

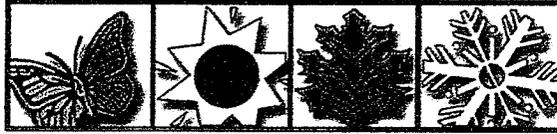
CITY OF MATTOON, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED APRIL 30, 2004
AND
INDEPENDENT AUDITORS' REPORTS

Mattoon • Illinois

a city for all



S • E • A • S • O • N • S

October 14, 2004

To: Mayor and Members of the City Council
Residents of the City of Mattoon, Illinois

Re: Letter of Transmittal to the Comprehensive Annual Financial Report of the City of Mattoon for the fiscal year ended April 30, 2004.

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP). The statements must be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report (the "CAFR") of the City of Mattoon, Illinois (the "City") for the fiscal year ended April 30, 2004.

This report consists of management's representations concerning the finances of the City. The management of the City is responsible for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established an internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the information contained in this financial report is complete and reliable in all material respects.

West & Company, LLC, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that financial statements of the City for the fiscal year ended April 30, 2004 are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statement for the fiscal year ended April 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.



Mayor
David E. Carter
City Clerk
Susan J. O'Brien
City Attorney
J. Preston Owen

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208 North 19th Street
Mattoon, Illinois 61938
Mayor: 217-234-4633
City Clerk: 217-235-5654
Fax: 217-258-6435

Commissioners:
Mark Donnell
Harold D. Gambill
Jerrold Hesse
David R. Schilling

The independent audit of the financial statements of the City was performed under *Government Auditing Standards*. These standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements and other matters.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Mattoon, incorporated in 1857, is located in Coles County in east central Illinois on Interstate 57, 183 miles south of Chicago. It lies 27 miles north of Interstate 70, about midway between St. Louis and Indianapolis. The City's population at the 2000 Census was 18,291 persons.

The City is empowered to levy a property tax on real property located within its boundaries. A local sales tax and state shared revenues are the other major sources of revenue for governmental operations. State statutes enable extension of the corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. The City is a non-home rule municipality, which may adopt local ordinances to govern its affairs and provide services, but only if authorized by an enabling state statute.

The City provides an extensive array of municipal services including public safety, public works, community development, health, welfare, cemetery, cultural and recreational services, a water and sewer utility as well as internal management support functions. The City is financially accountable for a Public Library, Police and Firefighter Pension Funds, which are reported separately within the City's financial statements.

The City operates under a commission form of local government. The city council, which has policymaking and legislative authority, consists of a mayor and four commissioners. The council members are elected on a nonpartisan "at large" basis every four years to a four-year term. The city council, among other things, is responsible for passing ordinances, resolutions and adopting the annual municipal budget. The council appoints persons to boards, advisory commissions and departmental directors.

In addition to their legislative functions, the mayor and commissioners have individual administrative powers and duties. The mayor is the chief executive officer of the municipality. One commissioner is responsible for finance, another commissioner is responsible for police protection, public works and technology, another commissioner is responsible for fire protection, park maintenance and tourism development. A fourth commissioner is responsible for the municipal water and sewer utilities.

In 2001, the city council established a city administrator position by local ordinance. Departmental operations have been placed under the line management of a city administrator, who functions in a staff capacity and is equally responsible to the mayor and commissioners.

responsible for carrying out the ordinances and policies of the city council, preparing and implementing the annual budget and personnel administration. Operating departments are organized in a manner that ensures a line of command answerable to the supervision of responsible elected commissioners, who are assisted by the city administrator and departmental directors in managing day-to-day operations of the municipality.

In 2004, the city council merged the roles of city attorney and treasurer into one position to assume responsibility for day-to-day management of the Finance Department with full responsibility and accountability for the integrity of the organizational accounting function.

Financial Planning & Control

The budget serves as the foundation for the City's planning and control. An annual budget is normally adopted by the City Council before the beginning of the fiscal year to which it applies. The City's fiscal year begins May 1st and ends April 30th.

All municipal departments, commissions, boards and agencies seeking funding from the municipality are required to submit requests for appropriation to the city administrator. The city administrator uses these requests as the starting point for formulating a tentative budget. The tentative budget is published and made conveniently available for public inspection for at least ten days prior to the passage of the budget. Not less than one week after the publication of the tentative budget, and prior to final action on the budget, the City Council holds at least one public hearing, after which hearing or hearings, the budget may be further revised and passed without any further inspection, notice or hearing. Notice of the budget hearing is given by publication in a newspaper having a general circulation in the municipality at least one week prior to the time of the hearing.

The budget is presented in account code classifications that enable reporting of financial data by fund, function and objects of expenditure. The City Council delegates authority to Departmental Commissioners to delete, add to, change or create sub-classes within object classes budgeted previously, subject to prior approval by the City Administrator. By a vote of two-thirds of the City Council members, the annual budget may be revised within funds and functions. However, no revision of the budget shall be made increasing the budget in the event funds are not available to effectuate the purpose of the revision. Budget to actual comparisons are provided for each individual governmental fund for which an annual budget has been adopted. This comparison is presented following the "Notes to Financial Statements".

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

Mattoon was named after William Mattoon, who helped construct the east-west Terre Haute and Alton Railroad. The projected junction of this rail line with the north-south Illinois Central Railroad in 1854 convinced local settlers that the land was an ideal site for a community. With the westward movement of the railroads, Mattoon grew and prospered. Homes, churches, schools and businesses were established. The town counted more than 100 buildings by 1856. Manufacturing became an important part of the local economy between World War I and World War II. The discovery of oil in 1940 gave Mattoon's growth yet another boost. By 1950 the population of the City reached 17,500. Throughout its development, a key to Mattoon's prosperity has been its location in the great midwestern farm belt. The rich, black farmland around Mattoon is abundantly productive. Per acre yields of corn and soybeans in the area are consistently higher than elsewhere in Illinois.

Mattoon is centrally located between Chicago, St. Louis and Indianapolis, three of the country's largest metropolitan centers. All can be reached within three hours via interstate highways.

More than 55 million people live within a 500-mile radius of Mattoon. This location places the community in the hub of our nation's population, industry and commerce and surrounds it with comprehensive transportation systems with links to the entire world.

North-south Interstate 57 at Mattoon's eastern edge intersects with east-west Interstates 70 and 74 a few miles to the south and to the north, making it possible for motor freights to reach every major city in the nation without leaving a limited access highway.



The Illinois Central Gulf Railroad provides freight service. Amtrak serves rail passengers. The Coles County Memorial Airport is one of Illinois finest general aviation and commercial service airports. Although scheduled passenger service is not presently offered, the airport is sized and equipped to handle up to 727-type aircraft.

A Community Unit School District provides public primary and secondary education in the city. Parochial schools are also available for primary education. Lake Land College serves as the community college for the region. Advanced academic studies are available 9 miles to the east in Charleston at Eastern Illinois University and 52 miles to the north at the University of Illinois in Champaign / Urbana.

The Sarah Bush Lincoln Health Center, opened in 1977 to succeed non-profit hospitals in Mattoon and Charleston, provides comprehensive in-patient services for the area's residents in a 200-bed facility located at the east edge of the City. The Health Center employs approximately 1,350 people including an active medical staff of 140 professionals.

The Coles County labor force was 27,753 in 2000. The unemployment rate was 4.1%. The regional labor force was 125,035. Employees commute from a nine-county region to work for employers in Coles County. The unemployment rate for the 9 county region was 4.42%. A 1999 study¹ of the market area around Mattoon yielded these demographic data:

	10 Miles	35 Miles	50 Miles
Population	49,254	180,672	532,636
Households	17,934	66,890	201,743
Median Age	31.8	36.3	35.1
Median Household Income	\$32,317	\$33,420	\$33,329
Per Capita Income	\$17,882	\$17,694	\$19,149
Annual Expenditures (\$000)	\$661,562	\$2,505,624	\$7,593,413
Retail Sales (\$000)	\$708,392	\$2,314,553	\$6,524,118

¹ Easidemographics, Inc., for *Coles Together*, Economic Development Corporation

There has been an economic recession throughout the United States that continued into this fiscal year. Coles County has seen a reduction in jobs with the closing of several major manufacturing facilities, but even in this economic downturn, Mattoon has been able to hold onto most of its existing jobs and create some new ones.

There are signals that the outlook for local economy may be improving:

- The Coles County Labor Force was 27,764 at July 2004. The unemployment rate was 5.5% compared to the 6.2% Illinois statewide unemployment rate.
- Jobs have been created by plant expansions at R. R. Donnelly & Sons and the opening of the Rural King corporate headquarters and distribution center.
- Consolidated Communications, which maintains its corporate headquarters in Mattoon, acquired another telephone company in Texas, which makes the firm the 16th largest of its kind in the United States. Consolidated currently employs more than 1,000 people in Illinois and now has added 550 Texas workers to its ranks. The firm is made up of companies that offer voice and data communication services to both businesses and residential customers.
- The Home Depot and ALDI have established retail stores in a new retail shopping center at the west side of the intersection of I-57 and SR-16.

Long Term Financial Planning

On December 22, 2004, the City Council established an Assistant Finance Director position to assume responsibility for payroll as well as the accounts payable function. This measure as well as the merger of the City Attorney with the City Treasurer position has enabled more time for staff to focus upon customer accounting, collection and systems of internal control. It has made the organization less vulnerable to future problems due to better delegation of tasks. A fully integrated general ledger budgeting, accounting and reporting system has been installed for all funds of the municipality, except for the Library, the Police and Fire Pension Funds.

Negotiations were completed for successor collective bargaining agreements that included terms to mitigate the escalating employer costs of the health insurance plan for employees and retirees. On January 1, 2004, there was an increase in the calendar year deductible, an increase in the co-payment required for the prescription drug benefit, a higher calendar year maximum on co-payments in excess of the deductible for the major medical benefit. A contract was awarded to a new third party administrator of the self-insured health plan that is expected to achieve better discounts from health care providers. On May 1, 2004, higher retiree contributions were required for participation in the City's health plan to mitigate future costs of the post employment benefit obligation.

The pension obligation created by an early retirement incentive offered to non-public safety employees was paid-off by sale of general obligation bonds at a cost \$191,343 less expensive than the installment financing plan offered by the Illinois Municipal Retirement Fund.

Two General Obligation Bond issues have been refunded: one for Water System Improvements, the other for a 1992 Library Expansion and Renovation. The savings as a result of lower interest rates will be approximately \$557,000 over the same term.

During this fiscal year, new grants were secured for the Lake Mattoon Boat Ramp, Home Rehabilitation Projects, Fire Department Equipment, the Lake Paradise Clean Water Implementation Project and a "Wildflower Initiative" highway beautification project.

On December 16, 2004, the City Council established a Midtown Tax Increment Financing (TIF) District for the redevelopment of a downtown area. Comprehensive strategies are being implemented in the redevelopment area to attract public and private investments that will restore vitality to an area that was once an economic engine.

On January 20, 2004, the City Council established the I-57 East TIF District. This TIF District would enable capturing the real estate tax increment from a private sector investment in a hotel and convention center to underwrite the cost of providing infrastructure that would enable industrial and commercial development within a much larger 390 acre area on the eastside of Interstate 57, north and south of State Route 16. It's the Council's vision and expectation that this TIF will provide sufficient economic incentive for much more private sector investment in facilities that will create good jobs. On February 19, 2004, a lawsuit was filed in the Coles County Circuit Court (Case 2004-CH-19) seeking an injunction and restraining order on implementation of this TIF. The City believes the plaintiff's claims are without merit and intends to vigorously defend findings of the City Council that this area qualifies under requirements of the state statute for designation as a TIF District. The case may not be resolved for up to six years if the decision reached in trial court is appealed.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, annuities and the State Treasurer's investment pool.

Risk Management

The Illinois Counties Risk Management Trust (ICRMT), an Illinois public entity risk management pool, insured the City's workers compensation exposures throughout the fiscal year. The workers compensation coverage is written with a \$25,000 deductible per occurrence.

The St. Paul Insurance Co. provided the City's property and casualty insurance coverage through December 31, 2003. Except for boiler and machinery coverage, property and casualty insurance was placed with the ICRMT for a term that began January 1, 2004 and ends December 1, 2004. Boiler and machinery coverage for the same term was placed with the Chubb Group. The Cincinnati Insurance Co. provided property damage coverage excluded by St. Paul and the ICRMT throughout the fiscal year for the earthwork dam structures at Lake Paradise and Lake Mattoon. Additional information on the City's insurance coverage can be found in Note #25 of the Notes to Financial Statements.

Resources are accumulated in the Insurance & Tort Judgment Special Revenue Fund for payment of deductible amounts and potential losses not covered by insurance. Various control techniques; including an employee safety committee and accident prevention training minimize accident related losses.

Pension and Other Post-employment Benefits

The City sponsors single-employer defined benefit pension plans for its police and firefighter employees. Although they are single-employer plans, state statutes mandate the defined benefits as well as the contribution levels. The City's annual contribution to the pension plans is determined by an actuarial study performed by the state Department of Insurance. By the end of the year 2033, the City's contributions must accumulate to the point where these pension plans are fully funded. At April 30, 2003, the unfunded police pension benefit obligation in excess of assets was \$7.68 million; the unfunded firefighter pension obligation in excess of assets was \$8.86 million.

The City provides a defined benefit pension plan for its non-public safety employees through a statewide plan managed by the Illinois Municipal Retirement Fund (IMRF). The City has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payments to the IMRF. At December 31, 2003, the unfunded IMRF pension benefit obligation in excess of assets was \$1.45 million.

The City provides postretirement health and dental care benefits for certain retirees and their dependents. Generally accepted accounting principals do not presently require governments to report a liability in the financial statements for an employer's obligation to provide these benefits. These expenditures are financed on a "pay-as-you-go" basis.

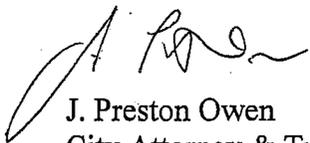
Additional information on the City's post-employment benefits can be found in the Notes to the Financial Statements.

Acknowledgements

This report could not have been accomplished without the exemplary service of West & Company, LLC and the staff of the city clerk and finance departments. We express our appreciation to all who assisted and contributed to the preparation of this report.

Credit is also given to the mayor and members of the city council for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



J. Preston Owen
City Attorney & Treasurer



Richard Underkofler
City Administrator

CITY OF MATTOON, ILLINOIS

CITY OFFICIALS

CITY COMMISSIONERS

David Carter, Mayor
Mark Donnell – Fire Protection, Parks & Tourism Development
Jerry Hesse – Police Protection, Public Works & Technology
Harold Gambill -Water & Sewer Utilities
David R. Schilling – Revenue & Finance

CITY ADMINISTRATOR

Richard Underkofler

CITY ATTORNEY

J. Preston Owen

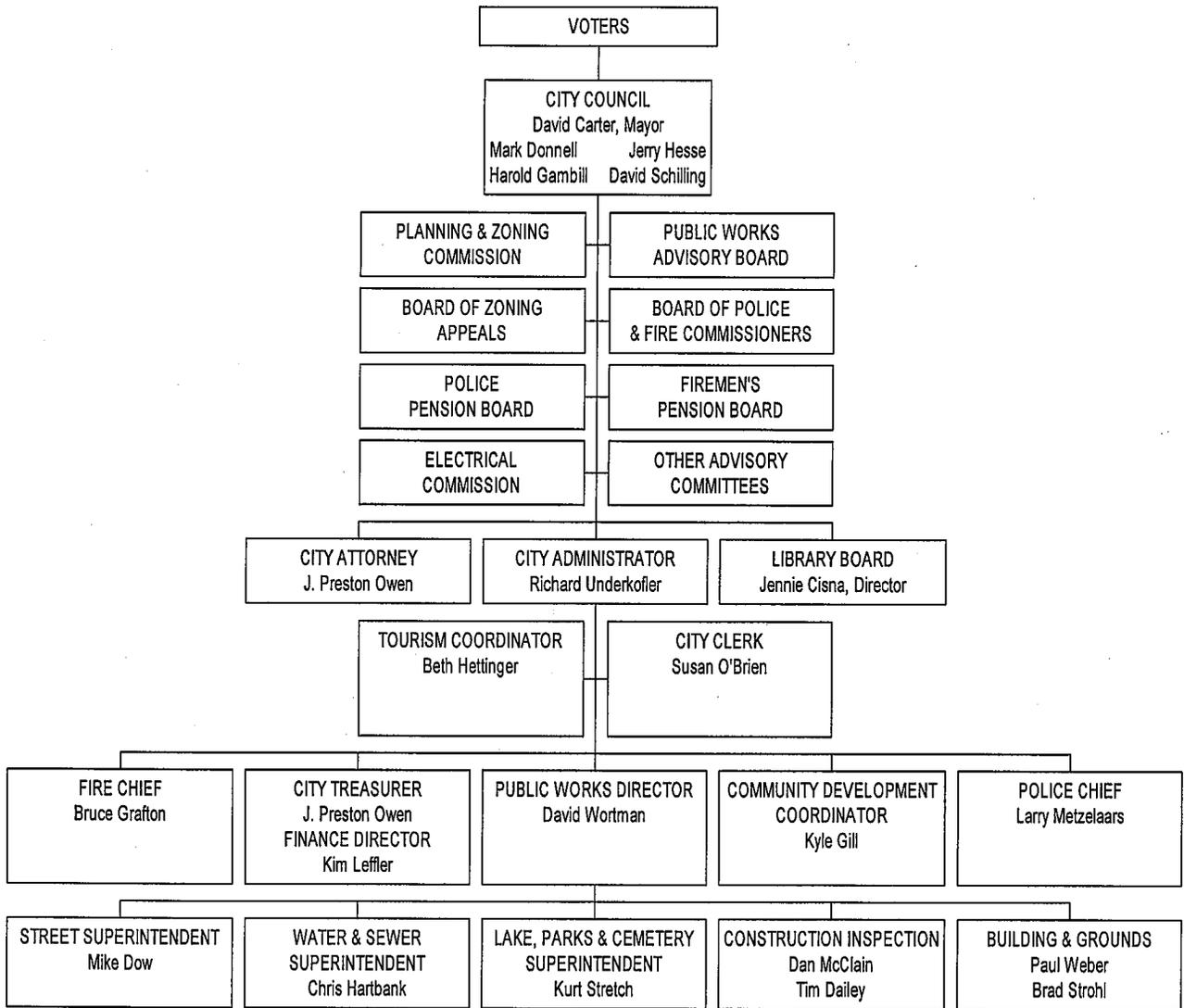
CITY CLERK

Susan J. O'Brien

DEPARTMENT DIRECTORS

City Treasurer	J. Preston Owen
Public Works Director	David Wortman
Police Chief	Larry Metzelaars
Fire Chief	Bruce Grafton
Finance Director	Kim Leffler
Community Development Coordinator	Kyle Gill
Street Superintendent	Mike Dow
Water & Sewer Superintendent	Chris Hartbank
Lake & Parks Superintendent	Kurt Stretch
Tourism Coordinator	Beth Hettinger
Library Director	Jennie Cisna

**CITY OF MATTOON, ILLINOIS
ORGANIZATION CHART**



CITY OF MATTOON, ILLINOIS

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WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
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MATTOON

INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mattoon, Illinois, as of and for the year ended April 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mattoon, Illinois' management. Our responsibility is to express an opinion 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mattoon, Illinois, as of April 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of May 1, 2003.

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated September 7, 2004 on our consideration of the City of Mattoon, Illinois' internal control over financial reporting and 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 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 on pages 5 through 16, budgetary comparison information on pages 84 through 95 and pension plans' Schedules of Funding Progress on pages 81 through 83 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Mattoon, Illinois' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 introductory 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 it.

West & Company, LLC

September 7, 2004

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
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**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**

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mattoon, Illinois, as of and for the year ended April 30, 2004, which collectively comprise the City of Mattoon, Illinois' basic financial statements and have issued our report thereon dated September 7, 2004. 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 Mattoon, Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mattoon, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, City Council, and is not intended to be and should not be used by anyone other than these specified parties.

West & Company, LLC

September 7, 2004

**CITY OF MATTOON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the financial performance of the City of Mattoon is intended to provide an overview of the City's financial activities for the fiscal year ended April 30, 2004. Readers are encouraged to consider the information presented here in conjunction with additional information as furnished in the letter of transmittal and the financial statements, which begin on page 17. This is the initial year that the financial statements for the City of Mattoon have been prepared in the format prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS

- The City of Mattoon has total assets of \$64,787,930 and liabilities of \$35,047,774, resulting in net assets of \$29,740,156 as of April 30, 2004. Of the net assets, \$21,267,082 represents the City's investment in capital assets, net of related debt, \$182,064 is held for restricted purposes, and \$8,291,010 is available to meet the City's ongoing obligations to its citizens and creditors.
- The following table shows the changes in major revenue sources from 2003 to 2004.

**City of Mattoon, Illinois
Changes in Major Revenue Sources
April 30, 2004**

<u>Source</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Intergovernmental Shared Revenues	\$ 7,062,509	\$ 6,236,644	\$ 825,865
Property Tax Revenues	\$ 3,678,965	\$ 3,710,995	\$ (32,030)
Utility Tax Revenues	\$ 1,263,720	\$ 1,643,306	\$ (379,586)
Hotel Tax Revenues	\$ 232,450	\$ 241,913	\$ (9,463)
Water Fund Charges for Services	\$ 3,279,188	\$ 3,068,899	\$ 210,289
Sewer Fund Charges for Services	\$ 3,493,163	\$ 3,059,254	\$ 433,909
Cemetery Fund Charges for Services	\$ 111,126	\$ 108,439	\$ 2,687
 Table Totals	 \$ 19,121,121	 \$ 18,069,450	 \$ 1,051,671

- During FY 2004, the City of Mattoon continued a proactive plan for the replacement of aging infrastructure, the upgrade of technology used in operations, and the improvement of utility services. The City invested more than \$2.6 million in upgrading infrastructure systems and other capital assets.

- Illinois statute restricts municipality general obligation debt to less than 8.625% of equalized property value. As all of Mattoon's debt will be retired from revenue sources other than property taxes, the City's general obligation debt is well below the statutory limit. Between May 1, 2003 and April 30, 2004, \$2.2 million in new debt was used to refund a prior general obligation bond issue and to finance the early retirement incentive pension obligation and related costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section serves as an introduction to the City of Mattoon's basic financial statements. The basic financial statements for the City of Mattoon are comprised of three components:

- basic financial statements,
- required supplementary information, and
- combining and individual fund statements.

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

Government-wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business entities. The *Statement of Net Assets* presents information on all of the City of Mattoon'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 City is improving or deteriorating. 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 underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 17-18 and 19 of this report.

Both of the government-wide financial statements distinguish those functions of the municipality that are principally supported by taxes and intergovernmental revenues, known as governmental activities, from other functions that are intended to recover all, or a significant portion, of their costs through user fees and services charges, called business-type activities. The governmental activities of the City of Mattoon include general government, public safety, public works, culture and recreation and other miscellaneous activities. The business-type activities of the City include the water and sewer services.

In addition to these various direct operations of the City, or primary government, the government-wide financial statements also include financial information related to legally distinct entities for which the City has financial responsibility and accountability, known as component units. The City of Mattoon's component units include the Mattoon Firefighters Pension Fund, Mattoon Police Pension Fund, Mattoon Foreign Fire Insurance Tax Fund and the Mattoon Public Library. These entities are described in Note 1 following the financial statements.

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 of Mattoon, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All of the funds of the City of Mattoon 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. However, unlike the government-wide statements, governmental fund financial statements focus on near term inflows and outflows of current spendable resources, as well as balances of spendable resources that can be converted to cash and balances available at the end of the fiscal year for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental funds include the General, special revenue, and capital projects funds. On the Balance Sheet – Governmental Funds, the General fund is shown as a separate column and data from the other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Reconciliations follow the *Balance Sheet-Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The reconciliations show the adjustments that are needed to convert the governmental funds financial statements to the government-wide *Statement of Net Assets and Statement of Activities*.

Proprietary Funds

Proprietary funds maintained by the City of Mattoon are of two different types: enterprise funds and internal service funds. Enterprise funds are used to report those functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for activities that provide supplies and services to the general public. Proprietary fund statements provide the same type of information as the government-wide financial statements, but in more detail. The City's fund financial statements present separate enterprise fund information for the Water and Sewer utilities and Dodge Grove Cemetery. The proprietary fund financial statements are on pages 25 through 31 of this report.

Internal service funds are used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to departmental customers within the governmental entity itself, rather than to external customers. The City of Mattoon uses an internal service fund to account for its employee and retiree health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary Funds are used to accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City does not have any fiduciary funds, but it does include the Mattoon Police Pension Fund and the Mattoon Firefighters Pension Fund, both of which are fiduciary type discretely presented component units. Financial information for the Mattoon Police Pension Fund and Mattoon Firefighters Pension Fund can be found in the *Combining and Individual Fund Statements and Schedules* on pages 96 thru 97 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 34 of this report.

Additional Supplementary Information

Following the basic government-wide and fund financial statements and accompanying notes, combining statements are included for the non-major governmental and fiduciary component units.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The *Statement of Net Assets* for the City of Mattoon is summarized in the table below. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$29.7 million as of April 30, 2004. The majority of these net assets reflect the City's investment in capital assets, including land, land improvements, buildings, machinery and equipment, infrastructure, and construction in progress, net of depreciation. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Statement of Net Assets:

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 7,727,461	\$ 6,937,223	\$ 14,664,684
Capital Assets (net)	\$ 6,822,554	\$ 43,300,692	\$ 50,123,246
Total Assets	\$ 14,550,015	\$ 50,237,915	\$ 64,787,930
Current Liabilities	\$ 2,297,412	\$ 598,422	\$ 2,895,834
Non-current Liabilities	\$ 5,824,286	\$ 26,330,654	\$ 32,154,940
Total Liabilities	\$ 8,121,698	\$ 26,929,076	\$ 35,050,774
Invested in Capital, Net of Debt	\$ 4,340,661	\$ 16,926,422	\$ 21,267,083
Restricted	\$ 128,889	\$ 53,175	\$ 53,174
Unrestricted	\$ 1,958,767	\$ 6,332,242	\$ 8,419,897
Total Net Assets	\$ 6,428,317	\$ 23,311,839	\$ 29,740,156
Total Net Assets as a % of Total Liabilities	79%	87%	85%
Unrestricted Net Assets as a % of Total Liabilities	26%	24%	24%

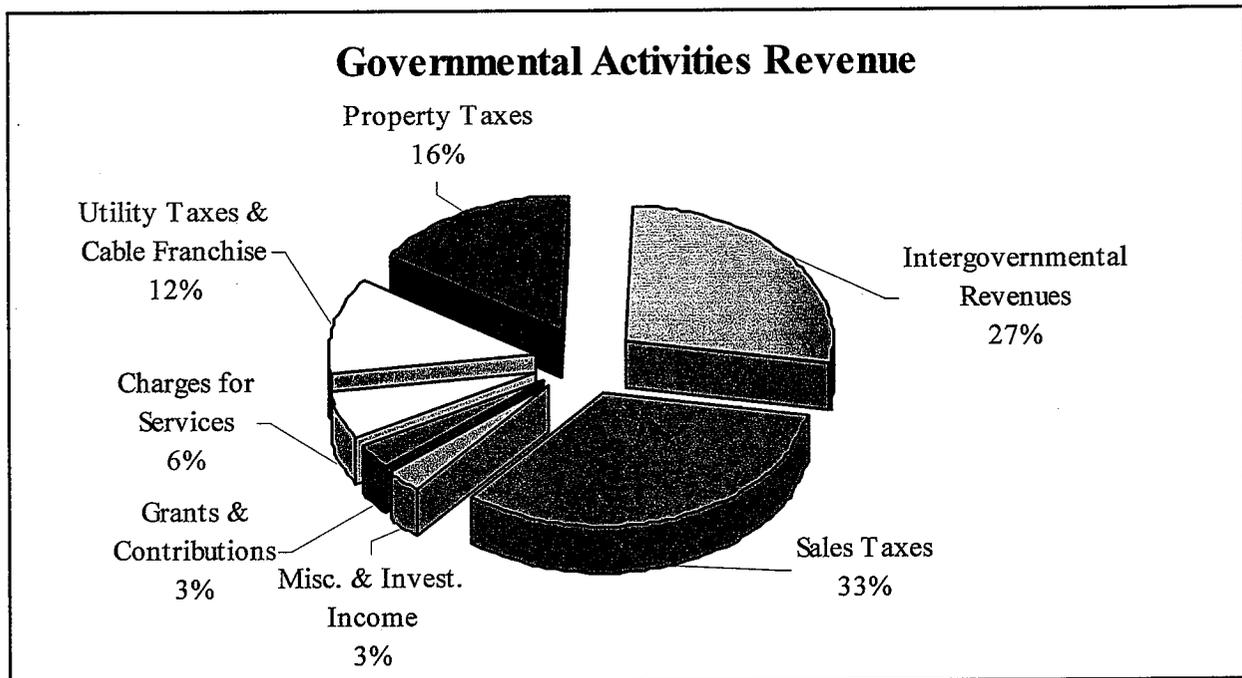
An extremely small portion of the City's net assets (less than 1%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$8.4 million of total net assets may be used to meet the City's ongoing obligations to its citizens and creditors. It is important to note that \$6.3 million, or about three-fourths, of these unrestricted net assets are related to the City's business-type activities. Consequently, they generally may not be used to fund governmental activities. As of April 30, 2004, the City is able to report positive balances in net assets for the governmental activities as well as business-type activities.

An examination of the *Statement of Activities* provides a concise picture of how the various activities of the City are funded. The following table summarizes the City's governmental and business-type activities.

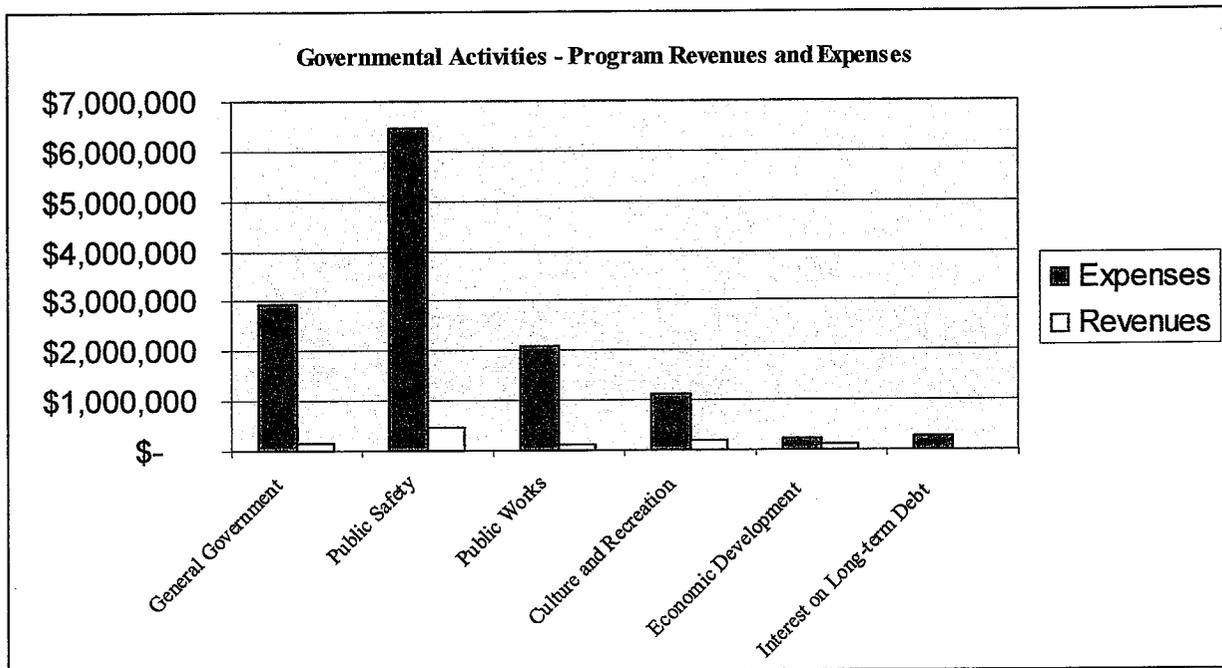
	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 709,722	\$ 6,883,477	\$ 7,593,199
Operating Grants & Contributions	\$ 354,552	\$ -	\$ 354,552
Capital Grants and Contributions	\$ 30,344	\$ -	\$ 30,344
General Revenues:			
Property Taxes	\$ 1,983,391	\$ -	\$ 1,983,391
Sales Taxes	\$ 4,080,045	\$ -	\$ 4,080,045
Utility Taxes	\$ 1,263,720	\$ -	\$ 1,263,720
Cable Television Franchise	\$ 172,213	\$ -	\$ 172,213
Intergovernmental Revenues	\$ 3,333,937	\$ -	\$ 3,333,937
Investment Income	\$ 43,562	\$ 57,314	\$ 100,876
Miscellaneous Income	\$ 281,761	\$ -	\$ 281,761
Endowments	\$ -	\$ 1,615	\$ 1,615
Total Revenue	\$ 12,253,247	\$ 6,942,406	\$ 19,195,653
Expenses			
Program Expenses:			
General Government	\$ 2,915,969	\$ -	\$ 2,915,969
Public Safety	\$ 6,474,866	\$ -	\$ 6,474,866
Public Works	\$ 2,075,075	\$ -	\$ 2,075,075
Health and Welfare	\$ 24,908	\$ -	\$ 24,908
Culture and Recreation	\$ 1,137,228	\$ -	\$ 1,137,228
Economic Development	\$ 223,738	\$ -	\$ 223,738
Interest on Long-term Debt	\$ 276,225	\$ -	\$ 276,225
Water	\$ -	\$ 3,066,107	\$ 3,066,107
Sewer	\$ -	\$ 3,310,616	\$ 3,310,616
Cemetery	\$ -	\$ 190,052	\$ 190,052
Total Expenses	\$ 13,128,009	\$ 6,566,775	\$ 19,694,784

	Governmental Activities	Business-Type Activities	Total
Increase (decrease) in net assets before transfers	\$ (874,762)	\$ 375,631	\$ (499,131)
Transfers	\$ (218,765)	\$ 50,000	\$ (168,765)
Change in Net Assets	\$ (1,093,527)	\$ 425,631	\$ (667,896)
Net Assets - May 1, 2003	\$ 7,521,844	\$ 22,886,208	\$ 30,408,052
Net Assets - April 30, 2004	\$ 6,428,317	\$ 23,311,839	\$ 29,740,156

The following chart illustrates how governmental activities are funded. Sales taxes provided thirty-three percent (33%) of the revenue for governmental revenues. Intergovernmental revenues (other taxes) provided twenty-seven percent (27%) of the revenue for governmental revenues. Property taxes provided sixteen percent (16%) of the revenue for governmental activities. Utility taxes and the cable franchise agreement provided twelve percent (12%) of the revenue for governmental activities. Taxes, in one form or another comprised eighty-eight percent (88%) of the revenue for governmental activities. The remaining twelve percent (12%) came from charges for services six percent (6%), Grants and Contributions three percent (3%) and Miscellaneous and Investment Revenue three percent (3%).



Another way to analyze the data in the *Statement of Activities* is to compare expenses of a particular program with revenues generated. The following graph reflects this comparison for governmental activities.



Business-type activities, water and sewer utilities and Dodge Grove cemetery, depend on charges for services as their primary revenue sources, over ninety-nine percent (99%) of revenues are generated from user charges.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows, and spendable resources. Such information can be useful in assessing the City's financing requirements.

As of April 30, 2004, the City of Mattoon's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$5,501,837, an increase of \$807,407 from April 30, 2003. Of the ending fund balances total, \$128,889 is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$5,372,948 available for meeting future budget requirements.

The General fund is the primary operating fund used to account for the governmental operations of the City of Mattoon. The largest revenue sources for the General fund are taxes which account for ninety percent (90%) of revenues. Public safety and public works are the primary operations of the General fund. Over sixty-one percent (61%) of the General fund expenditures of \$9.7 million are allocated to the public safety sector. Another fourteen percent (14%) of the General fund costs are derived from the operations of public works. Over eleven percent (11%) of the General fund costs are derived from general governmental expenditures.

The General fund has an undesignated fund balance of \$2,118,339. The undesignated fund balance is available to be applied in a future year's budget to one-time capital projects or to reduce outstanding debt.

With regard to the Other Governmental Funds, the Motor Fuel Tax fund had a total fund balance of \$1,037,739, the Revolving Loan fund had a total fund balance of \$963,134 and the Insurance and Tort Judgment fund had a balance of \$793,038. The Motor Fuel Tax fund balance primarily reflects the amounts designated to pay for the new Champaign Avenue bridge, the resurfacing of Marshall Avenue, the revamping of 33rd Street at Dewitt Avenue and improvements to 43rd Street Road. The Revolving Loan fund balance is primarily monies pledged for expenditure on Lerna Road in conjunction with the East I-57 TIF district. The Insurance and Tort Judgment fund is designated for the various future insurance costs and judgments. The remaining Other Governmental Funds column in the balance sheet includes various special revenue funds and capital projects funds. The total accumulated fund balances of all the Other Governmental Funds increased by \$821,406 during 2004.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in greater detail. The detail of the City's proprietary funds can be found from page 25 to page 31. The net assets of the enterprise type proprietary funds at the end of 2004 totaled \$23,311,839, an increase of \$425,631 from the previous year. The Water fund net assets increased \$256,639, the Sewer fund net assets increased \$191,906 and the Cemetery fund net assets decreased \$22,914.

For the year ended April 30, 2004, Revenues in the Water fund totaled \$3,279,188 (an increase of \$210,289 from 2003), operating expenditures totaled \$2,619,674 (an increase of \$395,026 from 2003) producing operating income of \$659,514 (a decrease of \$184,737 from 2003). Non-operating expenditures totaled \$402,875, leaving a gain of \$256,639 in the Net Assets of the Water fund.

For the year ended April 30, 2004, Revenues in the Sewer fund totaled \$3,493,163 (an increase of \$433,909 from 2003), operating expenditures totaled \$2,907,537 (an increase of \$358,150 from 2003) producing operating income of \$585,626 (an increase of \$75,759 from 2003). Non-operating expenditures totaled \$393,720, leaving a gain of \$191,906 in the Net Assets of the Sewer fund.

For the year ended April 30, 2004, Revenues in the Cemetery fund totaled \$111,126 (an increase of \$2,687 from 2003), operating expenditures totaled \$189,958 (a decrease of \$35,550 from 2003) producing an operating loss of \$78,832 (a decrease of \$38,237 from 2003). Non-operating expenditures revenues totaled \$5,918 and transfers from the General fund totaled \$50,000, leaving a loss of \$22,914 in the Net Assets of the Cemetery fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Required Supplementary Information sections contains the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual for the General Fund on pages 84-85, the original 2004 General fund budget authorized expenditures and other financing uses of \$14,214,190, funded by anticipated revenues and other financing sources of \$14,219,028 leaving the amount of revenues and other financing sources over expenditures and other financing uses of \$4,838. The actual amount of revenues and other financing sources over expenditures and other financing uses was \$676,320, a positive budget to actual variance of \$671,482. From time to time during the year, the City Council approved adjustments to the budget. These changes are reflected in the Final Budget column.

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual for each of the Nonmajor Governmental Funds can be found in the Combining and Individual Fund Statements and Schedules, beginning on page 89.

CAPITAL ASSETS AND DEBT

Capital Assets

In accordance with the implementation requirements of GASB No. 34, the City has recorded historical costs and depreciation expense associated with all of its capital assets. In accordance with the implementation requirements of GASB No. 34, the historical costs and depreciation expense associated with its infrastructure will be reported in the financial statements for the period ending on April 30, 2005. As summarized in the table below, the City's reported investment in capital assets for governmental and business-type activities as of April 30, 2004 totaled over \$74.5 million. Over eighty-three percent (83%) of this total cost was related to the business-type activities, with the City's sewer collection and treatment system and water distribution system comprising the most significant component.

Total accumulated depreciation was calculated to be just over \$24 million, or approximately 33% of the historical asset cost. Net of accumulated depreciation, the City's investment in capital assets is in excess of \$50 million.

City of Mattoon, Illinois
Capital Assets, Net of Accumulated Depreciation
April 30, 2004

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 2,002,945	\$ 588,555	\$ 2,591,500
Buildings and Improvements	\$ 5,539,466	\$ 12,574,053	\$ 18,113,519
Equipment, furniture and vehicles	\$ 4,713,879	\$ 1,917,414	\$ 6,631,293
Improvements other than buildings	\$ -	\$ 96,458	\$ 96,458
Reservoirs	\$ -	\$ 84,643	\$ 84,643
Treat. collect. and distrib. systems	\$ -	\$ 32,792,473	\$ 32,792,473
Construction in Progress	\$ 89,361	\$ 14,153,680	\$ 14,243,041
Subtotal	<u>\$ 12,345,651</u>	<u>\$ 62,207,276</u>	<u>\$ 74,552,927</u>
Less Accumulated Depreciation	\$ (5,523,098)	\$ (18,906,584)	\$ (24,429,682)
Total	<u><u>\$ 6,822,553</u></u>	<u><u>\$ 43,300,692</u></u>	<u><u>\$ 50,123,245</u></u>

Long-Term Debt

On April 30, 2004, the City of Mattoon had \$31,036,724 of bond and long-term note principal outstanding, as summarized in the following table:

City of Mattoon, Illinois
General Obligation Bonds and Notes Outstanding
April 30, 2004

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 4,268,000	\$ 10,180,000	\$ 14,448,000
Notes Payable	\$ 394,453	\$ 16,194,271	\$ 16,588,724
Total	<u><u>\$ 4,662,453</u></u>	<u><u>\$ 26,374,271</u></u>	<u><u>\$ 31,036,724</u></u>

REQUESTS FOR INFORMATION

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 accountability for the money it receives. The City of Mattoon provides the Comprehensive Annual Financial Report on our web page (www.mattoonillinois.org). If anyone has any questions about this report or needs additional financial information about the City of Mattoon, please contact the Finance Department at 208 North 19th Street, Mattoon, Illinois, 61938. Finance Department staff can also be reached at (217) 235-5483.

CITY OF MATTOON, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2004

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Mattoon Public Library
ASSETS				
Cash and cash equivalents	\$ 3,011,234	\$ 2,783,868	\$ 5,795,102	\$ 52,444
Certificates of deposit	550,541	3,261,545	3,812,086	-
Other investments	681,257	9,035	690,292	-
Receivables	3,232,525	413,466	3,645,991	383,000
Due from primary government	-	-	-	24,359
Prepaid items	243,715	9,361	253,076	-
Deferred bond issue expense	8,190	192,636	200,826	-
Restricted assets:				
Cash	-	93,905	93,905	25,000
Certificates of deposit	-	111,878	111,878	-
Other investments	-	-	-	3,721
Cemetery development	-	61,529	61,529	-
Capital assets (net of accumulated depreciation):				
Land	2,002,945	588,555	2,591,500	-
Buildings and building improvements	3,939,619	9,805,706	13,745,325	2,093,597
Improvements other than buildings	-	47,962	47,962	-
Treatment, collection and distribution systems	-	17,984,462	17,984,462	-
Equipment, furniture and vehicles	790,628	720,327	1,510,955	5,800
Construction in progress	89,361	14,153,680	14,243,041	-
Total assets	14,550,015	50,237,915	64,787,930	2,587,921

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)
April 30, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
LIABILITIES				
Accounts payable	\$ 120,552	\$ 99,282	\$ 219,834	\$ -
Interest payable	2,622	-	2,622	-
Accrued payroll	222,343	72,799	295,142	-
Other accrued expenses	77,354	286,542	363,896	-
Due to component units	415,541	-	415,541	-
Unearned revenue	1,459,000	-	1,459,000	386,721
Liabilities payable from restricted assets:				
Other payables	-	136,799	136,799	-
Non-current liabilities:				
Due within one year	384,174	1,337,345	1,721,519	960
Due in more than one year	5,450,112	24,993,309	30,443,421	8,640
Total liabilities	8,131,698	26,926,076	35,057,774	396,321
NET ASSETS				
Invested in capital assets, net of related debt	4,340,661	16,926,421	21,267,082	2,099,397
Restricted for:				
Other purposes	128,889	51,560	180,449	3,721
Permanently restricted	-	1,615	1,615	25,000
Unrestricted	1,948,767	6,332,243	8,281,010	63,482
Total net assets	\$ 6,418,317	\$ 23,311,839	\$ 29,730,156	\$ 2,191,600

See notes to financial statements

CITY OF MATTOON, ILLINOIS

STATEMENT OF ACTIVITIES

for the year ended April 30, 2004

	Net (Expense) Revenue and Changes in Net Assets						Component Unit	
	Primary Government						Mattoon Public Library	
	Program Revenues	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-type Activities	Total		
Functions/Programs:								
Primary government:								
Governmental activities:								
General government	\$ 2,915,969	\$ 143,418	\$ --	\$ (2,772,551)	\$ --	\$ (2,772,551)		
Public safety	6,474,866	221,494	30,344	(6,002,236)	--	(6,002,236)		
Public works	2,075,075	133,722	--	(1,941,353)	--	(1,941,353)		
Health and welfare	24,908	--	--	(24,908)	--	(24,908)		
Culture and recreation	1,137,228	211,088	--	(926,140)	--	(926,140)		
Economic development	223,738	--	--	(89,978)	--	(89,978)		
Interest on long-term debt	276,225	--	--	(276,225)	--	(276,225)		
Total governmental activities	13,128,009	709,722	30,344	(12,033,391)	--	(12,033,391)		
Business-type activities:								
Water	3,066,107	3,279,188	--	--	213,081	213,081		
Sewer	3,310,616	3,493,163	--	--	182,547	182,547		
Cemetery	190,052	111,126	--	--	(78,926)	(78,926)		
Total business-type activities	6,566,775	6,883,477	--	--	316,702	316,702		
Total primary government	\$ 19,694,784	\$ 7,593,199	\$ 30,344	(12,033,391)	316,702	(11,716,689)		
Component Unit:								
Mattoon Public Library	\$ 420,575	\$ 11,974	\$ --	\$ --	--	--	\$ (381,011)	
General revenues:								
Property taxes				1,983,391	--	1,983,391	371,941	
Sales taxes				4,080,045	--	4,080,045	--	
Utility taxes				1,263,720	--	1,263,720	--	
Cable television franchise taxes				172,213	--	172,213	--	
Intergovernmental revenues				3,333,937	--	3,333,937	--	
Investment income				43,562	57,314	100,876	882	
Miscellaneous income				281,761	--	281,761	285	
Endowments				--	1,615	1,615	--	
Transfers				(218,765)	50,000	(168,765)	(43,641)	
Total general revenues and transfers				10,939,864	108,929	11,048,793	329,467	
Change in net assets				(1,093,527)	425,631	(667,896)	(51,544)	
Net assets, beginning of year				7,511,844	22,886,208	30,398,052	2,243,144	
Net assets, end of year				\$ 6,418,317	\$ 23,311,839	\$ 29,730,156	\$ 2,191,600	

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

April 30, 2004

	General	Other Governmental Funds	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 1,351,600	\$ 1,611,503	\$ 2,963,103
Certificates of deposit	--	550,541	550,541
Other investments	11,292	669,965	681,257
Receivables	2,826,263	406,262	3,232,525
Due from other funds	12,759	--	12,759
Prepaid items	--	243,714	243,714
Advances to other funds	--	128,889	128,889
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,201,914</u>	<u>\$ 3,610,874</u>	<u>\$ 7,812,788</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 52,191	\$ 20,229	\$ 72,420
Accrued payroll	220,954	1,388	222,342
Due to other funds	-	12,759	12,759
Due to component units	415,541	--	415,541
Unearned revenue	1,266,000	193,000	1,459,000
Advances from other funds	128,889	--	128,889
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,083,575</u>	<u>227,376</u>	<u>2,310,951</u>
 Fund balances:			
Reserved for advances	--	128,889	128,889
Unreserved, reported in:			
General fund	2,118,339	--	2,118,339
Special revenue funds	--	2,805,539	2,805,539
Capital project fund	--	449,070	449,070
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,118,339</u>	<u>3,383,498</u>	<u>5,501,837</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,201,914</u>	<u>\$ 3,610,874</u>	<u>\$ 7,812,788</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES

April 30, 2004

Total fund balances, governmental funds	\$ 5,501,837
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	6,822,552
Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	--
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,906,072)</u>
Net assets of governmental activities	<u>\$ 6,418,317</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

for the year ended April 30, 2004

	General	Other Governmental Funds	Totals
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes	\$ 3,159,822	\$ 610,973	\$ 3,770,795
Licenses and permits	160,470	--	160,470
Intergovernmental revenues	6,793,359	654,046	7,447,405
Charges for services	407,588	--	407,588
Fines and forfeitures	141,665	--	141,665
Investment income	23,931	19,631	43,562
Miscellaneous revenues	60,185	221,576	281,761
	<u>10,747,020</u>	<u>1,506,226</u>	<u>12,253,246</u>
Expenditures:			
Current:			
General government	1,085,831	186,827	1,272,658
Public safety	6,013,877	--	6,013,877
Public works	1,390,370	556,459	1,946,829
Health and welfare	24,908	--	24,908
Culture and recreation	643,379	447,503	1,090,882
Economic development	--	223,738	223,738
Capital outlay	20,500	89,361	109,861
Debt service:			
Principal	331,621	--	331,621
Interest and fiscal charges	194,812	--	194,812
Bond issuance costs	8,686	--	8,686
	<u>\$ 9,713,984</u>	<u>\$ 1,503,888</u>	<u>\$ 11,217,872</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(CONTINUED)
GOVERNMENTAL FUNDS**

for the year ended April 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,033,036	\$ 2,338	\$ 1,035,374
Other financing sources (uses):			
Operating transfers in	--	205,069	205,069
Operating transfers out	(195,644)	(59,425)	(255,069)
Transfers from component units	68,000	--	68,000
Transfers to component units	(236,765)	--	(236,765)
Long-term debt proceeds	2,245,622	30,000	2,275,622
Payment to Illinois Municipal Retirement Fund	(1,550,000)	--	(1,550,000)
Payment to bond refunding escrow agent	(687,929)	--	(687,929)
Total other financing sources (uses)	<u>(356,716)</u>	<u>175,644</u>	<u>(181,072)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	676,320	177,982	854,302
Fund balances, May 1, 2003	<u>1,442,019</u>	<u>3,205,516</u>	<u>4,647,535</u>
Fund balances, April 30, 2004	<u>\$ 2,118,339</u>	<u>\$ 3,383,498</u>	<u>\$ 5,501,837</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

for the year ended April 30, 2004

Net changes in fund balances, governmental funds \$ 854,302

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

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (408,119)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas, interest expenditures are reported when due in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items. (1,244,764)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (294,946)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities. --

Changes in net assets of governmental activities \$ (1,093,527)

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Fund
			Fund		
ASSETS					
Current assets:					
Cash	\$ 402,414	\$ 2,443,901	\$ (62,447)	\$ 2,783,868	\$ 48,131
Certificates of deposit	2,732,577	378,106	150,862	3,261,545	-
Other investments	9,035	-	-	9,035	-
Receivables	159,225	250,442	3,799	413,466	-
Prepaid items	4,772	4,589	-	9,361	-
Total current assets	<u>3,308,023</u>	<u>3,077,038</u>	<u>92,214</u>	<u>6,477,275</u>	<u>48,131</u>
Noncurrent assets:					
Restricted assets:					
Cash on deposit	92,290	-	1,615	93,905	5,198
Investments	60,318	-	51,560	111,878	-
Deferred bond issue expense	168,759	23,877	-	192,636	-
Cemetery development	-	-	61,529	61,529	-
Capital assets:					
Land	378,724	208,431	1,400	588,555	-
Buildings, reservoirs and building improvements	12,056,305	502,958	14,790	12,574,053	-
Improvements other than buildings	85,455	11,003	-	96,458	-
Reservoirs	84,643	-	-	84,643	-
Treatment, collection and distribution systems	8,649,049	24,143,424	-	32,792,473	-
Equipment, furniture and vehicles	801,261	1,045,638	70,515	1,917,414	-
Construction in progress	1,827,994	12,325,686	-	14,153,680	-
Less accumulated depreciation	<u>(6,152,947)</u>	<u>(12,682,250)</u>	<u>(71,387)</u>	<u>(18,906,584)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>17,730,484</u>	<u>25,554,890</u>	<u>15,318</u>	<u>43,300,692</u>	<u>-</u>
Total noncurrent assets	<u>18,051,851</u>	<u>25,578,767</u>	<u>130,022</u>	<u>43,760,640</u>	<u>5,198</u>
Total assets	<u>21,359,874</u>	<u>28,655,805</u>	<u>222,236</u>	<u>50,237,915</u>	<u>53,329</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)
PROPRIETARY FUNDS**

April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Fund
			Fund		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 7,789	\$ 90,976	\$ 517	\$ 99,282	\$ 48,131
Accrued payroll	35,553	34,977	2,269	72,799	-
Accrued interest	156,825	129,717	-	286,542	-
Compensated absences payable	31,118	14,449	2,261	47,828	-
General obligation bonds - current	390,000	220,000	-	610,000	-
Notes payable - current	333,779	385,664	-	719,443	-
Payable from restricted assets:					
Other payables	136,799	-	-	136,799	5,198
Total current liabilities	1,091,863	875,783	5,047	1,972,693	53,329
Noncurrent liabilities:					
Long-term debt payable:					
General obligation bonds payable (net of unamortized discounts and premiums and deferred amount on refunding)	5,253,902	4,033,342	-	9,287,244	-
Notes payable	6,333,726	9,141,102	-	15,474,828	-
Compensated absences payable	124,473	57,794	9,044	191,311	-
Total noncurrent liabilities	11,712,101	13,232,238	9,044	24,953,383	-
Total liabilities	12,803,964	14,108,021	14,091	26,926,076	53,329
NET ASSETS					
Investment in capital assets (net of related debt)	3,913,718	12,997,385	15,318	16,926,421	-
Restricted for other purposes	-	-	51,560	51,560	-
Permanently restricted	-	-	1,615	1,615	-
Unrestricted	4,642,192	1,550,399	139,652	6,332,243	-
Total net assets	\$ 8,555,910	\$14,547,784	\$ 208,145	\$ 23,311,839	\$ -

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

for the year ended April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other -	Totals	Activities
			Cemetery Fund		Internal Service Fund
Operating revenues:					
Charges for services	\$ 3,279,188	\$ 3,493,163	\$ 111,126	\$6,883,477	\$ --
Fund charges and employee contributions	--	--	--	--	2,182,562
Insurance reimbursements	--	--	--	--	11,851
Total operating revenue	3,279,188	3,493,163	111,126	6,883,477	2,194,413
Operating expenses:					
Reservoirs and sources of supply	239,267	--	--	239,267	--
Water treatment plant	807,461	--	--	807,461	--
Water distribution	485,178	--	--	485,178	--
Sewer collection system	--	540,794	--	540,794	--
Sewer lift stations	--	29,634	--	29,634	--
Wastewater treatment plant	--	998,350	--	998,350	--
Accounting and collection	339,675	204,084	--	543,759	--
Administrative and general	295,722	457,985	--	753,707	131,228
Insurance	--	--	--	--	181,968
Employee health benefit claims	--	--	--	--	1,881,317
Personnel services	--	--	159,056	159,056	--
Repairs and maintenance	--	--	4,845	4,845	--
Supplies	--	--	5,881	5,881	--
Purchased services	--	--	11,114	11,114	--
Utilities	--	--	3,431	3,431	--
Depreciation	452,371	676,690	5,631	1,134,692	--
Total operating expenses	2,619,674	2,907,537	189,958	5,717,169	2,194,513
Operating income (loss)	\$ 659,514	\$ 585,626	\$ (78,832)	\$1,166,308	\$ (100)

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(CONTINUED)
PROPRIETARY FUNDS**

for the year ended April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Fund
			Fund		
Non-operating revenues (expenses):					
Contribution - permanent endowment	\$ --	\$ --	\$ 1,615	\$ 1,615	\$ --
Investment income	43,558	9,359	4,397	57,314	100
Interest expense	(431,975)	(401,384)	(94)	(833,453)	--
Bond issuance costs	(14,458)	(1,695)	--	(16,153)	--
Total non-operating revenues (expenses)	<u>(402,875)</u>	<u>(393,720)</u>	<u>5,918</u>	<u>(790,677)</u>	<u>100</u>
Income (loss) before transfers	<u>256,639</u>	<u>191,906</u>	<u>(72,914)</u>	<u>375,631</u>	<u>--</u>
Operating transfers in	--	--	50,000	50,000	--
Operating transfers out	--	--	--	--	--
Total operating transfers	<u>--</u>	<u>--</u>	<u>50,000</u>	<u>50,000</u>	<u>--</u>
Change in net assets	256,639	191,906	(22,914)	425,631	--
Net assets, May 1, 2003	<u>8,299,271</u>	<u>14,355,878</u>	<u>231,059</u>	<u>22,886,208</u>	<u>--</u>
Net assets, April 30, 2004	<u>\$ 8,555,910</u>	<u>\$ 14,547,784</u>	<u>\$ 208,145</u>	<u>\$ 23,311,839</u>	<u>\$ --</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

for the year ended April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
					Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 3,293,073	\$ 3,357,660	\$ 119,804	\$ 6,770,537	\$ 2,194,413
Payments to employees	(848,258)	(1,007,263)	(134,449)	(1,989,970)	--
Payments to suppliers	(1,327,453)	(2,105,007)	(98,662)	(3,531,122)	(107,286)
Payments to claimants	--	--	--	--	(2,035,396)
Net cash provided (used) by operating activities	<u>1,117,362</u>	<u>245,390</u>	<u>(113,307)</u>	<u>1,249,445</u>	<u>51,731</u>
Cash flows from noncapital financing activities:					
Operating transfers in	--	--	50,000	50,000	--
Operating transfers out	--	--	--	--	--
Contributions	--	--	1,615	1,615	--
Net cash provided by noncapital financing activities	<u>--</u>	<u>--</u>	<u>51,615</u>	<u>51,615</u>	<u>--</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,084,153)	(910,156)	--	(1,994,309)	--
Proceeds from borrowings	--	301,065	--	301,065	--
Principal payments on debt	(453,362)	(410,507)	(2,505)	(866,374)	--
Interest and fiscal charges	(388,182)	(629,179)	(94)	(1,017,455)	--
Net cash used by capital and related financing activities	<u>\$ (1,925,697)</u>	<u>\$ (1,648,777)</u>	<u>\$ (2,599)</u>	<u>\$ (3,577,073)</u>	<u>\$ --</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
(CONTINUED)
PROPRIETARY FUNDS**

for the year ended April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other -	Totals	Activities
			Cemetery Fund		Internal Service Fund
Cash flows from investing activities:					
Investment income received (net of expense)	\$ 18,896	\$ 4,700	\$ 3,459	\$ 27,055	\$ 100
Proceeds from sale of investments	52,215	--	--	52,215	--
Purchases of investments	(66,808)	--	--	(66,808)	--
Net cash provided by investing activities	<u>4,303</u>	<u>4,700</u>	<u>3,459</u>	<u>12,462</u>	<u>100</u>
Net increase (decrease) in cash	(804,032)	(1,398,687)	(60,832)	(2,263,551)	51,831
Cash, restricted and unrestricted, May 1, 2003	<u>1,298,736</u>	<u>3,842,588</u>	<u>--</u>	<u>5,141,324</u>	<u>1,498</u>
Cash, restricted and unrestricted, April 30, 2004	<u>\$ 494,704</u>	<u>\$ 2,443,901</u>	<u>\$ (60,832)</u>	<u>\$ 2,877,773</u>	<u>\$ 53,329</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
(CONTINUED)
PROPRIETARY FUNDS**

for the year ended April 30, 2004

	Business-type Activities - Enterprise Funds				Governmental
					Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 659,514	\$ 585,626	\$ (78,832)	\$ 1,166,308	\$ (100)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	452,371	676,690	5,631	1,134,692	--
(Increase) decrease in receivables	(30,645)	(135,502)	8,679	(157,468)	--
(Increase) decrease in prepaid expenses	2,119	(3,102)	--	(983)	22,991
(Increase) decrease in due from other funds	15,442	99,148	--	114,590	226,534
Increase (decrease) in accounts payable	(115,866)	(1,045,487)	517	(1,160,836)	(159,277)
Increase (decrease) in other payables	(35,980)	--	--	(35,980)	--
Increase (decrease) in accrued payroll	16,835	3,281	(2,065)	18,051	--
Increase (decrease) in compensated absences payable	109,507	64,736	(12,162)	162,081	--
Increase (decrease) in due to other funds	(464)	--	(35,075)	(35,539)	(43,615)
Increase (decrease) in meter deposits payable	44,529	--	--	44,529	--
Increase (decrease) in other payables	--	--	--	--	5,198
Net cash provided (used) by operating activities	<u>\$ 1,117,362</u>	<u>\$ 245,390</u>	<u>\$ (113,307)</u>	<u>\$ 1,249,445</u>	<u>\$ 51,731</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY COMPONENT UNITS

April 30, 2004

	<u>Pension Component Units</u>
ASSETS	
Cash	\$ 1,981,425
Property taxes receivable, 2003 levy, estimated	1,202,000
Interest receivable	143,847
Due from primary government	391,182
Investments, at fair value	<u>23,620,278</u>
Total assets	27,338,732
LIABILITIES	
Pensions payable	<u>171,841</u>
NET ASSETS	
Held in trust for pension benefits (a schedule of funding progress is presented on pages 82 - 83)	<u>\$ 27,166,891</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY COMPONENT UNITS**

for the year ended April 30, 2004

	<u>Pension Component Units</u>
Additions:	
Contributions:	
Employer - property taxes	\$ 1,204,611
Employer - transfers from primary government	212,406
Plan members	<u>342,158</u>
Total contributions	<u>1,759,175</u>
Investment income:	
Interest income	797,256
Net increase in fair value of investments	<u>426,950</u>
	1,224,206
Less: investment agency fees	<u>(3,500)</u>
Net investment income	<u>1,220,706</u>
Total additions	<u>2,979,881</u>
Deductions:	
Benefits and refunds of contributions	2,072,984
Miscellaneous	<u>2,224</u>
Total expenditures	<u>2,075,208</u>
Net increase	<u>904,673</u>
Net assets held in trust for pension benefits:	
Beginning of year	<u>26,262,218</u>
End of year	<u><u>\$ 27,166,891</u></u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Mattoon, Illinois, operates under an elected Commission form of government. The City's major operations include public safety, public works, recreation and parks, and general administrative services. In addition, the City owns and operates two major enterprise activities, a water plant and local sewer system.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In accordance with Governmental Accounting Standards Board Statement No. 14, financial accountability was determined on the basis of authoritative appointments of a voting majority of the potential component unit's board, imposition of its will on the potential component unit, the existence of a financial benefit or burden, fiscal dependency, and the designation of management. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units would be combined with data of the City. Each discretely presented component unit is usually reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. However, discretely presented component units that are fiduciary in nature are reported separately in statements relating to fiduciary net assets.

Blended component unit – The Mattoon Foreign Fire Insurance Tax Fund is governed by the 2% Foreign Fire Board. The Mattoon Foreign Fire Insurance Fund is treated as a blended component unit because its sole purpose is to account for monies received from the Illinois Municipal League to the City's firefighters to purchase equipment and supplies. The entity is reported as a governmental fund type in the General Fund.

Discretely presented component units – The Mattoon Public Library (Library) serves all of the citizens of the government and is governed by a board appointed by the City Council. The City is liable for general obligation bonds issued for construction and improvements of the Library. The Library is reported as a governmental fund type. The Mattoon Police Pension Fund and the Mattoon Firefighters Pension Fund are responsible for funding pensions for their respective members. Because their sole purpose is to provide pension funding for the City's police officers and firefighters, the Mattoon Police Pension Fund and the Mattoon Firefighters Pension Fund are treated as discretely presented component units. Since they are fiduciary in nature, these component units are presented in fiduciary net asset statements.

Separate financial statements are not issued for the individual component units.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved. Therefore, charges between the City's water and sewer function and various other functions of the government are included since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported as follows:

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Major Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Proprietary Funds

Water Fund – This fund is used to account for the activities of the government's water distribution system.

Sewer Fund – This fund is used to account for the activities of the government's sewage treatment plant, sewage pumping stations and collection systems.

Nonmajor Governmental Funds

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. Included among these funds are:

Motor Fuel Tax Fund – This fund is used to account for the revenue and expenditures related to projects financed by the motor fuel tax funds collected and distributed by the State of Illinois.

Hotel/Motel Tax Fund – This fund is used to account for the collection of a 5% room occupancy tax.

Festival Management Fund – This fund is used to account for the activities for the 4th of July Fireworks, Lightworks Festival, Water Sports Festival, Fall Festival, and Bagelfest.

Insurance and Tort Judgment Fund – This fund is used to account for the insurance premiums paid by the City.

Home Rehabilitation Grant Fund – This fund is used to account for housing grants and related expenditures.

Revolving Loan Fund – This fund is used to account for loans provided to businesses to promote economic development.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Nonmajor Governmental Funds (Continued)

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Nonmajor Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Cemetery Fund – This fund is used to account for the activities of the Dodge Grove Cemetery.

Other Fund Types

Internal Service Funds – Internal Service Funds are used to account for financing of services provided by one department or agency to other departments or agencies of the governmental unit, or other governmental units, on a cost-reimbursement basis. The City's internal service fund accounts for employee and retiree health insurance.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City does not have any fiduciary funds, but it does include the Mattoon Police Pension Fund and the Mattoon Firefighters Pension Fund, both of which are fiduciary type discretely presented component units.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The City's records are maintained on the cash basis of accounting. The basis of accounting used in the preparation of the basic financial statements is described in the following paragraphs.

In June 1999, GASB approved Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* followed by Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38 – *Certain Financial Statement Note Disclosures*. These statements are scheduled for a phased implementation (based on size of the government) through fiscal years ending in 2004. The City of Mattoon, Illinois is required to implement those changes and is accordingly implementing those changes in the fiscal year ended April 30, 2004. The change in financial statement presentation provides a comprehensive look at the total government and requires capitalization of assets and recording of depreciation. The new statements require the use of full accrual basis of accounting rather than the modified accrual basis. The primary changes made in order to comply with the new requirements were the recording of accumulated depreciation and depreciation on general fixed assets.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when they are earned, and expenses are recognized 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 met. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers revenues to be available if they are collectible within 60 days after year-end. Expenditures are generally recognized when the related fund liability is incurred, with the exception of principal and interest payments on general long-term debt which are recognized as liabilities when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenue include property taxes, franchise fees, interest, and various taxes collected by the state or other party on behalf of the government. In general, other revenues, such as charges for services and miscellaneous revenues, are considered to be measurable and available only when cash is received. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria or when resources are received prior to the government having a legal claim to them. The revenues are subsequently recognized when both recognition criteria are met or when the government has legal claim to the resources.

Property taxes are levied no later than the last Tuesday of December. These taxes attach as an enforceable lien on property as of January 1 of the calendar year that the levy ordinance was enacted. The taxes are payable by property owners in two equal installments on June 1 and September 1. The Coles County Treasurer distributed the 2002 tax extension to the City on July 31, 2003, September 9, 2003 and November 25, 2003. The City Council adopted the 2003 tax levy (receivable in calendar year 2004) on December 16, 2003. For governmental fund financial statements, the 2003 property tax levy is deferred since this amount is normally not collected within the time period to be available (defined as within 60 days). Taxes recorded in these financial statements are from the 2002 and prior tax levies.

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 Water enterprise fund, the Sewer enterprise fund, the Cemetery enterprise fund, and the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise and internal service 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.

Deposits and Investments

The City considers cash on hand, checking accounts, savings accounts, the Illinois Funds Money Market Fund, other money market funds, and investments held with an original maturity date of less than three months to be cash and cash equivalents. The City maintains a cash pool for use by most funds. Each fund's portion of this pool is included in the financial statements as cash and cash equivalents. Investments for the City, as well as its component units, are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Unrealized gains or losses from the appreciation or depreciation in fair value of investments in the Firefighters Pension Fund and Police Pension Fund are reported as "net increase (decrease) in fair value of investments."

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

Statutes authorize the City and the Library to invest in obligations of the United States of America or its agencies, direct obligations of any bank or savings and loan association that is insured by the Federal Deposit Insurance Corporation, short term obligations of corporations subject to certain qualifications, money market mutual funds whose portfolios are limited to governmental securities, and the Illinois Funds Money Market Fund. The Police and Firefighters Pension Funds are allowed to invest in obligations of agencies of the United States of America, bonds of the State of Illinois, bonds of any county, township or municipal corporation of the State of Illinois, Illinois Funds Money Market Fund, money market mutual funds under the Investment Company Act of 1940 subject to certain restrictions, and mutual funds meeting certain requirements. Furthermore, investments may be made in banks, savings and loan associations, and credit unions covered by depository insurance.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for uncollectibles is considered necessary at year-end.

Inventories and Prepaid Items

It has been the policy of the Water and Sewer Funds to charge all materials, chemicals, repair parts, and supplies directly to expense at the time they are purchased. Therefore, no inventory is included in these funds. Inventories of governmental funds are considered immaterial at year-end.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Land, buildings, furniture, equipment, and vehicles are included at estimated historical cost on various dates prior to December 7, 1971. Property purchased subsequent to that date is valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. Retroactive reporting of infrastructure assets (roads, bridges, sidewalks, and similar items) will be implemented in the next fiscal year, in accordance with GASB 34.

In fiscal year 2003, the City adopted an ordinance establishing capitalization thresholds for different classes of capital assets. The capitalization thresholds are as follows:

<u>Property</u>	<u>Threshold</u>
Land	\$ 5,000
Buildings and improvements	\$ 50,000
Infrastructure	\$ 50,000
Equipment and vehicles	\$ 10,000
Software	\$ 10,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation has been reported using the straight-line method over the estimated useful lives of the respective assets. Land is not depreciated. The estimated useful lives for each fixed asset type are as follows:

<u>Property</u>	<u>Years</u>
Buildings and building improvements	50
Improvements other than buildings	20
Infrastructure:	
Sidewalks and bike paths	15
Streets, curbs and gutters	20
Traffic signals	25
Bridges and storm sewers	50
Equipment and vehicles	5
Software	2

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences Payable

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits to specified maximums. Upon separation from service, employees are eligible to receive only a portion of accumulated time. Such amounts are accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds and the governmental component unit, the amount of compensated absences payable from available resources is recorded only when due for payment, such as when an employee retires or resigns.

Long-Term Obligations

In the government-wide financial statements and in the proprietary funds in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

In the governmental fund financial statements, funds report reservations of fund equity that are legally segregated for a specific purpose by outside third parties or are not appropriate for future expenditures. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Net Assets

In the government-wide and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, less outstanding principal of related debt. Restricted net assets have a limited use due to restrictions imposed by outside third-parties, such as creditors or granters, or restrictions imposed by law through enabling legislation. The Cemetery Fund contains restricted net assets for mausoleums as follows:

Hearn-Howland

A contribution of \$2,000 plus interest, is currently invested in a savings certificate. This contribution and the interest earned thereon are to be used only for the maintenance of the Hearn-Howland mausoleum.

Dodge Grove Cemetery

The Dodge Grove Cemetery mausoleum reserve consists of revenues collected from the sale of crypts. Also included in the reserve is cash received from the Mattoon Mausoleum Company upon its dissolution. This reserve is to be used for the maintenance of the mausoleum.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Assets

The reconciliation of total governmental fund balances to net assets of governmental activities" includes a reconciliation between "total fund balances, governmental funds" and "net assets of governmental activities." One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$5,906,072 difference are as follows:

Bonds payable	\$ 4,268,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(25,602)
Less: Deferred issuance discount (to be amortized as interest expense)	(18,203)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(8,190)
Accrued interest payable	77,354
Interest payable	2,622
Capital leases payable	250,537
Notes payable	394,453
Developer contracts payable	337,799
Compensated absences payable	627,302
 Net adjustment to reduce "total fund balances, governmental funds" to arrive at "net assets of governmental activities"	 \$ 5,906,072

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between "net changes in fund balances, governmental funds" and "changes in net assets of governmental activities." One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this \$408,119 difference are as follows:

Capital outlay	\$ 109,861
Depreciation expense	<u>(517,980)</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ (408,119)</u>

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. The details of this \$1,244,764 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (1,550,000)
Issuance of general obligation bonds - refunding	(693,000)
Less issuance costs	8,686
Developer contracts	(30,000)
Principal repayments:	
General obligation debt	155,000
Capital leases	85,903
Notes payable	55,317
Developer contracts	35,401
Payment to escrow agent for refunding	<u>687,929</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ (1,244,764)</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$294,946 difference are as follows:

Compensated absences	\$ (210,911)
Accrued interest	(77,354)
Interest payable	(2,622)
Amortization of deferred charge on refunding	(2,327)
Amortization of deferred bond discount	(1,236)
Amortization of deferred bond issuance costs	<u>(496)</u>
 Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	 <u>\$ (294,946)</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments

Cash and Certificates of Deposit – At April 30, 2004, the carrying amount of the primary government’s deposits was \$8,803,969 and the bank balance was \$9,057,567. The carrying amount of the component units’ deposits was \$507,170 and the bank balance was \$523,801. Bank balances, categorized by level of risk at April 30, 2004, were as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Primary government	\$ 552,134	\$ 8,476,601	\$ 28,830
Component units:			
Mattoon Public Library	93,849	--	--
Police Pension Fund	238,028	--	--
Firefighters Pension Fund	<u>191,924</u>	<u>--</u>	<u>--</u>
 Total deposits	 <u>\$ 1,075,936</u>	 <u>\$ 8,476,601</u>	 <u>\$ 28,830</u>

Category #1 includes deposits covered by depository insurance or collateral held by the City in the City’s name.

Category #2 includes deposits covered by collateral held by the financial institution’s trust department or its agent in the City’s name.

Category #3 includes deposits that are uncollateralized or for which the collateral is held by the financial institution’s trust department, but not in the City’s name.

The City’s investments at April 30, 2004 consist primarily of certificates of deposit (included in the above deposit section of the notes to financial statements). The component units’ investments consist primarily of certificates of deposit (included in the above section of the notes to financial statements), U.S. Treasury securities, and mutual funds investing in government securities. Insured savings account deposits of \$1,551,473 were covered by \$593,695 of Securities Investor Protection Corporation insurance, and \$957,778 was uninsured.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments (Continued)

At April 30, 2004, the City's investments, categorized by level of risk, were as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Primary government	\$ --	\$ --	\$ --	\$ --
Component units:				
Mattoon Public Library				
Corporate equity	3,721	--	--	3,721
Police Pension Fund				
U.S. government securities	--	4,486,127	--	4,486,127
Firefighters Pension Fund				
Corporate equity	--	673,898	--	673,989
U.S. government securities	--	8,038,845	--	8,038,845
	<u>\$ 3,721</u>	<u>\$ 13,198,870</u>	<u>\$ --</u>	<u>\$ 13,202,682</u>
Investments not subject to categorization:				
Primary government:				
Illinois Funds Money Market Fund				621,363
Money market mutual funds				392,406
Mutual funds				690,293
Component units:				
Police Pension Fund				
Insurance contracts				5,483,983
Money market mutual funds				1,457,778
Firefighters Pension Fund				
Insurance contracts				1,684,550
Money market mutual funds				93,695
Mutual funds				<u>3,252,875</u>
Total				<u>\$ 26,879,625</u>

Category #1 insured or registered, or securities held by the City or its agent in the City's name.

Category #2 uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category #3 uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

4. Deferred Compensation Plan

In January, 1977, the City entered into a deferred compensation plan agreement with participating employees, funded with a group variable annuity contract in accordance with Internal Revenue Code Section 457. Additional plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The City has very little administrative involvement and performs no investing function for this plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these plan assets are not reflected in the financial statements.

5. Receivables

Receivables balances as of April 30, 2004 for the primary government were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other - Cemetery Fund</u>
Property taxes	\$ 1,266,000	\$ 193,000	\$ --	\$ --	\$ --
Utility taxes	205,657	--	--	--	--
Telecommunications taxes	152,742	--	--	--	--
Income and use taxes	278,777	--	--	--	--
Sales taxes	836,326	--	--	--	--
Personal property replacement taxes	37,387	--	--	--	--
Motor fuel taxes	--	39,207	--	--	--
Other taxes	1,624	31,252	--	--	--
Interest	--	--	--	--	153
Loans	--	142,642	--	--	--
Customer receivables	--	--	159,225	250,442	--
Other receivables	47,750	161	--	--	3,646
Totals	\$ 2,826,263	\$ 406,262	\$ 159,225	\$ 250,442	\$ 3,799

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. Receivables (Continued)

Receivables balances as of April 30, 2004 for the discretely presented component units were as follows:

	Governmental Activities	Fiduciary Activities	
	Mattoon Public Library	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund
Property taxes	\$ 383,000	\$ 601,000	\$ 601,000
Interest	--	58,396	85,451
Totals	\$ 383,000	\$ 659,396	\$ 686,451

6. Schedule of Payables and Receivables within the Reporting Entity

Payables and receivables between funds consisted of the following at April 30, 2004:

Due to /from other funds

	Receivable	Payable
Governmental activities:		
General Fund	\$ 12,759	\$ -
Other Governmental Funds:		
Motor Fuel Tax Fund	-	11,380
Revolving Loan Fund	-	1,379
Due to/from other funds	\$ 12,759	\$ 12,759

Advance to/from other funds

	Receivable	Payable
Governmental activities:		
General Fund	\$ -	\$ 128,889
Other Governmental Funds		
Revolving Loan Fund	128,889	-
Totals	\$ 128,889	\$ 128,889

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

6. Schedule of Payables and Receivables within the Reporting Entity (Continued)

Payables and receivables between funds and component units, classified as “due from primary government” and “due to component units,” consisted of the following at April 30, 2004:

	<u>Receivable</u>	<u>Payable</u>
Primary government:		
Governmental activities:		
General Fund	\$ --	\$ 415,541
Component units:		
Governmental activities:		
Mattoon Public Library	24,359	--
Fiduciary activities:		
Firefighters Pension Fund	214,614	--
Police Pension Fund	176,568	--
	<u>\$ 415,541</u>	<u>\$ 415,541</u>
Totals	<u>\$ 415,541</u>	<u>\$ 415,541</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets

Analysis of changes in primary government capital assets:

	<u>Balance</u> <u>April 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2004</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,002,945	\$ --	\$ --	\$ 2,002,945
Construction in progress	<u> --</u>	<u> 89,361</u>	<u> --</u>	<u> 89,361</u>
Total capital assets not being depreciated	<u>2,002,945</u>	<u> 89,361</u>	<u> --</u>	<u>2,092,306</u>
Capital assets being depreciated:				
Buildings and improvements	5,539,466	--	--	5,539,466
Less: Accumulated depreciation	<u>(1,490,026)</u>	<u>(109,821)</u>	<u> --</u>	<u>(1,599,847)</u>
Buildings and improvements, net	<u>4,049,440</u>	<u>(109,821)</u>	<u> --</u>	<u>3,939,619</u>
Equipment, furniture and vehicles	4,693,379	20,500	--	4,713,879
Less: Accumulated depreciation	<u>(3,515,092)</u>	<u>(408,159)</u>	<u> --</u>	<u>(3,923,251)</u>
Equipment, furniture and vehicles, net	<u>1,178,287</u>	<u>(387,659)</u>	<u> --</u>	<u> 790,628</u>
Total capital assets being depreciated, net	<u>5,227,727</u>	<u>(497,480)</u>	<u> --</u>	<u>4,730,247</u>
Governmental activities, Capital assets, net	<u>\$ 7,230,672</u>	<u>\$ (408,119)</u>	<u>\$ --</u>	<u>\$ 6,822,553</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets (Continued)

Analysis of changes in primary government capital assets (continued):

	Balance <u>April 30, 2003</u>	Additions	Deletions	Balance <u>April 30, 2004</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 588,555	\$ --	\$ --	\$ 588,555
Construction in progress	<u>12,993,164</u>	<u>1,668,306</u>	<u>507,790</u>	<u>14,153,680</u>
Total capital assets not being depreciated	<u>13,581,719</u>	<u>1,668,306</u>	<u>507,790</u>	<u>14,742,235</u>
Capital assets being depreciated:				
Buildings and building improvements	12,574,053	--	--	12,574,053
Less: Accumulated depreciation	<u>(2,545,609)</u>	<u>(222,738)</u>	<u>--</u>	<u>(2,768,347)</u>
Buildings and building improvements, net	<u>10,028,444</u>	<u>(222,738)</u>	<u>--</u>	<u>9,805,706</u>
Improvements other than building	96,458	--	--	96,458
Less: Accumulated depreciation	<u>(42,065)</u>	<u>(6,431)</u>	<u>--</u>	<u>(48,496)</u>
Improvements other than building, net	<u>54,393</u>	<u>(6,431)</u>	<u>--</u>	<u>47,962</u>
Reservoirs	84,643	--	--	84,643
Less: Accumulated depreciation	<u>(84,643)</u>	<u>--</u>	<u>--</u>	<u>(84,643)</u>
Reservoirs, net	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Treatment, collection and distribution systems	32,233,930	558,543	--	32,792,473
Less: Accumulated depreciation	<u>(14,037,609)</u>	<u>(770,402)</u>	<u>--</u>	<u>(14,808,011)</u>
Treatment, collection and distribution systems, net	<u>18,196,321</u>	<u>(211,859)</u>	<u>--</u>	<u>17,984,462</u>
Equipment, furniture and vehicles	1,577,555	339,859	--	1,917,414
Less: Accumulated depreciation	<u>(1,061,966)</u>	<u>(135,121)</u>	<u>--</u>	<u>(1,197,087)</u>
Equipment, furniture and vehicles, net	<u>515,589</u>	<u>204,738</u>	<u>--</u>	<u>720,327</u>
Total capital assets being depreciated, net	<u>28,794,747</u>	<u>(236,290)</u>	<u>--</u>	<u>28,558,457</u>
Business-type activities, Capital assets, net	<u>\$ 42,376,466</u>	<u>\$ 1,432,016</u>	<u>\$ 507,790</u>	<u>\$ 43,300,692</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 82,938
Public safety	213,099
Public works	195,295
Culture and recreation	<u>26,648</u>
Governmental activities, Depreciation expense	<u>\$ 517,980</u>
Business-type activities:	
Water	\$ 452,371
Sewer	676,690
Cemetery	<u>5,631</u>
Business-type activities, Depreciation expense	<u>\$ 1,134,692</u>

Analysis of changes in component unit capital assets:

	<u>Balance</u> <u>April 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2004</u>
Component unit (Mattoon Public Library):				
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,552,094	\$ -	\$ -	\$ 2,552,094
Less: Accumulated depreciation	<u>(407,482)</u>	<u>(51,015)</u>	<u>--</u>	<u>(458,497)</u>
Buildings and improvements, net	<u>2,144,612</u>	<u>(51,015)</u>	<u>--</u>	<u>2,093,597</u>
Equipment, furniture and vehicles	45,150	--	--	45,150
Less: Accumulated depreciation	<u>(36,950)</u>	<u>(2,400)</u>	<u>--</u>	<u>(39,350)</u>
Equipment, furniture and vehicles, net	<u>8,200</u>	<u>(2,400)</u>	<u>--</u>	<u>5,800</u>
Governmental activities, Capital assets, net	<u>\$ 2,152,812</u>	<u>\$ (53,415)</u>	<u>\$ --</u>	<u>\$ 2,099,397</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the discretely presented component unit, Mattoon Public Library, as follows:

Governmental activities:	
Culture and recreation	<u>\$ 53,415</u>
Governmental activities, Depreciation expense	<u>\$ 53,415</u>

8. Construction in Progress

The City has active construction projects in progress as of April 30, 2004. The projects include renovation of City Hall, widening and construction of existing streets and bridges, construction of a boat ramp and carbon permanganate building, various water system improvements, and expansion of the wastewater treatment plant. At April 30, 2004 the City's construction in progress are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Governmental activities:		
City Hall Renovations	\$ 89,361	\$ 77,879
Infrastructure:		
43rd Street Widening and Detention	113,695	581,160
Champaign Avenue Bridge	<u>89,029</u>	<u>1,445,000</u>
	<u>\$ 292,085</u>	<u>\$ 2,104,039</u>
Business-type activities:		
Lake Mattoon Boat Ramp	44,226	125,000
Carbon Permanganate Building	86,890	436,998
Swords Drive Standpipe	1,301,749	52,431
Country Club Water Loop	30,597	70,000
Lake Conservation Project	153,425	815,000
Water Storage Tank Rehabilitation	211,107	627,000
Wastewater Treatment Plant Expansion	<u>12,325,686</u>	<u>50,057</u>
	<u>\$ 14,153,680</u>	<u>\$ 2,176,486</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. Cemetery Development

Cemetery development consists of land held for future expansion and the Dodge Grove Cemetery Mausoleum. The carrying value of the mausoleum is equal to the cost of renovation less cost of crypt spaces sold.

Mausoleum carrying value, April 30, 2003	\$ 40,350
Less: cost of crypts sold	<u> --</u>
Mausoleum carrying value, April 30, 2004	40,350
Land held for future expansion estimated carrying value, April 30, 2004	<u> 21,179</u>
	<u>\$ 61,529</u>

10. Restricted Assets

The Water Fund has restricted cash and investment accounts for customer meter deposits. The Cemetery Fund, has restricted cash for \$1,615 in endowments and restricted investments for mausoleums. The Mattoon Public Library has restricted cash and investment accounts for technology and for a \$25,000 endowment.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. Capital leases

The City has entered into a lease agreement for financing the acquisition of equipment for the Lake Mattoon Marina. The City has also entered into a lease agreement to finance an extension of the City's sanitary sewer and water systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of future minimum lease payments as of the inception date.

The assets acquired through current capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Sanitary sewer and water extensions	\$ 374,471
Marina fuel tank	7,316
	<u>\$ 381,787</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2004, were as follows:

<u>Years Ending April 30,</u>	<u>Governmental Activities</u>
2005	\$ 51,939
2006	49,500
2007	49,500
2008	49,500
2009	49,500
2010	<u>49,500</u>
Total minimum lease payments	299,439
Less: amount representing interest	<u>(48,902)</u>
Present value of minimum lease payments	<u>\$ 250,537</u>

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

12. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$14,155,000. During the year, general obligation bonds totaling \$1,550,000 were issued to finance an early retirement incentive pension obligation and related costs. General obligation bonds totaling \$693,000 were issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Series 1999	4.85% - 5.15%	\$ 2,085,000
Series 2003A	4.35%	1,550,000
Governmental activities - refunding:		
Series 2003	1.00% - 3.15%	633,000
Business-type activities:		
Series 1998	4.55% - 4.625%	4,290,000
Business-type activities - refunding:		
Series 2003	3.00% - 3.50%	5,890,000
		\$ 14,448,000

The Mattoon Public Library component unit has committed \$68,000 annually from library revenues towards servicing the Series 2003 governmental activities refunding bonds (previously the Series 1992 bonds) as the issue relates to construction and improvements at the Mattoon Public Library. These payments are reflected as transfers to the General Fund. The General Fund services all of the general obligation bonds for governmental activities.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. General Obligation Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 284,000	\$ 200,184	\$ 610,000	\$ 382,800
2006	306,000	175,644	640,000	360,980
2007	318,000	163,755	665,000	338,100
2008	330,000	151,085	690,000	314,310
2009	338,000	137,708	720,000	289,610
2010-2014	1,837,000	462,891	4,110,000	1,035,070
2015-2019	<u>855,000</u>	<u>136,448</u>	<u>2,745,000</u>	<u>245,860</u>
Total	<u>\$ 4,268,000</u>	<u>\$ 1,427,715</u>	<u>\$ 10,180,000</u>	<u>\$ 2,966,730</u>

Advance Refund of General Obligation Bonds:

On July 1, 2003, the City issued \$693,000 in general obligation refunding bonds (alternate revenue source) with interest rates ranging between 1.00% and 3.15%. The City issued the bonds to advance refund \$660,000 of the outstanding series 1992 general obligation bonds with interest rates ranging between 4.0% and 6.75%. The net proceeds along with other resources were used to purchase U.S. government securities. These securities were deposited in an escrow account (irrevocable trust) to provide for all future debt service on the refunded portion of the 1992 series bonds. As a result, that portion of the 1992 series bonds is considered defeased, and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$27,929. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The outstanding principal of the defeased bonds is \$610,000 at April 30, 2004.

The advance refunding reduced total debt service payments over the next 10 years by \$117,922. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$100,815.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Notes Payable

The City has issued various notes as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
First National Bank note, serviced by the General Fund, proceeds used to purchase police cars	3.92%	\$ 122,583
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase a tub grinder	4.375%	271,870
Business-type activities:		
Illinois Environmental Protection Agency note, serviced by the Water Fund, proceeds used for construction of a new water treatment plant	2.865%	6,667,506
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for sewer wastewater treatment plant rehabilitation	2.865%	404,106
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for expansion of the sewer wastewater treatment plant	2.675%	9,122,659
		\$ 16,588,724

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Notes Payable (Continued)

Notes payable debt service requirements to maturity are as follows:

Year ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 57,901	\$ 16,787	\$ 719,443	\$ 441,686
2006	60,323	14,364	739,505	421,623
2007	62,847	11,840	760,128	401,000
2008	65,863	8,824	781,327	379,802
2009	34,561	6,454	803,117	358,011
2010-2014	112,958	10,086	4,364,346	1,441,298
2015-2019	--	--	4,972,478	797,923
2020-2024	--	--	3,053,927	184,057
Total	<u>\$ 394,453</u>	<u>\$ 68,355</u>	<u>\$ 16,194,271</u>	<u>\$ 4,425,400</u>

14. Developer Contracts

Home Depot Agreement

During the year ended April 30, 2003, the City of Mattoon entered into an economic incentive agreement with Home Depot U.S.A., Inc. The agreement provides that the City will reimburse Home Depot for its investment in the infrastructure that serves the store and the adjacent commercial area. The reimbursement will be based upon 35% of the sales tax received by the City arising from sales at the store. The City's reimbursement to Home Depot shall not exceed \$300,000 plus interest computed at a 6% annual rate over a term of 5 years from the commencement date. If this amount of principal and interest has not been completely paid off within 5 years of the commencement date, the obligation to reimburse Home Depot for its investment in the infrastructure is "forgiven". Since the commencement date of March 1, 2003, the City has reimbursed Home Depot \$35,401 plus interest of \$18,551 based on Home Depot's taxable sales from March 1, 2003 through March 31, 2004.

Since the payments vary monthly and depend entirely on Home Depot's sales, a schedule of debt payments to maturity is not available.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. Developer Contracts (continued)

Mattoon Midtown TIF District

The City entered into two (2) agreements to underwrite the cost of advance planning expenses incidental to organizing the Mattoon Midtown TIF District. This TIF District was established December 16, 2003.

The first was a 2002 agreement with Keith Summers and William O. Whitworth, where Mr. Summers and Mr. Whitworth financed fees and costs valued at \$3,200 for the Coles County Regional Planning & Development Commission to prepare information identifying taxpayers of record and the equalized assessed value of real estate within the tentative boundary of the Redevelopment Planning Area. The City intends to reimburse Mr. Summers and Mr. Whitworth from future TIF revenues.

The second was a formal agreement with the Mattoon Area Industrial Development Corporation (MAID) approved by Ordinance No 2002-5137. Pursuant to this Agreement, MAID agreed to provide a no interest loan up to \$70,000 for expenditures related to the establishment of the Midtown TIF District. The loan will be paid off from bond proceeds; or if bonds are not authorized from the District, from 5% of the annual TIF District revenues beginning 3 years after the date the TIF District is established. MAID may "forgive" reimbursement of this loan at any time at its sole discretion, if its governing board determines the Midtown TIF District has a better use for the funds that will retain and create jobs. At the end of the fiscal year ended April 30, 2004, the City had received \$70,000 under this Agreement. The proceeds of this loan were deposited in the City's Capital Improvement Fund, where accounting for all advance planning expenditures incidental to organizing the TIF District were reported as a "contingent liability" of the municipality prior to the establishment the District.

On February 17, 2004, the City entered into a third agreement with a Developer (First National Bank, as Trustee of Trust #092) related to the Redevelopment Plan for the Midtown TIF District for a land exchange whereby the City will exchange its parking lot real estate behind the stores north of Broadway Avenue in exchange for the real estate adjacent to the Illinois Central Railroad Depot (which will be developed as a public parking lot) and another parcel owned by the municipality at Lake Paradise. The persons who will be receiving the parking lot real estate presently owned by the municipality intend to use it together with the real estate upon which the Big Four Railroad Depot is situated to construct new buildings for retail and office uses.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. Changes In Long-Term Liabilities

Long-term liability activity for the primary government for the year ended April 30, 2004 was as follows:

	<u>Balance</u> <u>April 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 2,840,000	\$2,243,000	\$ 815,000	\$ 4,268,000	\$ 284,000
Less deferred amounts:					
On refunding	--	(27,929)	(2,327)	(25,602)	--
For issuance discounts	(19,439)	--	(1,236)	(18,203)	--
Total general obligation bonds	2,820,561	2,215,071	811,437	4,224,195	284,000
Capital leases	336,440	--	85,903	250,537	38,530
Notes payable	449,770	--	55,317	394,453	57,901
Developer contracts	343,200	30,000	35,401	337,799	N/A
Compensated absences	416,391	210,911	--	627,302	3,743
Governmental activities, Long-term liabilities	\$ 4,366,362	\$2,455,982	\$ 988,058	\$ 5,834,286	\$ 384,174
Business-type Activities:					
General obligation bonds	\$ 10,680,000	\$ --	\$ 500,000	\$ 10,180,000	\$ 610,000
Less deferred amounts:					
On refunding	(337,821)	--	(26,496)	(311,325)	--
For issuance premium	70,552	--	5,325	65,227	--
For issuance discount	(37,941)	--	(1,283)	(36,658)	--
Total general obligation bonds	10,374,790	--	477,546	9,897,244	610,000
Notes payable	16,259,581	301,065	366,375	16,194,271	719,443
Compensated absences	77,055	162,084	--	239,139	7,902
Business-type activities, Long-term liabilities	\$ 26,711,426	\$ 463,149	\$ 843,921	\$ 26,330,654	\$1,337,345

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

15. Changes In Long-Term Liabilities (continued)

Long-term liability activity for the component unit for the year ended April 30, 2004 was as follows:

	<u>Balance</u> <u>April 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2004</u>	<u>Due Within</u> <u>One Year</u>
Component Unit (Mattoon Public Library):					
Governmental Activities:					
Notes payable	\$ 9,892	\$ --	\$ 9,892	\$ --	\$ --
Compensated absences	<u>9,500</u>	<u>100</u>	<u>--</u>	<u>9,600</u>	<u>960</u>
Component unit, Long-term liabilities	<u>\$ 19,392</u>	<u>\$ 100</u>	<u>\$ 9,892</u>	<u>\$ 9,600</u>	<u>\$ 960</u>

16. Taxes

Tax revenues during the year ended April 30, 2004 were as follows:

	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Activities</u>	
	<u>General Fund</u>		<u>Mattoon</u> <u>Public Library</u>	<u>Mattoon</u> <u>Police</u> <u>Pension Fund</u>	<u>Mattoon</u> <u>Firefighters</u> <u>Pension Fund</u>
Property taxes	\$ 1,604,868	\$ 378,523	\$ 371,941	\$ 602,453	\$ 602,158
Utility taxes	1,263,720	--	--	--	--
Road and bridge taxes	119,022	--	--	--	--
Hotel taxes	--	232,450	--	--	--
Cable TV franchise taxes	<u>172,212</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Totals	<u>\$ 3,159,822</u>	<u>\$ 610,973</u>	<u>\$ 371,941</u>	<u>\$ 602,453</u>	<u>\$ 602,158</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. Intergovernmental Revenues

Intergovernmental revenues during the year ended April 30, 2004 were as follows:

	<u>Primary Government</u>		<u>Discretely Presented Component Unit</u>
	<u>Governmental Activities</u>		<u>Governmental Activities</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Mattoon Public Library</u>
Telecommunications taxes	\$ 828,972	\$ --	\$ --
Income and use taxes	1,281,298	--	--
Sales taxes	4,080,045	--	--
Personal property replacement taxes	328,609	--	--
Motor fuel taxes	--	520,286	--
Foreign fire insurance taxes	23,299	--	--
Federal operating grants	217,645	--	--
Federal capital grants	28,574	--	--
State operating grants	3,147	--	--
State capital grants	1,770	--	--
HOME grant	--	133,760	--
Per capita grant	--	--	22,864
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 6,793,359</u>	<u>\$ 654,046</u>	<u>\$ 22,864</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. Comparative Schedule of Property Taxes Extended, Collected, and Distributed

	For Tax Levy Year		
	2003	2002	2001
Assessed valuation	\$ 166,608,327	\$ 164,344,460	\$ 158,025,013
Rate per \$100, excluding road and bridge rate	1.755	2.135	2.212
Taxes extended, excluding road and bridge taxes	2,923,976	3,508,754	3,495,508
Add: City's share of road and bridge taxes extended	121,835	119,198	133,930
Total taxes extended	<u>\$ 3,045,811</u>	<u>\$ 3,627,952</u>	<u>\$ 3,629,438</u>
Taxes available to City after abatements and losses in collection (2003 estimated)	<u>\$ 3,044,000</u>	<u>\$ 3,625,491</u>	<u>\$ 3,571,092</u>
Percentage of extension available to City (2003 estimated)	<u>99.94%</u>	<u>99.93%</u>	<u>98.39%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. Comparative Schedule of Property Taxes Extended, Collected, and Distributed
(Continued)

	For Tax Levy Year		
	2003	2002	2001
Distribution of taxes available (2003 estimated):			
General Fund:			
General government	\$ 416,000	\$ 404,857	\$ 388,881
Fire protection	250,000	243,572	231,593
Police protection	250,000	243,572	231,593
Street lighting	--	82,544	--
Garbage fund	103,000	93,808	192,735
Street fund, including road & bridge	122,000	119,022	132,644
Park fund	125,000	121,785	116,573
Emergency service disaster agency fund	--	--	4,662
Audit	--	39,498	--
Illinois municipal retirement fund	--	375,232	497,382
Insurance Fund:			
Unemployment insurance	--	--	7,771
Insurance and tort judgment	193,000	378,523	396,350
Mattoon Public Library	383,000	371,941	357,493
Firefighters Pension Fund	601,000	617,158	531,576
Police Pension Fund	601,000	541,453	481,838
	<u>\$ 3,044,000</u>	<u>\$ 3,632,965</u>	<u>\$ 3,571,091</u>

The City Council has abated the 2001, 2002 and 2003 tax levies applicable to the series 1992 Library bond, 1996 Water bond, 1998 Sewer bond, 1999 General Obligation bond, 2003 Water Refunding bond, 2003 Library Refunding bond, and 2003 Pension bond.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

19. Schedule of Operating Transfers within the Reporting Entity

Operating transfers between funds during the year ended April 30, 2004 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds: Festival Management Fund	Other Governmental Funds: Hotel and Motel Tax Fund	\$ 59,425
Other Governmental Funds: Capital Projects Fund	General Fund	145,644
Other Proprietary-Cemetery	General Fund	<u>50,000</u>
Total		<u><u>\$ 255,069</u></u>

Operating transfers between funds and component units during the year ended April 30, 2004 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Mattoon Public Library	General Fund	\$ 24,359
Fiduciary Funds	General Fund	212,406
General Fund	Mattoon Public Library	<u>68,000</u>
Total		<u><u>\$ 304,765</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

20. Reclassifications

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB No. 34). The City of Mattoon implemented this standard for the fiscal year ended April 30, 2004. The implementation of GASB No. 34 significantly altered the reporting and presentation of financial information in the financial statements. This change required the City to prepare government-wide financial statements using full accrual accounting. The City was also required to place a value on all capital assets, calculate depreciation and report information regarding the net value of assets on government-wide financial statements. Due to these changes, the beginning net assets will not agree to last year's ending fund balance; however, last year's ending fund balance will agree to the current year's beginning fund balance, with the following exceptions:

	General Fund	Other Governmental Funds
Fund balance at April 30, 2003	\$ 1,477,064	\$ 3,217,366
Reclassify prior year accounts payable from the General Fund to the Motor Fuel Tax Fund, an other governmental fund.	11,851	(11,851)
Eliminate deferred debt issuance charges from the General Fund in the governmental fund financial statements.	(27,457)	--
Eliminate premiums/discounts from the General Fund in the governmental fund financial statements.	(19,439)	--
Fund balance restated at April 30, 2003	\$ 1,442,019	\$ 3,205,515

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. Defined Benefit Pension Plan

Plan Description

The City's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system, provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2003 was 7.64% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2003 was 10 years.

Annual Pension Cost

For December 31, 2003, the City's annual pension cost of \$271,518 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from .4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The assumptions used for the 2003 actuarial valuation were based on the 1999-2001 experience study.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. Defined Benefit Pension Plan (Continued)

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 271,518	100%	\$ --
12/31/02	349,799	100%	--
12/31/01	341,545	100%	--
12/31/00	362,932	100%	--
12/31/99	383,595	100%	--
12/31/98	372,296	100%	--
12/31/97	367,799	100%	--
12/31/96	365,171	100%	--
12/31/95	339,344	100%	--
12/31/94	363,532	100%	--

Schedule of Funding Progress

The Schedule of Funding Progress gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Funding Progress for the past ten years is reported as required supplementary information.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plans – Police and Firefighters

Plan Descriptions

The City of Mattoon contributes to two single-employer defined benefit pension plans: Firefighters Pension Plan and Police Pension Plan. Each plan provides retirement and disability benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the Illinois legislature. Although they are single-employer pension plans, the defined benefits as well as the employee and employer contribution levels are mandated by the Illinois Compiled Statutes, Chapter 40, Article 4, and may be amended only by the Illinois legislature.

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Firefighters and Police Pension Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments – Plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

Contributions and Revenues

There are no long-term contracts for contributions to the plans.

Concentrations

The plans comply with the investment guidelines set forth at 40 ILCS 5/1-113.

Membership

Membership of the plans consisted of the following at April 30, 2004:

	Police Pension	Firefighters Pension
Retirees and beneficiaries receiving benefits	30	45
Current employees:		
Vested	10	8
Nonvested	31	30
Total	71	83

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plans – Police and Firefighters (Continued)

Benefit Provisions

Retirement – Employees attaining the age of 50 or more with 20 years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held at the date of retirement. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years of service up to 30 years, to a maximum of 75% of such salary. Police employees with at least 8 years but less than 20 years and fire employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a fire employee who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least age 55, by 3% of the pension and 3% annually thereafter.

Disability – Employees physically or mentally disabled in the performance of an act of duty are entitled to a pension of 65% of the salary attached to their rank held at the date of suspension of duty or retirement. If the disability occurs while not in performance of an act of duty, the employees are entitled to a pension of 50% of the salary attached to their rank at the date of suspension of duty or retirement.

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the State legislature. Firefighter Plan members are required to contribute 8.455%. Police Plan members are required to contribute 9.91%. If an employee, fire or police, leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City of Mattoon is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's current contribution rate has been estimated at 29.05% and 24.53% of annual covered payroll for the Firefighters and Police Pension Plans, respectively. By the year 2033, the City's contributions must accumulate to the point where the past service costs for the Pension Plans are fully funded.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plans – Police and Firefighters (Continued)

Funding Status and Progress (Continued)

Significant actuarial assumptions used in determining the pension benefit obligation as of April 30, 2003 include:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
a. Funding Method Used	Entry Age Normal Cost	Entry Age Normal Cost
b. Amortization Method	Level percentage of payroll	Level percentage of payroll
c. Interest Rate Assumption	7.0%	7.0%
d. Mortality Rate Assumption	1971 Group Annuity Mortality Table	1971 Group Annuity Mortality Table
e. Decrement Assumption Other than Mortality	State of Illinois DOI Experience Tables	State of Illinois DOI Experience Tables
f. Salary Progression Assumption	5.5%	5.5%
g. Status of Social Security in Assumption	None	None

	<u>Police Pension</u>	<u>Firefighters Pension</u>
	<u>April 30, 2003</u>	<u>April 30, 2003</u>
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 11,109,815	\$ 16,150,949
Active participants	<u>8,161,554</u>	<u>7,056,826</u>
Total pension benefit obligation	19,271,369	23,207,775
Net assets available for benefits, at lower of cost market	<u>11,591,993</u>	<u>14,344,721</u>
Pensions benefit obligation in excess of assets	<u>\$ 7,679,376</u>	<u>\$ 8,863,054</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plan – Police and Firefighters (Continued)

Actuarially Determined Contribution Requirements and Contribution Made

The plans' funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The plans used a level dollar amount method to amortize the unfunded liability over a 40 year period.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Actuarial Valuation Date	April 30, 2003	April 30, 2003
Amount necessary to provide the employer normal costs	\$ 267,093	\$ 383,967
Amount necessary to amortize the unfunded actuarial accrued liability	<u>314,809</u>	<u>363,332</u>
	<u>\$ 581,902</u>	<u>\$ 747,299</u>
As a percentage of current covered payroll (at April 30, 2003):		
Employer normal costs	14.53%	22.10%
Amortization of unfunded actuarial accrued liability	<u>17.13%</u>	<u>20.92%</u>
	<u>31.66%</u>	<u>43.02%</u>
Contributions made as a dollar amount as of valuation date (at April 30, 2003):		
Employer	\$ 615,918	\$ 702,772
Plan members	<u>212,912</u>	<u>148,440</u>
	<u>\$ 828,830</u>	<u>\$ 851,212</u>
As a percentage of current covered payroll (at April 30, 2003):		
Employer	33.51%	40.45%
Plan members	<u>11.58%</u>	<u>8.54%</u>
	<u>45.09%</u>	<u>49.00%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. Post-employment Health Care Benefits

The City provides post-employment health care benefits to former employees and retirees.

Former employees, who are not retirees, are provided COBRA health care benefits mandated by the Consolidated Omnibus Budget Reconciliation Act. Former employees, who are qualified under the Act, may apply for coverage by the City's self-insured health plan. The cost is 100% funded on a monthly pay-as-you-go basis by the former employee based upon actual cost of the health plan for either "single" or "family" coverage.

Illinois statutes mandate that a municipality must offer its retirees a health insurance plan equivalent to that offered to active employees. Illinois statutes enable a municipality to make the health plan benefits supplemental to Medicare and to offer these supplemental benefits at a different retiree contribution rate than regular benefits provided by the group plan. State statutes do not presently require the municipality to pay any portion of the cost of the plan for retired employees.

Presently, the municipality requires a retiree contribution for the health plan, which is the same as for active employees: \$43 per month for those with no dependents; \$126 per month for those with dependents. The municipality bears all cost on a pay-as-you-go basis for the health plan above the amount contributed by employees and retirees. For calendar year 2004, the total cost of the health plan per employee/retiree is projected to be \$290 per month for employees/retirees with no dependents; \$842 per month for employees/retirees with dependents.

24. Self-Insurance

The City has offered its employees and retirees a self-insured group health insurance plan managed by a third party administrator (TPA) since January 1, 1983. A third party administrator is responsible for the approval and processing of claims and for the payment of claims from the City's Health Plan Internal Service Fund. The City is responsible for the payment of monthly administration fees and stop loss insurance premiums to the plan administrator. Benefit Administrative Systems, Ltd. had been the plan administrator from January 1, 2000 to December 31, 2003. As of January 1, 2004, the plan administrator is PersonalCare of Illinois and Delta Dental.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

24. Self-Insurance (Continued)

The health plan offers medical, dental and prescription drug benefits. In addition to the monthly contributions, participants are required to pay an annual deductible and co-payments on claims incurred after the annual deductible. The co-payments required of participants are lower for PPO providers. The plan underwrites 100% of the cost of claims after the participant has made co-payments in excess of the deductible each calendar year. There is a \$2,000 calendar year out of pocket family maximum after the deductible for PPO providers. The out-of-pocket family maximum in excess of the deductible is \$4,000 per year for out-of-network providers. There are separate annual deductible, co-payment and yearly maximums for the dental plan. There are separate co-payment amounts required for the prescription drug benefit. The lifetime maximum benefit is \$2 million.

The specific stop loss insurance coverage presently attaches at costs in excess of \$100,000 per claim. The aggregate stop loss coverage attaches at costs in excess of about \$2.3 million per calendar year. The exact attachment point for the annual aggregate coverage varies each year and is determined by a formula and the number of enrolled participants

At the end of the fiscal year, the City had 272 employees and retirees participating in the group health plan. Of this number, 160 were active employees and 112 were retirees. Eighty-five of the participants had single coverage, and 187 had family coverage.

The health plan is funded on a pay-as-you go basis. The City incurred health plan claims expenditures of \$1,881,317 in the fiscal year that ended April 30, 2004, which includes \$48,131 claims incurred, but not paid. An actuarial estimate of claims incurred, but not reported, was not determined.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

25. Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees for which the City carries commercial insurance. The following schedule presents information pertaining to lines of insurance coverage that were in effect at the end of the fiscal year.

<u>Exposure</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Expiration</u>
Workers Compensation	ICRMT ¹	Statutory Limits \$25,000 deductible per occurrence	12/1/2004
Property & Equipment	ICRMT	Replacement Cost Blanket Building & Contents Limit Property - \$5,000 deductible Inland Marine - \$1,000 deductible	12/1/2004
Auto Physical Damage	ICRMT	Actual Cash Value \$1,000 deductible	12/1/2004
Inland Marine	Cincinnati	\$200,000 for Lake Paradise Dam \$400,000 for Lake Mattoon Dam	5/12/2005
General Liability ²	ICRMT	\$1 million each occurrence \$3 million aggregate \$5,000 deductible	12/1/2004
Automotive Liability	ICRMT	\$1 million \$5,000 deductible	12/1/2004
Excess Liability ³	ICRMT	\$9 million	12/1/2004

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

25. Insurance (Continued)

¹ Illinois Counties Risk Management Trust, an Illinois public entity risk management pool organized in 1983. See policy on file with the City for a copy of the ICRMT Comprehensive Annual Financial Report.

² The general liability coverage is subject to exclusions and sub-limits for exposures related to Products/Completed Operations, Personal Injury & Advertising, Employee Benefits Errors & Omissions, Premises Medical Payments, Acts prior to 1998 for EMT and Employee Benefits Liability, Public Officials Errors & Omissions and Crime. See the policy on file with the City for exclusion and sub-limit information.

³ The excess liability coverage limits follow the general liability coverage form and is subject to a \$1 million sublimit for sexual harassment and \$4 million sublimit for incidental medical exposures. The Public Officials Errors & Omissions excess coverage is a claims made form and is subject to a \$1 million sublimit.

26. Contingencies

The City entered into an agreement dated February 19, 2002 with Agracel, Inc., whereby Agracel would loan the City up to \$50,000 for its advance planning expenses for organization of the Mattoon I-57 East Tax Increment Financing (TIF) District. Under the agreement, the loan from Agracel will be repaid only from TIF Revenues or debt proceeds related to financing improvements in the TIF District. This TIF District was established on January 20, 2004. On February 19, 2004, a lawsuit was filed in the Coles County Circuit Court (Case 2004-CH-19) seeking an injunction and restraining order on implementation of this TIF. The City believes the plaintiff's claims are without merit and intends to vigorously defend findings of the City Council that this area qualifies under requirements of the state statute for designation as a TIF District. As of April 30, 2004, the City had received \$31,712 under the loan agreement from Agracel, Inc.

At April 30, 2004, the City was a defendant in several pending lawsuits. Management believes that the liability insurance of the City is sufficient to cover the asserted claims with the exception of an unresolved workers' compensation claim. The original claim was filed against the City's policy of insurance issued by Fremont Indemnity Insurance Company in August of 1999. Fremont denied the claim on a finding that it was not work-related. Fremont has since gone bankrupt, and its liabilities were assumed by the Illinois Insurance Guaranty Fund. The Guaranty Fund will not cover the claim, as it will only insure employers whose net worth is less than \$25 million. The employee that filed the claim recently had surgery and is on leave without pay. The City's estimated exposure is between \$50,000 and \$100,000 to cover medical expenses, a permanent partial disability claim, and lost wages and benefits during the surgery and recovery period. If adjudication concludes that this is not a workers' compensation claim, the City still has self-insured health plan exposure.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

27. Subsequent Events

Sewer user charges will increase May 1, 2004 and every May 1st thereafter through May 1, 2006 to generate additional revenue to cover scheduled increased debt service obligations of the Sewer Enterprise Fund.

On September 7, 2004, the City established a Special Revenue Fund of the municipality to account for all assets, liabilities, revenues and expenditures of Midtown TIF District.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MATTOON, ILLINOIS

**ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/03	\$ 6,890,650	\$ 8,335,499	\$ 1,444,849	82.67%	\$ 3,553,903	40.66%
12/31/02	8,195,391	10,367,371	2,171,980	79.05%	3,904,002	55.63%
12/31/01	10,981,989	10,687,877	(294,112)	102.75%	3,765,656	--%
12/31/00	9,944,428	10,154,771	210,343	97.93%	3,718,568	5.66%
12/31/99	9,338,378	9,791,753	453,375	95.37%	3,561,700	12.73%
12/31/98	7,489,370	8,585,423	1,096,053	87.23%	3,338,976	32.83%
12/31/97	6,322,376	7,995,471	1,673,095	79.07%	3,236,197	51.70%
12/31/96	5,696,630	7,391,723	1,695,093	77.07%	3,060,949	55.38%
12/31/95	5,050,325	6,812,548	1,762,223	74.13%	2,950,746	59.72%
12/31/94	4,284,422	6,529,586	2,245,164	65.62%	2,950,748	76.09%

On a market value basis, the actuarial value of assets as of December 31, 2003 is \$5,620,570.
On a market basis, the funded ratio would be 67.43%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2003 are based on the 1999-2001 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For Regular members, fewer normal and early retirements are expected to occur.

CITY OF MATTOON, ILLINOIS

**POLICE PENSION FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/03	\$ 11,591,993	\$ 19,271,369	\$ 7,679,376	60.15%	\$ 1,837,998	417.81%
04/30/02	10,105,246	16,998,094	6,892,848	59.45%	1,911,560	360.59%
04/30/01	10,084,741	16,119,994	6,035,253	62.56%	2,065,331	292.22%
04/30/00	9,782,589	14,851,300	5,068,711	65.87%	2,014,674	251.59%
04/30/99	8,996,035	13,230,480	4,234,445	67.99%	1,940,729	218.19%
04/30/98	*	*	*	*	*	*
04/30/97	7,791,380	11,014,294	3,222,914	70.74%	1,553,144	207.51%
04/30/96	7,272,196	10,072,798	2,800,602	72.20%	1,430,011	195.84%
04/30/95	6,766,103	8,900,000	2,133,897	76.02%	1,380,717	154.55%
04/30/94	6,246,909	8,397,934	2,151,025	74.39%	1,266,533	169.84%

* Actuarial information is not available.

CITY OF MATTOON, ILLINOIS
FIRE PENSION FUND
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/03	\$ 14,344,721	\$ 23,207,775	\$ 8,863,054	61.81%	\$ 1,737,246	510.18%
04/30/02	14,049,553	22,040,342	7,990,789	63.74%	1,971,604	405.29%
04/30/01	14,009,394	20,000,142	5,990,748	70.05%	1,746,448	343.02%
04/30/00	13,505,395	18,488,680	4,983,285	73.05%	1,603,837	310.71%
04/30/99	12,989,581	17,454,067	4,464,486	74.42%	1,562,393	285.75%
04/30/98	*	*	*	*	*	*
04/30/97	11,903,350	15,127,942	3,224,592	78.68%	1,472,887	218.93%
04/30/96	11,272,969	14,615,457	3,342,488	77.13%	1,414,385	236.32%
04/30/95	10,624,634	13,700,000	3,075,366	77.55%	1,389,930	221.26%
04/30/94	10,017,622	12,687,776	2,670,154	78.95%	1,225,366	217.91%

* Actuarial information is not available.

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
GENERAL FUND**

for the year ended April 30, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 5,482,117	\$ 5,507,086	\$ 3,159,822	\$ (2,347,264)
Licenses and permits	154,722	159,080	160,470	1,390
Intergovernmental revenues	6,479,558	6,394,642	6,793,359	398,717
Charges for services	317,453	284,594	407,588	122,994
Fines and forfeitures	116,850	122,775	141,665	18,890
Investment income	65,700	74,400	23,931	(50,469)
Contributions & miscellaneous revenues	25,600	25,600	60,185	34,585
Total revenues	12,642,000	12,568,177	10,747,020	(1,821,157)
Expenditures:				
Current:				
General government	756,855	567,729	1,085,831	(518,102)
Public safety	7,507,878	7,661,028	6,013,877	1,647,151
Public works	1,410,488	1,682,579	1,390,370	292,209
Health and welfare	745,638	734,265	24,908	709,357
Culture and recreation	702,657	716,447	643,379	73,068
Capital outlay	-	-	20,500	(20,500)
Debt service:				
Principal	302,343	1,796,677	331,621	1,465,056
Interest and fiscal charges	177,613	1,055,465	194,812	860,653
Bond issuance charges	-	-	8,686	(8,686)
Total expenditures	11,603,472	14,214,190	9,713,984	4,500,206

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
GENERAL FUND
(CONTINUED)**

for the year ended April 30, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ 1,038,528	\$ (1,646,013)	\$ 1,033,036	\$ 2,679,049
Other financing sources (uses):				
Operating transfers in	247,618	164,755	--	(164,755)
Operating transfers out	(722,872)	(428,118)	(195,644)	232,474
Transfers from component units	68,000	68,000	68,000	--
Transfers to component units	(398,532)	(399,408)	(236,765)	162,643
Long-term debt proceeds	--	2,245,622	2,245,622	--
Payment to Illinois Municipal Retirement Fund	--	--	(1,550,000)	(1,550,000)
Payment to refunding bond escrow agent	--	--	(687,929)	(687,929)
Total other financing sources (uses)	(805,786)	1,650,851	(356,716)	(2,007,567)
Excess of revenues and other financing sources over expenditures and other financing sources (uses)	232,742	4,838	676,320	671,482
Fund balances, May 1, 2003	504,685	1,586,978	1,442,019	(144,959)
Residual equity transfers	(400,000)	--	--	--
Fund balances, April 30, 2004	\$ 337,427	\$ 1,591,816	\$ 2,118,339	\$ 526,523

CITY OF MATTOON, ILLINOIS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. **Budgetary Information**

Annual budgets for governmental funds are adopted on the cash basis of accounting, which is an other comprehensive basis of accounting. However, the difference between cash basis and a basis consistent with generally accepted accounting principles is considered immaterial. All annual budgets lapse at fiscal year end. The legal level of budgetary control is the fund level. The City Council must approve any changes to the original budget.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MATTOON, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2004

	Special Revenue					Capital Projects	Totals
	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Festival Management Fund	Insurance and Tort Judgment Fund	Home Rehabilitation Grant Fund		
ASSETS							
Cash	\$ 460,259	\$ 95,206	\$ 17,466	\$ 550,594	\$ 12,645	\$ 23,016	\$ 1,611,503
Certificates of deposit	550,541	-	-	-	-	-	550,541
Other investments	-	-	-	-	-	669,965	669,965
Receivables	39,207	31,252	-	193,000	-	142,643	406,262
Prepaid expenditures	-	-	-	243,714	-	-	243,714
Advance to other funds	-	-	-	-	-	128,889	128,889
Total assets	\$ 1,050,007	\$ 126,458	\$ 17,466	\$ 987,308	\$ 12,645	\$ 964,513	\$ 3,610,874

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable	\$ 888	\$ 2,019	\$ -	\$ 1,270	\$ 12,645	\$ -	\$ 20,229
Accrued payroll	-	1,388	-	-	-	-	1,388
Due to other funds	11,380	-	-	-	-	1,379	12,759
Unearned revenue	-	-	-	193,000	-	-	193,000
Total liabilities	12,268	3,407	-	194,270	12,645	1,379	227,376
Fund equity:							
Fund balances:							
Reserved for advances	-	-	-	-	-	128,889	128,889
Unreserved	1,037,739	123,051	17,466	793,038	-	834,245	3,254,609
Total liabilities and fund equity	\$ 1,050,007	\$ 126,458	\$ 17,466	\$ 987,308	\$ 12,645	\$ 964,513	\$ 3,610,874

CITY OF MATTOON, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

for the year ended April 30, 2004

	Special Revenue				Capital Projects		Totals
	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Festival Management Fund	Insurance and Tort Judgment	Home Rehabilitation Grant Fund	Revolving Loan Fund	
Revenues:							
Taxes	\$ -	\$ 232,450	\$ -	\$ 378,523	\$ -	\$ -	\$ 610,973
Intergovernmental revenues	520,286	-	-	-	133,760	-	654,046
Investment income	3,918	-	-	372	-	12,593	19,631
Miscellaneous revenues	24,487	5,300	151,765	14,074	-	-	221,576
Total revenues	548,691	237,750	151,765	392,969	133,760	12,593	1,506,226
Expenditures:							
General government	-	-	-	84,561	-	-	102,266
Public works	425,302	-	-	-	-	-	131,157
Culture and recreation	-	184,991	262,512	-	-	-	447,503
Economic development	-	-	-	-	133,760	2,216	223,738
Capital outlay	-	-	-	-	-	-	89,361
Total expenditures	425,302	184,991	262,512	84,561	133,760	2,216	1,503,888
Excess (deficiency) of revenues over (under) expenditures	123,389	52,759	(110,747)	308,408	-	10,377	2,338
Other financing sources (uses):							
Operating transfers in	-	-	59,425	-	-	-	145,644
Operating transfers out	-	(59,425)	-	-	-	-	(59,425)
Proceeds from long term debt	-	-	-	-	-	-	30,000
Total other financing sources (uses)	-	(59,425)	59,425	-	-	-	175,644
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	123,389	(6,666)	(51,322)	308,408	-	10,377	177,982
Fund balances, May 1, 2003	914,350	129,717	68,788	484,630	-	952,757	3,205,516
Fund balances, April 30, 2004	\$ 1,037,739	\$ 123,051	\$ 17,466	\$ 793,038	\$ -	\$ 963,134	\$ 3,383,498

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
MOTOR FUEL TAX FUND
for the year ended April 30, 2004**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 651,600	\$ 1,782,800	\$ 520,286	\$ (1,262,514)
Investment income	-	-	3,918	3,918
Contributions and miscellaneous	10,100	201,200	24,487	(176,713)
Total revenues	661,700	1,984,000	548,691	(1,435,309)
Expenditures:				
Current:				
Public works	559,900	426,020	425,302	718
Capital outlay	1,035,000	3,465,200	-	3,465,200
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	31,363	-	31,363
Total expenditures	1,594,900	3,922,583	425,302	3,497,281
Excess (deficiency) of revenues over (under) expenditures	(933,200)	(1,938,583)	123,389	2,061,972
Other financing sources (uses):				
Long-term debt proceeds	-	1,070,000	-	(1,070,000)
Total other financing sources (uses)	-	1,070,000	-	(1,070,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(933,200)	(868,583)	123,389	991,972
Fund balances, May 1, 2003	983,599	926,201	914,350	(11,851)
Fund balances, April 30, 2004	\$ 50,399	\$ 57,618	\$ 1,037,739	\$ 980,121

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
HOTEL AND MOTEL TAX FUND**

for the year ended April 30, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 240,000	\$ 240,000	\$ 232,450	\$ (7,550)
Investment income	2,400	2,400	-	(2,400)
Contributions & miscellaneous revenues	1,050	1,050	5,300	4,250
Total revenues	243,450	243,450	237,750	(5,700)
Expenditures:				
Current:				
Culture and recreation	281,145	280,676	184,991	95,685
Total expenditures	281,145	280,676	184,991	95,685
Excess (deficiency) of revenues over (under) expenditures	(37,695)	(37,226)	52,759	89,985
Other financing sources (uses):				
Operating transfers out	(61,925)	(61,925)	(59,425)	2,500
Total other financing sources (uses)	(61,925)	(61,925)	(59,425)	2,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(99,620)	(99,151)	(6,666)	92,485
Fund balances, May 1, 2003	129,717	129,717	129,717	-
Fund balances, April 30, 2004	\$ 30,097	\$ 30,566	\$ 123,051	\$ 92,485

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
FESTIVAL MANAGEMENT FUND**

for the year ended April 30, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Contributions & miscellaneous revenues	\$ 151,500	\$ 155,936	\$ 151,765	\$ (4,171)
Total revenues	151,500	155,936	151,765	(4,171)
Expenditures:				
Current:				
Culture and recreation	225,050	237,343	262,512	(25,169)
Total expenditures	\$ 225,050	\$ 237,343	\$ 262,512	\$ (25,169)
Excess (deficiency) of revenues over (under) expenditures	\$ (73,550)	\$ (81,407)	\$ (110,747)	\$ (29,340)
Other financing sources (uses):				
Operating transfers in	61,925	61,925	59,425	(2,500)
Total other financing sources (uses)	61,925	61,925	59,425	(2,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(11,625)	(19,482)	(51,322)	(31,840)
Fund balances, May 1, 2003	60,822	68,788	68,788	--
Fund balances, April 30, 2004	\$ 49,197	\$ 49,306	\$ 17,466	\$ (31,840)

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
INSURANCE AND TORT JUDGMENT FUND**

for the year ended April 30, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 378,523	\$ 378,523
Charges for services	138,680	460,590	-	(460,590)
Investment income	-	1,000	372	(628)
Contributions & miscellaneous revenues	6,000	39,721	14,074	(25,647)
Total revenues	144,680	501,311	392,969	(108,342)
Expenditures:				
Current:				
General government	811,828	1,031,123	84,561	946,562
Total expenditures	811,828	1,031,123	84,561	946,562
Excess (deficiency) of revenues over (under) expenditures	(667,148)	(529,812)	308,408	838,220
Other financing sources (uses):				
Operating transfers in	667,148	378,118	-	(378,118)
Total other financing sources (uses)	667,148	378,118	-	(378,118)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	(151,694)	308,408	460,102
Fund balances, May 1, 2003	484,630	484,630	484,630	-
Fund balances, April 30, 2004	\$ 484,630	\$ 332,936	\$ 793,038	\$ 460,102

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
HOME REHABILITATION GRANT FUND**

for the year ended April 30, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 160,500	\$ 157,500	\$ 133,760	\$ (23,740)
Contributions & miscellaneous revenues	-	-	-	
Total revenues	<u>160,500</u>	<u>157,500</u>	<u>133,760</u>	<u>(23,740)</u>
Expenditures:				
Current:				
Economic development	<u>160,500</u>	<u>157,500</u>	<u>133,760</u>	<u>23,740</u>
Total expenditures	<u>160,500</u>	<u>157,500</u>	<u>133,760</u>	<u>23,740</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, April 30, 2003	-	-	-	-
Fund balances, April 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
REVOLVING LOAN FUND**

for the year ended April 30, 2004

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment income	\$ 95,000	\$ 95,000	\$ 12,593	\$ (82,407)
Total revenues	95,000	95,000	12,593	(82,407)
Expenditures:				
Current:				
Economic development	1,163,739	1,063,224	2,216	1,061,008
Total expenditures	1,163,739	1,063,224	2,216	1,061,008
Excess (deficiency) of revenues over (under) expenditures	(1,068,739)	(968,224)	10,377	978,601
Other financing sources (uses):				
Operating transfers in	15,467	15,467	-	(15,467)
Total other financing sources (uses)	15,467	15,467	-	(15,467)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(1,053,272)	(952,757)	10,377	963,134
Fund balances, May 1, 2003	1,053,272	952,757	952,757	-
Fund balances, April 30, 2004	\$ -	\$ -	\$ 963,134	\$ 963,134

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
CAPITAL PROJECTS FUND**

for the year ended April 30, 2004

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,774,231	\$ -	\$ -	\$ -
Charges for services	200	-	-	-
Investment income	5,000	5,000	2,748	(2,252)
Contributions & miscellaneous revenues	421,447	50,124	25,950	(24,174)
Total revenues	2,200,878	55,124	28,698	(26,426)
Expenditures:				
Current:				
General government	131,087	111,780	102,266	9,514
Public works	2,622,880	283,500	220,518	62,982
Economic development	2,132,500	142,893	87,762	55,131
Total expenditures	4,886,467	538,173	410,546	127,627
Excess (deficiency) of revenues over (under) expenditures	(2,685,589)	(483,049)	(381,848)	101,201
Other financing sources (uses):				
Operating transfers in	442,960	42,960	145,644	102,684
Sale of surplus property	25,000	500	-	(500)
Long-term debt proceeds	2,066,500	66,500	30,000	(36,500)
Total other financing sources (uses)	2,534,460	109,960	175,644	65,684
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(151,129)	(373,089)	(206,204)	166,885
Fund balances, May 1, 2003	299,983	655,274	655,274	-
Fund balances, April 30, 2004	\$ 148,854	\$ 282,185	\$ 449,070	\$ 166,885

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY COMPONENT UNITS**

April 30, 2004

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,649,702	\$ 331,723	\$ 1,981,425
Property taxes receivable, 2003 levy, estimated	601,000	601,000	1,202,000
Interest receivable	58,396	85,451	143,847
Due from primary government	176,568	214,614	391,182
Investments, at fair value	<u>9,970,110</u>	<u>13,650,168</u>	<u>23,620,278</u>
Total assets	12,455,776	14,882,956	27,338,732
LIABILITIES			
Pensions payable	<u>67,372</u>	<u>104,469</u>	<u>171,841</u>
NET ASSETS			
Held in trust for pension benefits (a schedule of funding progress is presented on pages 82-83)	<u>\$ 12,388,404</u>	<u>\$ 14,778,487</u>	<u>\$ 27,166,891</u>

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY COMPONENT UNITS**

for the year ended April 30, 2004

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer - property taxes	\$ 602,453	\$ 602,158	\$ 1,204,611
Employer - transfers from primary government	92,988	119,418	212,406
Plan members	<u>186,355</u>	<u>155,803</u>	<u>342,158</u>
Total contributions	<u>881,796</u>	<u>877,379</u>	<u>1,759,175</u>
Investment income:			
Interest income	331,271	465,985	797,256
Net increase in fair value of investments	<u>435,092</u>	<u>(8,142)</u>	<u>426,950</u>
	766,363	457,843	1,224,206
Less: investment agency fees	<u>--</u>	<u>(3,500)</u>	<u>(3,500)</u>
Net investment income	<u>766,363</u>	<u>454,343</u>	<u>1,220,706</u>
Total additions	<u>1,648,159</u>	<u>1,331,722</u>	<u>2,979,881</u>
Deductions:			
Benefits and refunds of contributions	836,187	1,236,797	2,072,984
Miscellaneous	<u>840</u>	<u>1,384</u>	<u>2,224</u>
Total expenditures	<u>837,027</u>	<u>1,238,181</u>	<u>2,075,208</u>
Net increase	<u>811,132</u>	<u>93,541</u>	<u>904,673</u>
Net assets held in trust for pension benefits:			
Beginning of year	<u>11,577,272</u>	<u>14,684,946</u>	<u>26,262,218</u>
End of year	<u>\$ 12,388,404</u>	<u>\$ 14,778,487</u>	<u>\$ 27,166,891</u>

ACCOMPANYING INFORMATION SECTION

**CITY OF MATTOON, ILLINOIS
LEGAL DEBT MARGIN**

April 30, 2004

	<u>2003 Tax Year</u>
Assessed valuation	<u>\$ 166,608,327</u>
Statutory debt limitation: (8.625% of assessed valuation)	<u>\$ 14,369,968</u>

According to the City Attorney, the general obligation bonds, alternative revenue source, shown in note 12 and the notes payable, shown in note 13, are excluded from the statutory debt limitations as provided by the Illinois Compiled Statutes.