

**VILLAGE OF MCCOOK**  
McCook, Illinois

**FINANCIAL STATEMENTS**

December 31, 2007

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# VILLAGE OF MCCOOK

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## INDEPENDENT AUDITORS' REPORT

Mayor and Board of Trustees  
Village of McCook  
5000 Glencoe Avenue  
McCook, Illinois 60525-7804

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 Village of McCook, Illinois, as of and for the year ended December 31, 2007, which collectively comprise the Village of McCook's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of McCook's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Village of McCook, Illinois as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the historical pension information and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mayor and Board of Trustees  
Village of McCook

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of McCook's basic financial statements. The 2007 supplementary statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2007 supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. We also previously audited, in accordance with auditing standards generally accepted in the United States, Village of McCook's basic financial statements for the yeared ended December 31, 2006. In our report dated May 15, 2007, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2006 supplementary statements and schedules are fairly stated in all material respects in relation to the basic financial statement for the year ended December 31, 2006, taken as whole.

*Vielow, Krause & Company, LLP*

Oak Brook, Illinois  
July 15, 2008



# VILLAGE OF MCCOOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

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The discussion and analysis of Village of McCook's (the "village") financial performance provides an overall review of the village's financial activities for the year ended December 31, 2007. The management of the village encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the village's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

### Financial Highlights

- The assets of the village exceeded its liabilities at the close of the most recent fiscal year by \$13,283,627 (net assets). Of this amount, \$2,192,402 is unrestricted and may be used to meet the government's ongoing obligation to citizens and creditors.
- In total, net assets increased by \$1,355,394. This represents a 11% increase from 2006 and is related to the collection of incremental property taxes from the 1st Avenue TIF District.
- As of the close of the current fiscal year, the village's governmental funds reported combined ending fund balances of \$1,455,343, an increase of \$668,197 in comparison with the prior year. Approximately \$963,652 is available for spending at the government's discretion (unreserved fund balance).
- General revenues accounted for \$5,085,568 in revenue or 86% of all governmental revenues. Program specific revenues in the form of charges for services and fees and grants accounted for \$847,638 or 14% of total governmental revenues of \$5,933,206.
- The village had \$5,237,556 in expenses related to government activities. However, only \$847,638 of these expenses were offset by program specific charges and grants.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,254 of the total General Fund expenditures.
- The village's total long term liabilities decreased by \$735,511 during the current year to \$955,194.
- The 1st Avenue Redevelopment Project Area began collecting incremental property taxes in 2007.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the village's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

# VILLAGE OF MCCOOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

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### *Government-wide financial statements*

The government-wide financial statements are designed to provide readers with a broad overview of the village's finances, in a manner similar to a private-sector business, and are reported using the accrual basis of accounting and economic resources measurement focus.

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

The statement of activities presents information showing how the government's net assets changed during the fiscal year being reported. All changes in net assets are reported as soon as the underlying event giving rise to 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 only result in cash flows in future fiscal periods.

The government-wide financial statements can be divided into two types of activities: governmental and business-type. Governmental activities present the functions of the village that are principally supported by taxes and intergovernmental revenues. Business-type activities present the functions that are intended to recover all or a significant portion of their costs through user fees and charges. The village's governmental activities include functions like general government, public safety and public works. The village's business-type activities include water and sewer.

### *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 village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and are reported using the modified accrual basis of accounting and current financial resources measurement focus. The governmental fund statements provide a detailed short-term view of the village's general government operations and the basic services it provides. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources; as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a village's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# VILLAGE OF MCCOOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

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The village maintains 2 major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and 1st Avenue TIF, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The village adopts an annual budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

### Proprietary funds

The village maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The village utilizes enterprise funds to account for its water and sewer functions.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The village's proprietary funds present the activities and balances in Water fund, which is considered to be a major fund, using the accrual basis of accounting and economic resources measurement focus. Proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary funds reflect the private-sector type operation, where the fee for service typically covers all or most of the cost of operation and maintenance including depreciation.

### Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the village. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

### *Notes to basic financial statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### *Other information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the village's contributions and funding progress of the Illinois Municipal Retirement Fund, Police Pension Fund and Firefighters' Pension Fund; as well as, budget to actual comparisons of the funds. Supplementary schedules include combining and individual fund schedules of all non-major funds and Fiduciary Funds.

# VILLAGE OF MCCOOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

### Government-Wide Financial Analysis

<b>Table 1</b> <b>Condensed Statements of Net Assets</b> <b>(in actual dollars)</b>						
<i>Governmental Activities</i>						
2007                      2006                      Change						
<b>Assets</b>						
Current and other assets				\$ 6,092,393	\$ 3,135,409	94.3%
Capital assets				<u>2,519,853</u>	<u>2,671,624</u>	(5.7)%
Total assets				<u>8,612,246</u>	<u>5,807,033</u>	48.3%
<b>Liabilities</b>						
Long-term liabilities				783,663	1,128,966	(30.6)%
Other liabilities				<u>4,626,373</u>	<u>2,430,707</u>	90.3%
Total liabilities				<u>5,410,036</u>	<u>3,559,673</u>	52.0%
<b>Net assets</b>						
Invested in capital assets, net of related debt				2,256,131	2,221,525	1.6%
Restricted				1,245,087	217,404	472.7%
Unrestricted				<u>(299,008)</u>	<u>(191,569)</u>	56.1%
Total net assets				<u>\$ 3,202,210</u>	<u>\$ 2,247,360</u>	42.5%
<b>Table 1</b> <b>Condensed Statements of Net Assets</b> <b>(in actual dollars)</b>						
<i>Business-Type Activities</i>						
2007                      2006                      Change                      2007                      2006                      Change						
<b>Assets</b>						
Current and other assets	\$ 2,880,362	\$ 2,505,349	15.0%	\$ 8,972,755	\$ 5,640,758	59.1%
Capital assets	<u>7,750,007</u>	<u>7,931,840</u>	(2.3)%	<u>10,269,860</u>	<u>10,603,464</u>	-3.1%
Total assets	<u>10,630,369</u>	<u>10,437,189</u>	1.9%	<u>19,242,615</u>	<u>16,244,222</u>	18.5%
<b>Liabilities</b>						
Long-term liabilities	160,000	315,000	(49.2)%	943,663	1,443,966	-34.6%
Other liabilities	<u>388,952</u>	<u>441,316</u>	(11.9)%	<u>5,015,325</u>	<u>2,872,023</u>	74.6%
Total liabilities	<u>548,952</u>	<u>756,316</u>	38.1%	<u>5,958,988</u>	<u>4,315,989</u>	38.1%
<b>Net assets</b>						
Invested in capital assets, net of related debt	7,590,007	7,616,840	(0.4)%	9,846,138	9,838,365	0.1%
Restricted	-	-		1,245,087	217,404	472.7%
Unrestricted	<u>2,491,410</u>	<u>2,064,033</u>	20.7%	<u>2,192,402</u>	<u>1,872,464</u>	17.1%
Total net assets	<u>\$ 10,081,417</u>	<u>\$ 9,680,873</u>	4.1%	<u>\$ 13,283,627</u>	<u>\$ 11,928,233</u>	11.4%

## VILLAGE OF MCCOOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

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#### *Normal Impacts*

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net results of activities – which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for capital – which will increase current assets and long-term debt.

Spending borrowed proceeds on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) increase capital assets and long-term debt, which will not change the net assets invested in capital assets, net of related debt.

Spending of non-borrowed current assets on new capital – which will: (a) reduce current assets and increase capital assets; and, (b) will reduce unrestricted net assets and increase invested in capital assets, net of related debt.

Principal payment on debt – which will: (a) reduce current assets and reduce long-term debt; and, (b) reduce unrestricted net assets and increase net assets invested in capital assets, net of related debt.

Reduction of capital assets through depreciation – which will reduce capital assets and net assets invested in capital assets, net of related debt.

#### *Current Year Impacts*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the village, total net assets increased by \$1,355,394 from \$11,928,233 to \$13,283,627. The village's total assets equal \$19,242,615. The village's total liabilities equal \$5,958,988.

The village experienced increased current and other assets as it increased the estimate of collection of current year real estate tax collections, and its cash and investments. Also, the village increased the deferred revenue relating to the real estate taxes receivable, to be utilized specifically in 2008.

A portion of the net assets of the governmental activities is restricted for street maintenance, road improvements, and special assessments. The unrestricted combined balance, for both governmental and business-type activities, of \$2,192,402 may be used to meet the ongoing village obligations to their citizens and creditors.

## VILLAGE OF MCCOOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

**Table 2**  
**Condensed Statements of Activities**  
**(in actual dollars)**

	<i>Governmental Activities</i>		
	2007	2006	Change
<b>Revenues</b>			
Charges for services	\$ 636,035	\$ 608,126	4.6%
Operating grants and contributions	211,603	240,985	-12.2%
Taxes	4,905,922	3,757,483	30.6%
Other general revenues	<u>179,646</u>	<u>179,445</u>	0.1%
Total revenues	<u>5,933,206</u>	<u>4,786,039</u>	24.0%
<b>Expenses</b>			
General government	1,949,506	1,679,433	16.1%
Public safety	2,870,784	2,676,559	7.3%
Public works	389,620	422,101	-7.7%
Interest on long term debt	<u>27,646</u>	<u>37,595</u>	-26.5%
Total expenses	<u>5,237,556</u>	<u>4,815,688</u>	8.8%
Transfers	<u>259,200</u>	<u>250,000</u>	3.7%
Change in net assets	954,850	220,351	333.3%
Net assets, beginning of year	<u>2,247,360</u>	<u>2,027,009</u>	10.9%
Net assets end of year	<u>\$ 3,202,210</u>	<u>\$ 2,247,360</u>	42.5%

## VILLAGE OF MCCOOK

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

<b>Table 2</b>						
<b>Condensed Statements of Activities</b>						
<b>(in actual dollars)</b>						
	<u>Business-Type Activities</u>			<u>Total</u>		
	2007	2006	Change	2007	2006	Change
<b>Revenues</b>						
<i>Program revenues</i>						
Charges for services	\$ 4,756,642	\$ 4,743,796	0.3%	\$ 5,392,677	\$ 5,351,922	0.8%
Operating grants and contributions	-	-		211,603	240,985	-12.2%
<i>General revenues</i>						
Other taxes	-	-		4,905,922	3,757,483	30.6%
Other general revenues	18,419	20,361	-9.5%	198,065	199,806	-0.9%
<b>Total revenues</b>	<b>4,775,061</b>	<b>4,764,157</b>	<b>0.2%</b>	<b>10,708,267</b>	<b>9,550,196</b>	<b>12.1%</b>
<b>Expenses</b>						
General Government	-	-		1,949,506	1,679,433	16.1%
Public safety	-	-		2,870,784	2,676,559	7.3%
Public works	-	-		389,620	422,101	-7.7%
Interest on long term debt	-	-		27,646	37,595	-26.5%
Water	4,114,317	4,038,097	1.9%	4,114,317	4,038,097	1.9%
Sewer	1,000	4,420	-77.4%	1,000	4,420	-77.4%
<b>Total expenses</b>	<b>4,115,317</b>	<b>4,042,517</b>	<b>1.8%</b>	<b>9,352,873</b>	<b>8,858,205</b>	<b>5.6%</b>
Transfers	(259,200)	(250,000)	3.7%	-	-	
Change in net assets	400,544	471,640	-15.1%	1,355,394	691,991	95.9%
Net assets, beginning of year	9,680,873	9,209,233	5.1%	11,928,233	11,236,242	6.2%
Net assets end of year	<b>\$ 10,081,417</b>	<b>\$ 9,680,873</b>	<b>4.1%</b>	<b>\$ 13,283,627</b>	<b>\$ 11,928,233</b>	<b>11.4%</b>

#### *Normal Impacts*

There are eight basic (normal) impacts that will affect the comparability of the revenues and expenses on the Statement of Activities summary presentation.

#### Revenues

Economic condition – which can reflect a declining, stable or growing economic environment, and has substantial impact on state sales, replacement and hotel/motel tax revenue; as well as, public spending habits for building permits, elective user fees, and volumes of consumption.

Increase/decrease in Village approved rates – while certain tax rates are set by statute, the village has significant authority to impose and periodically increase/decrease rates (water, home rule sales tax, etc.).

# VILLAGE OF MCCOOK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

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Changing patterns in intergovernmental and grant revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring grants are less predictable and often distorting in their impact on year to year comparisons.

Market impacts on investment income – the village's investments may be affected by market conditions causing investment income to increase/decrease.

### Expenses

Introduction of new programs – within the functional expense categories (general government, public safety, public works, and community development), individual programs may be added or deleted to meet changing community needs.

Change in authorized personnel – changes in service demand may cause the village to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent the largest operating cost of the village.

Salary increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the village to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the village is a major consumer of certain commodities such as supplies, fuel, and parts. Some functions may experience unusual commodity specific increases.

### *Current Year Impacts*

The Governmental Activities experienced an increase in revenue due to increased receipt of TIF property taxes and replacement taxes. This increased tax revenue supported the increased expenses of 8.8% resulting in an increase in net assets to \$13.2 million compared to \$11.9 million in the prior fiscal year. Overall, the village's financial position has improved since the prior fiscal year.