deposits was \$1,486,079 and the bank balance was \$1,533,413. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no formal policy related to custodial credit risk for deposits. As of April 30, 2009, \$158,883 of the City's deposits were exposed to custodial credit risk because they were uncollateralized.

NOTE 3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of May 1. Taxes are levied by September 1 and payable the following year in two installments in June and September. In accordance with NCGA Interpretation No. 3, for governmental funds only property taxes which are due within the current year and collected are recognized as revenue and net taxes receivable are reflected as deferred revenue. It is the City's policy not to recognize collections after fiscal year end as revenues of that fiscal year. Property taxes in the proprietary and fiduciary funds are recorded on the accrual basis.

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

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended April 30, 2009 is as follows:

	Transfers In	Transfers Out
General fund	\$ 43,910	\$ 657,945
Motor fuel tax fund	30,782	-
Capital improvement replacement and repair fund	597,824	315,123
Nonmajor governmental funds	29,340	39,076
Water and sewer fund	315,123	4,835
	<u>\$ 1,016,979</u>	<u>\$ 1,016,979</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources and to account for various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended April 30, 2009, the Capital Improvement Replacement and Repair Fund transferred capital assets of \$315,123 to the Water and Sewer Fund.

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

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended April 30, 2009 is as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$1,657,012	\$1,822,257	\$ -	\$3,479,269
Capital assets being depreciated				
Plant and related properties	1,459,700	-	-	1,459,700
Infrastructure	197,231	-	-	197,231
Machinery and equipment	578,887	-	-	578,887
Vehicles	602,860	22,127	-	624,987
Total assets being depreciated	<u>2,838,678</u>	<u>22,127</u>	<u>-</u>	<u>2,860,805</u>
Less accumulated depreciation for:				
Plant and related properties	815,056	44,321	-	859,377
Infrastructure	25,237	9,861	-	35,098
Machinery and equipment	258,709	69,855	-	328,564
Vehicles	446,277	45,931	-	492,208
Total accumulated depreciation	<u>1,545,279</u>	<u>169,968</u>	<u>-</u>	<u>1,715,247</u>
Total capital assets being depreciated, net	<u>1,293,399</u>	<u>(147,841)</u>	<u>-</u>	<u>1,145,558</u>
Governmental activities capital assets, net	<u>\$2,950,411</u>	<u>\$1,674,416</u>	<u>\$ -</u>	<u>\$4,624,847</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
General government	\$ 37,765
Public safety	24,302
Public works	90,667
Culture and recreation	<u>17,234</u>
Total governmental activities depreciation expense	<u>\$ 169,968</u>

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

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	-	74,514	-	74,514
Total capital assets not being depreciated	<u>11,000</u>	<u>74,514</u>	<u>-</u>	<u>85,514</u>
Water plant and related property	1,992,495	213,125	-	2,205,620
Sewer plant and related property	2,888,076	27,484	-	2,915,560
Machinery and equipment	16,267	-	-	16,267
Vehicles	39,853	-	-	39,853
Total assets being depreciated	<u>4,936,691</u>	<u>240,609</u>	<u>-</u>	<u>5,177,300</u>
Less accumulated depreciation for:				
Water plant and related property	1,360,727	50,180	-	1,410,907
Sewer plant and related property	1,902,879	63,298	-	1,966,177
Machinery and equipment	16,267	-	-	16,267
Vehicles	39,853	-	-	39,853
Total accumulated depreciation	<u>3,319,726</u>	<u>113,478</u>	<u>-</u>	<u>3,433,204</u>
Total capital assets being depreciated, net	<u>1,616,965</u>	<u>127,131</u>	<u>-</u>	<u>1,744,096</u>
Business-type activities capital assets, net	<u>\$1,627,965</u>	<u>\$ 201,645</u>	<u>\$ -</u>	<u>\$1,829,610</u>

Depreciation expense was charged to functions of the City as follows:

Business-type activities:	
Water and sewer	<u>\$ 113,478</u>

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

NOTE 6 - INDIVIDUAL INTERFUND RECEIVABLES/PAYABLES

Balances of individual interfund receivables and payables at April 30, 2009, were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Grove Hill Cemetery Perpetual Care Fund	\$ 4,469	\$ -
Grove Hill Cemetery Perpetual Care Fund		
General Fund	-	4,469
Total	<u>\$ 4,469</u>	<u>\$ 4,469</u>

The interfund balance relates to interest income earned during the year that was allocated to the Grove Hill Cemetery Perpetual Care Fund.

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended April 30, 2009 is as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds \$ -	-	\$2,184,000	\$ -	\$2,184,000	\$ 310,000
Compensated absences <u>79,879</u>	<u>79,879</u>	<u>37,835</u>	<u>35,147</u>	<u>82,567</u>	<u>22,795</u>
Governmental activities, long-term liabilities	<u>\$ 79,879</u>	<u>\$2,221,835</u>	<u>\$ 35,147</u>	<u>\$2,266,567</u>	<u>\$ 332,795</u>

Bonds were sold at a discount; unamortized premium at June 30, 2009 totaled \$16,000.

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, End of Year</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences <u>\$ 19,144</u>	<u>\$ 19,144</u>	<u>\$ 11,422</u>	<u>\$ 7,538</u>	<u>\$ 23,028</u>	<u>\$ 5,464</u>

In previous years, the General Fund and the Water and Sewer Fund typically have been used to liquidate compensated absences.

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

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

Bonds. The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2009 are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
Corporate purpose	06/16/08	4.20-4.25	\$2,000,000	\$2,000,000
Corporate purpose	10/01/08	4.20-4.25	<u>200,000</u>	<u>200,000</u>
			<u>\$2,200,000</u>	<u>\$2,200,000</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$681,248, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 310,000	\$ 89,067	\$ 399,067
2011	115,000	77,506	192,506
2012	120,000	72,906	192,906
2013	125,000	68,106	193,106
2014	125,000	63,106	188,106
2015-2019	715,000	235,744	950,744
2020-2023	<u>690,000</u>	<u>74,813</u>	<u>764,813</u>
Total	<u>\$ 2,200,000</u>	<u>\$ 681,248</u>	<u>\$ 2,881,248</u>

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

NOTE 8 - OBLIGATIONS UNDER CAPITAL LEASES

The City is the lessee of equipment under a capital lease expiring in 2013. The assets are included in the machinery and equipment classification of capital assets. The cost and accumulated depreciation on equipment under the capital lease as of April 30, 2009 was \$32,511 and \$4,606, respectively.

Future minimum lease payments under these leases are as follows

2010	\$ 7,521
2011	7,521
2012	7,521
2013	<u>3,761</u>
Total minimum lease payments	26,324
Less amount representing interest	<u>(2,586)</u>
Present value of minimum lease payments	<u>\$ 23,738</u>

NOTE 9 - LEGAL DEBT MARGIN

Based on assessed valuation for 2008 of \$44,096,420, the legal debt margin is:

Statutory debt limitation \$44,096,420 X 8.625%	<u>\$3,803,316</u>
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NOTE 10 - PENSION PLAN

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

Funding Policy. As set by statute, your employer regular plan members are required to contribute 4.50 percent of their annual covered salary. The 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 12.16 percent of annual covered payroll. Your employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, the City's annual pension cost of \$117,614 for the regular plan was equal to the City's required and actual contributions.

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

NOTE 10 - PENSION PLAN (CONTINUED)

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>IMRF</u>			
12/30/08	\$117,614	100%	\$ -
12/30/07	209,274	100	-
12/30/06	194,517	100	-

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 your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of assets. Your employer 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 December 31, 2006 was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 67.53 percent funded. The actuarial accrued liability for benefits was \$2,839,325 and the actuarial value of assets was \$1,917,388, resulting in an underfunded actuarial accrued liability (UAAL) of \$921,937. The covered payroll (annual payroll of active employees covered by the plan) was \$967,217 and the ratio of UAAL to the covered payroll was 95 percent.

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

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

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss including employee health, property, liability and casualty, worker compensation, and public officer's liability. In order to limit its exposure in risk, the City participates in the Illinois Municipal Risk Management Association, a public entity risk pool for workmen's compensation, and a portion of its property and casualty coverage. It also obtains a portion of its property and casualty insurance and all health insurance through policies written by commercial carriers. The City assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 12 - DEFICIT BALANCES

The Capital Improvement Replacement and Repair Fund had a deficit balance of \$907,250 and the Debt Service fund had a deficit balance of \$24,032 at April 30, 2009. The deficit balances were the result of project costs incurred prior to availability of funds. The deficit balances will be eliminated upon receipt of funds received from the issuance of debt and the transfer of unreserved funds.

NOTE 13 - COMMITTED CONSTRUCTION

At April 30, 2009, the City had the following construction projects in process:

<u>Project</u>	<u>Total Contract Amount</u>	<u>Portion at April 30, 2009</u>	
		<u>Completed</u>	<u>Committed</u>
Sports Complex	\$2,277,031	\$2,046,544	\$ 230,487
Sawyer Road Grade Separation	376,435	230,065	146,370
Well No. 5	164,000	68,736	95,264
Water SCADA System	73,900	5,173	68,727
Water System Improvements	<u>91,000</u>	<u>24,437</u>	<u>66,563</u>
Total	<u>\$2,982,366</u>	<u>\$2,374,955</u>	<u>\$ 607,411</u>

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

NOTE 14 - SUBSEQUENT EVENT

In May 2009, the City entered into a contract with the State of Illinois in the amount of \$299,597 for the improvement of US Route 30, FAP Route 309, State Section 17R-B, City Section 09-00033-00-SW with the State of Illinois.

In June 2009, the City issued \$10,000,000 of Alternate Revenue Source, Series 2009A, General Obligation Bonds for the payment of costs of improving the combined waterworks and sewerage system of the City.

NOTE 15 - NEW PRONOUNCEMENTS

The GASB has issued the following statements:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending April 30, 2010. The Statement requires governments to report any liability associated with providing employees benefits other than pensions subsequent to their employment with the City that have not been fully funded.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the City beginning with its year ending April 30, 2011. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, will be effective for the City beginning with its fiscal year ending April 30, 2010.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MORRISON, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
 April 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/08	\$1,917,388	\$2,839,325	\$ 921,937	67.53%	\$ 967,217	95.32%
12/31/07	2,043,837	2,465,741	421,904	82.89%	890,149	47.40%
12/31/06	2,014,669	2,626,351	611,682	76.71%	836,632	73.11%

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ 100,429	\$ 104,000	\$ 100,400	\$ 29
Telecommunications tax	113,062	120,000	113,300	(238)
Road and bridge tax	26,357	22,000	26,400	(43)
State income tax	384,346	360,000	412,600	(28,254)
Replacement tax	52,659	40,000	53,800	(1,141)
Sales tax	515,437	500,000	525,700	(10,263)
IDOT maintenance	-	500	-	-
Liquor licenses	11,530	9,000	9,600	1,930
Other licenses	1,170	1,500	1,200	(30)
Building permits	416	2,000	450	(34)
Other permits	825	700	800	25
Franchise fees	43,135	35,000	32,700	10,435
Court fines	9,464	12,000	9,500	(36)
Parking fines	950	800	1,000	(50)
Sanitation penalties	2,573	2,000	2,500	73
DUI fines	335	600	400	(65)
Police vehicle fines	-	100	-	-
Zoning fees	599	500	600	(1)
Refuse collection	197,231	210,000	203,000	(5,769)
Recreation fees	8,197	4,500	7,500	697
Burial fees	20,870	18,000	20,900	(30)
Cemetery lot sales	9,641	6,000	9,700	(59)
Interest	12,597	80,400	12,800	(203)
Rental income	1,812	2,000	1,900	(88)
Miscellaneous income	18,260	22,500	21,900	(3,640)
Total revenues	<u>1,531,895</u>	<u>1,554,100</u>	<u>1,568,650</u>	<u>(36,755)</u>
EXPENDITURES				
General government	730,927	490,000	711,008	(19,919)
Public safety	472,142	418,700	471,650	(492)
Public works	407,212	330,650	395,100	(12,112)
Culture and recreation	202,895	243,200	203,550	655
Community and economic development	55,127	44,800	52,250	(2,877)
Total expenditures	<u>1,868,303</u>	<u>1,527,350</u>	<u>1,833,558</u>	<u>(34,745)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(336,408)</u>	<u>26,750</u>	<u>(264,908)</u>	<u>(71,500)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	43,910	-	-	43,910
Operating transfers out	(657,945)	(98,500)	-	(657,945)
Total other financing sources (uses)	<u>(614,035)</u>	<u>(98,500)</u>	<u>-</u>	<u>(614,035)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(950,443)</u>	<u>(71,750)</u>	<u>(264,908)</u>	<u>(685,535)</u>
BALANCES, BEGINNING OF YEAR	<u>1,763,189</u>	<u>1,763,189</u>	<u>1,763,189</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 812,746</u>	<u>\$ 1,691,439</u>	<u>\$ 1,498,281</u>	<u>\$ (685,535)</u>

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL - MOTOR FUEL TAX FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
State of Illinois - motor fuel tax allotments	\$ 116,046	\$ 130,000	\$ 117,120	\$ (1,074)
Interest	<u>15,199</u>	<u>8,000</u>	<u>7,363</u>	<u>7,836</u>
Total revenues	131,245	138,000	124,483	6,762
EXPENDITURES				
Public works	<u>14,387</u>	<u>34,000</u>	<u>14,387</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	116,858	104,000	110,096	6,762
OTHER FINANCING SOURCES				
Operating transfers in	<u>30,782</u>	<u>-</u>	<u>-</u>	<u>30,782</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	147,640	104,000	110,096	37,544
BALANCES, BEGINNING OF YEAR	<u>362,627</u>	<u>362,627</u>	<u>362,627</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 510,267</u>	<u>\$ 466,627</u>	<u>\$ 472,723</u>	<u>\$ 37,544</u>

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL - REVOLVING LOAN FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Interest	\$ 13,285	\$ 19,500	\$ 13,285	\$ -
EXPENDITURES				
None	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	13,285	19,500	13,285	-
BALANCES, BEGINNING OF YEAR	<u>590,320</u>	<u>590,320</u>	<u>590,320</u>	-
BALANCES, END OF YEAR	<u>\$ 603,605</u>	<u>\$ 609,820</u>	<u>\$ 603,605</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
 ILLINOIS MUNICIPAL RETIREMENT FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ 152,726	\$ 145,000	\$ 152,726	\$ -
EXPENDITURES				
General government	<u>105,594</u>	<u>130,500</u>	<u>105,594</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	47,132	14,500	47,132	-
BALANCES, BEGINNING OF YEAR	<u>17,695</u>	<u>17,695</u>	<u>17,695</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 64,827</u>	<u>\$ 32,195</u>	<u>\$ 64,827</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
CAPITAL IMPROVEMENT REPLACEMENT AND REPAIR FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Utility tax	\$ 209,342	\$ 200,000	\$ 210,104	\$ (762)
Interest	6,180	-	-	6,180
Total revenues	<u>215,522</u>	<u>200,000</u>	<u>210,104</u>	<u>5,418</u>
EXPENDITURES				
Capital outlay	1,992,738	1,373,300	2,276,714	283,976
Bond issuance costs	31,733	-	88,686	56,953
Total expenditures	<u>2,024,471</u>	<u>1,373,300</u>	<u>2,365,400</u>	<u>340,929</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,808,949)</u>	<u>(1,173,300)</u>	<u>(2,155,296)</u>	<u>346,347</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	597,824	103,500	-	597,824
Operating transfers out	(315,123)	-	-	(315,123)
Bond proceeds	2,200,000	-	2,200,000	-
Discount on bonds	(16,000)	-	-	(16,000)
Total other financing sources (uses)	<u>2,466,701</u>	<u>103,500</u>	<u>2,200,000</u>	<u>266,701</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>657,752</u>	<u>(1,069,800)</u>	<u>44,704</u>	<u>613,048</u>
BALANCES, BEGINNING OF YEAR	<u>(1,565,002)</u>	<u>(1,565,002)</u>	<u>(1,565,002)</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ (907,250)</u>	<u>\$ (2,634,802)</u>	<u>\$ (1,520,298)</u>	<u>\$ 613,048</u>

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
WATER AND SEWER FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Charges for services	\$ 647,007	\$ 598,700	\$ 598,700	\$ 48,307
Penalties	6,646	7,000	7,000	(354)
Miscellaneous	-	4,000	4,000	(4,000)
	<u>653,653</u>	<u>609,700</u>	<u>609,700</u>	<u>43,953</u>
EXPENDITURES				
Personal services	229,029	233,000	233,000	3,971
Contractual services	352,858	187,600	187,600	(165,258)
Commodities	89,211	61,100	61,100	(28,111)
Depreciation	113,478	-	-	(113,478)
Total operating expenditures	<u>784,576</u>	<u>481,700</u>	<u>481,700</u>	<u>(302,876)</u>
Operating loss	(130,923)	128,000	128,000	(258,923)
NONOPERATING REVENUES				
Interest income	<u>8,203</u>	<u>12,500</u>	<u>12,500</u>	<u>(4,297)</u>
Loss before operating transfers	(122,720)	140,500	140,500	(263,220)
Operating transfers in	315,123	-	-	315,123
Operating transfers out	<u>(4,835)</u>	<u>(29,500)</u>	<u>(29,500)</u>	<u>24,665</u>
NET INCOME	187,568	111,000	111,000	76,568
NET ASSETS, MAY 1, 2008	<u>2,015,050</u>	<u>2,015,050</u>	<u>2,015,050</u>	<u>-</u>
NET ASSETS, APRIL 30, 2009	<u>\$ 2,202,618</u>	<u>\$ 2,126,050</u>	<u>\$ 2,126,050</u>	<u>\$ 76,568</u>

CITY OF MORRISON, ILLINOIS
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION -
BUDGETARY COMPARISON
April 30, 2009

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

1. Prior to enactment of the operating budget (May 1), the City Administrator submits to the City Council a proposed operating and capital budget covering all funds for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them. The legal level of budgeting control is by fund.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Budget is enacted by City Council action.
4. All transfers of budgeted amounts are approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a modified accrual basis consistent with the City's reporting policies, and lapse at the end of the fiscal year for which adopted. Presented budgeted amounts are as adopted, or as amended by the City Council.

The General, Debt Service, and Water and Sewer Funds exceeded budgeted amounts for the year ended April 30, 2009.

OTHER SUPPLEMENTAL INFORMATION

CITY OF MORRISON, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 April 30, 2009

	Special Revenue			
	Fire Protection Fund	Odell Public Library Fund	FICA Fund	Municipal Coliseum Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 5,886	\$ -
Receivables:				
Property taxes	60,015	73,553	56,002	-
Accounts	-	2,349	-	-
TOTAL ASSETS	\$ 60,015	\$ 75,902	\$ 61,888	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash overdrafts	\$ -	\$ 2,349	\$ -	\$ -
Accounts payable and accrued expenses	-	-	-	-
Deferred tax revenue	60,015	73,553	56,002	-
Due to other funds	-	-	-	-
Total liabilities	60,015	75,902	56,002	-
FUND BALANCES				
Unreserved				
Undesignated	-	-	5,886	-
Unreserved, designated for: Permanent fund	-	-	-	-
	-	-	5,886	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 60,015	\$ 75,902	\$ 61,888	\$ -

	Special Revenue			Debt Service	Permanent	
Drug Traffic Prevention Fund	Memorial Park Fund	Police Vehicle Fund	Debt Service Fund	Grove Hill Cemetery Perpetual Care Fund	Total	
\$ 748	\$ 527	\$ 440	\$ 10,140	\$ 104,835	\$ 122,576	
-	-	-	-	-	189,570	
-	-	-	-	-	2,349	
<u>\$ 748</u>	<u>\$ 527</u>	<u>\$ 440</u>	<u>\$ 10,140</u>	<u>\$ 104,835</u>	<u>\$ 314,495</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,349	
-	-	-	34,172	-	34,172	
-	-	-	-	-	189,570	
-	-	-	-	4,469	4,469	
-	-	-	34,172	4,469	230,560	
748	527	440	(24,032)	-	(16,431)	
-	-	-	-	100,366	100,366	
<u>748</u>	<u>527</u>	<u>440</u>	<u>(24,032)</u>	<u>100,366</u>	<u>83,935</u>	
<u>\$ 748</u>	<u>\$ 527</u>	<u>\$ 440</u>	<u>\$ 10,140</u>	<u>\$ 104,835</u>	<u>\$ 314,495</u>	

Special Revenue			Debt Service	Permanent	
Drug Traffic Prevention Fund	Memorial Park Fund	Police Vehicle Fund	Debt Service Fund	Grove Hill Cemetery Perpetual Care Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,240
-	-	-	19,119	-	19,119
25	-	-	-	-	25
85	600	-	-	-	685
-	-	-	2,634	4,469	7,103
-	-	240	-	1,392	1,632
<u>110</u>	<u>600</u>	<u>240</u>	<u>21,753</u>	<u>5,861</u>	<u>216,804</u>
-	-	-	-	-	65,330
-	-	-	-	-	55,419
-	1,795	-	-	-	73,691
-	-	-	75,125	-	75,125
-	<u>1,795</u>	<u>-</u>	<u>75,125</u>	<u>-</u>	<u>269,565</u>
<u>110</u>	<u>(1,195)</u>	<u>240</u>	<u>(53,372)</u>	<u>5,861</u>	<u>(52,761)</u>
-	-	-	29,340	-	29,340
-	-	-	-	(4,469)	(39,076)
-	-	-	<u>29,340</u>	<u>(4,469)</u>	<u>(9,736)</u>
110	(1,195)	240	(24,032)	1,392	(62,497)
<u>638</u>	<u>1,722</u>	<u>200</u>	<u>-</u>	<u>98,974</u>	<u>146,432</u>
<u>\$ 748</u>	<u>\$ 527</u>	<u>\$ 440</u>	<u>\$ (24,032)</u>	<u>\$ 100,366</u>	<u>\$ 83,935</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - FIRE PROTECTION FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ 55,419	\$ 55,500	\$ 55,419	\$ -
EXPENDITURES				
Public safety	<u>55,419</u>	<u>60,000</u>	<u>55,419</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ODELL PUBLIC LIBRARY FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ 71,896	\$ 70,500	\$ 71,896	\$ -
Miscellaneous	-	-	61,887	(61,887)
Total revenues	<u>71,896</u>	<u>70,500</u>	<u>133,783</u>	<u>(61,887)</u>
EXPENDITURES				
Culture and recreation	<u>71,896</u>	<u>70,500</u>	<u>71,896</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	61,887	(61,887)
BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,887</u>	<u>\$ (61,887)</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - FICA FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ 60,925	\$ 53,500	\$ 60,925	\$ -
EXPENDITURES				
General government	<u>65,330</u>	<u>49,000</u>	<u>65,330</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,405)	4,500	(4,405)	-
BALANCES, BEGINNING OF YEAR	<u>10,291</u>	<u>10,291</u>	<u>10,291</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 5,886</u>	<u>\$ 14,791</u>	<u>\$ 5,886</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - MUNICIPAL COLISEUM FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Property taxes	\$ -	\$ 10,000	\$ -	\$ -
EXPENDITURES				
Culture and recreation	-	7,300	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	2,700	-	-
OTHER FINANCING USES				
Operating transfers out	(34,607)	-	-	(34,607)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(34,607)	2,700	-	(34,607)
BALANCES, BEGINNING OF YEAR	34,607	34,607	34,607	-
BALANCES, END OF YEAR	\$ -	\$ 37,307	\$ 34,607	\$ (34,607)

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - DRUG TRAFFIC PREVENTION FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Fines and costs	\$ 25	\$ -	\$ 25	\$ -
Donations	85	-	85	-
Total revenues	<u>110</u>	<u>-</u>	<u>110</u>	<u>-</u>
EXPENDITURES				
Public safety	<u>-</u>	<u>200</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	110	(200)	110	-
BALANCES, BEGINNING OF YEAR	<u>638</u>	<u>638</u>	<u>638</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 748</u>	<u>\$ 438</u>	<u>\$ 748</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - MEMORIAL PARK FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Donations	\$ 600	\$ 10,500	\$ 600	\$ -
EXPENDITURES				
Culture and recreation	1,795	11,000	1,795	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,195)	(500)	(1,195)	-
OTHER FINANCING SOURCES				
Operating transfers in	-	7,000	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,195)	6,500	(1,195)	-
BALANCES, BEGINNING OF YEAR	1,722	1,722	1,722	-
BALANCES, END OF YEAR	\$ 527	\$ 8,222	\$ 527	\$ -

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL - POLICE VEHICLE FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Miscellaneous	\$ 240	\$ 200	\$ 240	\$ -
EXPENDITURES				
None	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	240	200	240	-
BALANCES, BEGINNING OF YEAR	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 440</u>	<u>\$ 400</u>	<u>\$ 440</u>	<u>\$ -</u>

CITY OF MORRISON, ILLINOIS
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Intergovernmental revenue	\$ 19,119	\$ -	\$ 19,119	\$ -
Interest	2,634	-	8,814	(6,180)
Total revenues	<u>21,753</u>	<u>-</u>	<u>27,933</u>	<u>(6,180)</u>
EXPENDITURES				
Debt service				
Interest	<u>75,125</u>	<u>-</u>	<u>-</u>	<u>(75,125)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(53,372)	-	27,933	(81,305)
OTHER FINANCING SOURCES				
Operating transfers in	<u>29,340</u>	<u>-</u>	<u>-</u>	<u>29,340</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(24,032)	-	27,933	(51,965)
BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ (24,032)</u>	<u>\$ -</u>	<u>\$ 27,933</u>	<u>\$ (51,965)</u>

CITY OF MORRISON, ILLINOIS
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL - GROVE HILL CEMETERY PERPETUAL CARE FUND
 Year Ended April 30, 2009

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
REVENUES				
Interest	\$ 4,469	\$ -	\$ 464	\$ 4,005
Miscellaneous	1,392	-	-	1,392
Total revenues	5,861	-	464	5,397
EXPENDITURES				
None	-	835	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,861	(835)	464	5,397
OTHER FINANCING USES				
Operating transfers out	(4,469)	-	-	(4,469)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,392	(835)	464	928
BALANCES, BEGINNING OF YEAR	98,974	98,974	98,974	-
BALANCES, END OF YEAR	<u>\$ 100,366</u>	<u>\$ 98,139</u>	<u>\$ 99,438</u>	<u>\$ 928</u>

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morrison, Illinois as of and for the year ended April 30, 2009, which collectively comprise the City of Morrison, Illinois' basic financial statements and have issued our report thereon dated February 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Morrison, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying Schedule of Findings and Responses as items 09-1 through 09-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-1 and 09-3 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Morrison, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Morrison, Illinois' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Morrison, Illinois' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Members of City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Clinton, Iowa
February 5, 2010

**CITY OF MORRISON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended April 30, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? yes x no

Section II - Financial Statement Findings

Instances of Non-compliance

No matters were noted.

Significant Deficiencies

09-1 Financial Statement Preparation:

Criteria:

The City engages Clifton Gunderson to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Clifton Gunderson cannot be considered part of the entity's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the entity should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition:

The entity has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the entity's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

**CITY OF MORRISON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended April 30, 2009**

Section II - Financial Statement Findings: (CONTINUED)

Financial Statement Preparation: (continued)

Cause:

The entity has relied on independent auditor's to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response:

Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion:

Response accepted.

09-2 Segregation of Duties:

Criteria:

The City does not have effective internal controls to safeguard assets, and prevent or detect misstatements on a timely basis, as a result of a lack of segregation of duties. Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Due to the small number of people employed in administrative functions, the City may not be able to fully achieve an ideal segregation of duties.

Condition:

Currently, three people have the primary responsibility for all of the accounting and financial duties. As a result, all of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing. The City Clerk is responsible for setting up new employees in the payroll system, processing payroll, and generating payroll checks. In addition, she is also an authorized check signer. These are incompatible duties.

**CITY OF MORRISON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended April 30, 2009**

Section II - Financial Statement Findings: (CONTINUED)

Segregation of Duties: (continued)

Effect:

As a result of these conditions, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The entity has a limited number of personnel performing accounting functions and limited review procedures in place.

Recommendation:

The entity should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected. We recommend that another employee besides the City Clerk take responsibility for setting up new employees in the payroll system. In addition, we recommend that payroll reports be reviewed for accuracy and completeness by someone other than the person who prepared them.

Response:

Management will review controls which could be in place to mitigate the risk that misstatements could occur and not be detected and shift responsibilities as able with the limited number of employees.

Conclusion:

Response accepted.

09-3 Audit Adjustments:

Criteria:

Auditing Standards indicate that an important aspect of internal control is the adjustment and reconciliation of general ledger account balances to supporting information. During the course of our audit, we noted accounts in which material adjusting entries were required to convert the general ledger from the cash basis of accounting to the accrual basis of accounting.

**CITY OF MORRISON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended April 30, 2009**

Section II - Financial Statement Findings: (CONTINUED)

Audit Adjustments: (continued)

Condition:

It was noted during the audit engagement that material journal entries were required to adjust the financial records from the cash basis to the accrual basis. Further, only two people have responsibility for all journal entries and there is no formal review process.

Effect:

As a result of these conditions, there is a higher risk that account balances could be materially misstated.

Cause:

The accounting personnel of the City do not have the accounting experience that is required to identify all adjustments necessary to convert these balances. When this situation exists it is important to note that the recording of journal entries remains the responsibility of management and the City Council.

Recommendation:

We recommend that the City perform a comprehensive review of financial information subsequent to audit adjustments to ensure that financial records agree to the audited financial statements. We also recommend that the City have a member of management or the City Council review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response:

A comprehensive review of financial information subsequent to audit adjustments will be performed. A person that does not make journal entries will review journal entries on a monthly basis.

Conclusion:

Response accepted.

CITY OF MORRISON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended April 30, 2009

Section II - Financial Statement Findings: (CONTINUED)

09-4 Fixed Assets:

Criteria:

The City does not capitalize fixed asset purchases in the proprietary funds. The City's fixed asset listing is maintained by Clifton Gunderson and yearly entries are made during the audit engagement.

Condition:

The City expenses all capital purchases made throughout the year. In addition, the City does not maintain its own capital asset listing or calculate depreciation.

Effect:

As a result of these conditions, there is a higher risk that the financial statements will not include all assets held by the City.

Cause:

The personnel employed by the City rely on Clifton Gunderson to ensure that the financial statements include all capital asset purchases.

Recommendation:

Since Clifton Gunderson cannot be considered part of the City's internal control system, we recommend that the City implement a detailed review of the fixed asset listing on a yearly basis to ensure accuracy.

Response:

Management will perform a detailed review of the fixed asset listing on a yearly basis to ensure accuracy.

Conclusion:

Response accepted.

STATISTICAL SECTION

CITY OF MORRISON, ILLINOIS
STATEMENT OF ASSESSED VALUATIONS, RATES,
EXTENSIONS, AND COLLECTIONS
April 30, 2009

	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSESSED VALUATIONS	<u>\$ 41,792,706</u>	<u>\$ 43,443,227</u>	<u>\$ 44,096,420</u>
TAX RATE PER \$100 ASSESSED VALUATION			
General Fund:			
Corporate (See ** below)	0.2483	0.1566	0.1633
Library:			
Operations	0.1488	0.1462	0.1475
Building	0.0198	0.0196	0.0193
Illinois Municipal Retirement Fund	0.3470	0.3522	0.3856
Fire Protection Tax	0.1328	0.1278	0.1361
Police Protection	0.0000	0.0750	0.0726
Municipal Coliseum	0.0240	0.0000	0.0000
Social security	<u>0.1276</u>	<u>0.1405</u>	<u>0.1270</u>
TOTAL	<u>1.0483</u>	<u>1.0179</u>	<u>1.0514</u>
TAX EXTENSIONS			
General Fund:			
Corporate	<u>\$ 103,771</u>	<u>\$ 68,032</u>	<u>\$ 72,009</u>
Library:			
Operations	62,188	63,514	65,042
Building	<u>8,275</u>	<u>8,515</u>	<u>8,511</u>
Subtotal	<u>70,463</u>	<u>72,029</u>	<u>73,553</u>
Illinois Municipal Retirement Fund	145,021	153,007	170,036
Fire Protection Tax	55,501	55,520	60,015
Police Protection	-	32,582	32,014
Municipal Coliseum	10,030	-	-
Social security	<u>53,327</u>	<u>61,038</u>	<u>56,002</u>
TOTAL	<u>\$ 438,113</u>	<u>\$ 442,208</u>	<u>\$ 463,629</u>
TAX COLLECTIONS			
General Fund:			
Corporate	<u>\$ 99,010</u>	<u>\$ 70,133</u>	<u>\$ 67,907</u>
Road and bridge	<u>22,063</u>	<u>24,500</u>	<u>26,357</u>
Subtotal	<u>121,073</u>	<u>94,633</u>	<u>94,264</u>
Library:			
Operations	59,419	62,158	63,397
Building	<u>7,907</u>	<u>8,271</u>	<u>8,499</u>
Subtotal	<u>67,326</u>	<u>70,429</u>	<u>71,896</u>
Illinois Municipal Retirement Fund	143,881	144,952	152,726
Fire Protection Tax	53,545	55,474	55,419
Police Protection	-	33,589	32,522
Municipal Coliseum	9,030	10,025	-
Social security	<u>49,822</u>	<u>53,302</u>	<u>60,925</u>
TOTAL	<u>\$ 444,677</u>	<u>\$ 462,404</u>	<u>\$ 467,752</u>

** - The tax rate for corporate does not include the City road and bridge rate.