

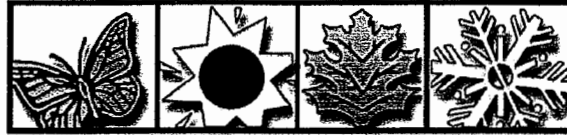
CITY OF MATTOON, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED APRIL 30, 2005
AND
INDEPENDENT AUDITORS' REPORTS

Mattoon • Illinois

a c i t y f o r a l l



S • E • A • S • O • N • S

October 14, 2005

To: Mayor and Members of the City Council
Others interested in the financial condition of the City of Mattoon

Re: Letter of Transmittal to the Comprehensive Annual Financial Report of the City of Mattoon for the fiscal year ended April 30, 2005.

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, 2005.

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, 2005 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, 2005 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.

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 government provides public safety, public works, community development, health, welfare, cemetery, cultural and recreational services. It operates a water and sewer utility as well as internal management support services. 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 budget is \$24.4 million for the fiscal year that ends April 30, 2006. The City employs about 185 employees. More community profile information is presented on the City's web site, www.mattoonillinois.org.

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 to a four-year term of office. Terms of office are NOT staggered, so there is potential that an entirely new council may be elected every four years. The city council 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 administrative powers and duties. Each commissioner has "superintendent" status over a department and is vested with a measure of discretionary authority in the supervision of departmental activities. The powers and duties of the commissioners are re-evaluated after the election of new members to the City Council to assign commissioners to supervise departments according to their qualifications, experience and their preferences.

For the fiscal year that ended April 30, 2005, Mayor David Carter was the chief executive officer of the municipality. Commissioner David Schilling was responsible for finance. Commissioner Jerry Hesse was responsible for police protection, public works and technology. Commissioner Mark Donnell was responsible for fire protection, park maintenance and tourism development. Commissioner Harold Gambill was responsible for the municipal water and sewer utilities.

A new mayor (Charles White) and three new commissioners (Randy Ervin, David Cline and Terry Cook) were elected to succeed the City Council that is accountable for the fiscal year ended April 30, 2005. David Schilling was re-elected to a subsequent term on the City Council, but now serves as Commissioner of Public Property. David Cline is the Finance Commissioner. Terms of the current mayor and commissioners expire April 30, 2009.

In 2001, the city council established a city administrator position. The city administrator functions in a staff capacity and is equally responsible to the mayor and commissioners. Operating departments have been organized in a manner that ensures general supervision by responsible elected commissioners, who are assisted by the city administrator and departmental directors in managing day-to-day operations. Richard Underkofler was appointed to the city administrator position in January of 2002. Underkofler has a master's degree from the municipal administration curriculum in the political science department at the University of Iowa. He has 32 years of experience as a chief administrative officer for municipalities in Alaska, Arizona and Illinois. Underkofler will retire from employment with the City in January 2006. The city council is presently recruiting for a successor city administrator.

In February of 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. City Attorney J. Preston Owen was appointed City Attorney & Treasurer. Owen has a bachelor's degree in accounting from Millikin University and a Juris Doctor degree from School of Law at Southern Illinois University. Prior to his employment with the City, Owen worked 10 years as an accountant, law clerk and attorney in private practice. Owen has credentials as a Certified Public Accountant in addition to credentials that enable him to practice law in the State of Illinois.

Financial Planning & Control

The budget serves as the foundation for the City's planning and control. An annual budget is 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. A side-by-side comparison of the budget to actual expenditures at the end of the fiscal year 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.

History

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.

Attributes of the Local Economy

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.

Demographic and Economic Forecast

The demographic predictions presented in the following table are from a 2005 market profile of the City of Mattoon and Coles County prepared for PGVA, the City's Midtown Redevelopment Consultant, by ESRI Business Information Solutions.

	City	County
Population:		
2000	18,291	53,196
2004	18,081	53,034
2009	17,872	52,647
Housing Units:		
2000	8,830	22,768
2004	8,861	23,132
2009	8,938	23,460
Median Age:		
2000	37.4	30.8
2004	38.6	31.4
2009	39.5	32.9
Median Household Income:		
2000	\$31,771	\$33,394
2004	\$36,864	\$35,740
2009	\$42,157	\$40,413
Per Capita Income:		
2000	\$18,186	\$17,370
2004	\$21,581	\$20,439
2009	\$25,642	\$24,080
Median Home Value:		
2000	\$63,251	\$70,785
2004	\$85,147	\$92,553
2009	\$107,254	\$116,911

Mattoon's economic conditions present a challenge for the City's financial condition. Population and household income have a direct impact on the number of customers and the availability of customer dollars to support the growth and attraction of local business and taxes derived from consumer spending to support governmental operations. Demographic trends for Mattoon suggest that the City and its surrounding areas are faced with a future of stagnant population growth with no real growth in household income. For Mattoon to grow and prosper, jobs must be retained and created for businesses to generate new markets for consumer spending.

PGAV also obtained market and demographic information from Claritas Inc., one of the nation's leading providers of geo-demographic market research information for Mattoon's Market Trade Area (MTA).

Claritas used a model to estimate 2004 data and 2009 data projections based on the information provided by Census 2000. The 2004 estimate and 2009 projections provide a measure of the current and future market trade area potential to support service, restaurant, retail and commercial businesses. Data related to Consumer Spending Patterns (CSP) is from Claritas' Consumer Buying Power database, derived using information from the Consumer Expenditure Survey (CES), which is conducted by the Bureau of Labor Statistics.

PGAV took the Claritas data and summarized it as presented in this table:

Market Trade Area Demographics
Geographic area within a 20-mile circle from the center of Mattoon
(SR-16 and US 45).

Demographics	2000 Census	2004 Estimate	% Change from 2000	2009 Projection	% Change from 2004
Total Population	84,536	82,975	-1.8. %	81,023	-2.3%
Population 16 and Over	67,894	67,128	-1.1%	65,939	-1.8%
Number of Households	32,723	32,475	-0.8%	32,164	-1.0%
Median Household Income	\$34,955	\$37,454	7%	\$41,025	10%

Analysis of the MTA's Consumer Spending Patterns concluded the consumer buying power of Mattoon is below the National Average in every major retail sub-sector. The negative demographic and spending trends of the Mattoon MTA are a result of a reduction in the number of manufacturing jobs in Coles County. Several major manufacturing facilities have closed or reduced their work force in recent years. There are other economic factors contributing to destabilized local economic conditions, including competition from other states and countries for manufacturing jobs and competition from other communities for retail sales.

There are signals, however, that the outlook for local economy is improving:

- Jobs have been created by the opening of the Rural King corporate headquarters and distribution center on the northwest side of Mattoon.
- 750 Broadway LLC acquired the 37 acre real estate of the former Blaw-Knox manufacturing facility, sold a portion of it to the Coles County Mental Health Center and is preparing the former plant site for adaptive reuse as a commercial and retail center.
- Schilling Brothers and Farm Pride are both adding new assembly and distribution centers for farm and lawn equipment with building expansions at their current Mattoon locations.
- Jason and Theresa Gowin d/b/a Keal Development, LLC are constructing a new health care facility that will serve persons with dementia near the Carle Clinic.
- Agracel, Inc. is planning to construct a new warehouse in the Mattoon Enterprise Park for lease to Justrite Manufacturing Company LLC - a project that will create jobs and the

potential for a new Justrite manufacturing plant in 2009 on a site adjacent to the new warehouse.

- ANAMET Electrical, Inc. (an employer of more than 100 persons) intends to invest \$850,000 for a new roof at its manufacturing plant on East Broadway Avenue.
- 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. Aaron's Home Furniture will celebrate the grand opening of a new store in the shopping center in November 2005.
- Dr. Donald Freesmeier is relocating his professional offices into a renovated structure with façade improvements on three buildings located at 1510-1514 Broadway Avenue in the Midtown Redevelopment Area.
- Mark Dust d/b/a H&H Restaurants, Inc completed demolition of three blighted structures and is planning to relocate his business into a new strip mall at 1100 to 1112 Lake Land Boulevard in the Midtown Redevelopment Area.
- Consolidated Communications, which employs more than 1,000 people in Illinois for voice and data communication services, is assembling real estate in the Midtown Redevelopment area to accommodate a growing workforce at its corporate headquarters.
- Innovative Staff Solutions, which provides temporary employees for many of Mattoon's largest employers, is expanding its corporate offices on East Broadway Avenue, at the edge of the Redevelopment Area.
- The KC Summers Auto Dealership is renovating its facilities in the Redevelopment Area, as well.
- The new federal transportation bill contains \$2.5 million for the rehabilitation of the Illinois Central Railroad Depot at the center of the Midtown Redevelopment Area, which is intended to serve as an anchor project for further redevelopment of the historic downtown. \$325,000 has been pledged for the non-federal share of this project in the capital campaign of the Coles County Historical Society.
- Another \$1.5 million is contained in the federal transportation bill for an upgraded arterial route along County Road 1000 that will serve a new interchange with I-57 on the north side of Mattoon.
- The August 2005 Coles County unemployment rate was 5.2% compared to 6.0% one year ago and a 5.7% Illinois statewide unemployment rate.

Long Term Financial Planning

The fragility of Mattoon's economy makes it paramount that consumer spending must be kept within Mattoon by reversing "spending leakage" to other communities. A recent survey by the *Journal Gazette & Times Courier* confirmed area residents are spending a high percentage of their disposable income outside of Coles County. The circulation of dollars in Mattoon will provide a stronger economy for local goods and services benefiting consumers, businesses and the City. Reversing economic and population decline is the largest challenge facing the City. It will require dedication, hard work, much creativity and local government entrepreneurship.

Midtown Redevelopment

On December 16, 2003, the City Council established a Midtown Tax Increment Financing (TIF) District for the redevelopment of the downtown area. Comprehensive strategies are being guided by a Redevelopment Plan adopted in June of 2005 to attract public and private investments that will restore vitality to an area that was once an economic engine.

Midtown's role in keeping consumer spending dollars in Mattoon is to become the home of dedicated retailers who sell products tailored to the local market and provide superior service and quality. "Niche" retailers, unique dining venues and professional services currently not being provided in Mattoon are examples of the diversity of business necessary to revitalize the Midtown economy.

The retention of major Midtown Employers (Consolidated Communications and the financial institutions) and retention of "Mini-Anchors" (i.e. the YMCA, the City Hall & Fire Station, professional offices, County Market, etc.) is necessary to ensure pedestrian and automotive activity throughout the day. A true success story in Midtown Mattoon could drive economic and population growth, which would in turn strengthen the market and further spur business opportunities.

There may also exist an opportunity for Midtown to provide an alternative to the more common single-family and apartment residences - particularly as "replacement" household units. Although the Midtown Area should not be considered a primary residential neighborhood, the ability to provide loft-style, condominium and/or apartment living in an "urban" environment is of significant advantage to Midtown. These types of residential units can be owner-occupied or rental property, and have proven to be popular living spaces for young adults and "empty nesters". The introduction of a few residential units would enhance the "community" of Midtown on a 24/7 basis, promote the adaptive reuse of underutilized buildings and potentially create more energy and excitement about the entire Midtown area.

Interstate-57 Economic Development Opportunity Areas

The area near Interstate 57 on the east, south and north sides of Mattoon offers other opportunities for economic development and diversification.

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 City's vision and expectation this TIF could 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 the TIF. On August 2, 2005, the City Council adopted an ordinance repealing ordinances that established this TIF because discovery in the lawsuit disclosed final subdivision plats for the Redevelopment Project Area had not been signed and recorded with Coles County Clerk prior to the City Council's approval of the TIF Ordinances.

The plaintiff in the lawsuit contended the Redevelopment Project Area did not qualify under eligibility requirements of the TIF Act for use of tax increment financing because (1) the area was not located in a designated floodplain or wetland area; and/or (2) development would likely occur in this area without TIF incentives. However, the City never got to court to defend the eligibility determination.

The TIF enabling statute [65 ILCS 5/11-74.4-3(a)(3)(C)] was amended by the Illinois General Assembly in 2003 to enable an area to qualify for TIF status "if the area, prior to its designation is

subject to surface water which discharges from all or a part of such area and contributes to flooding within the same watershed where the redevelopment project provides for facilities or improvements that contribute to the alleviation of all or part of such flooding.” The City intends to initiate procedures to re-establish this TIF District, if an independent engineering study by one of the most highly qualified and experienced storm water management engineering firms in this state determines the area will qualify for TIF status pursuant to terms of the amendment to the enabling statute.

To facilitate economic development of the Interstate-57 Area, in alliance with Coles County, the City of Charleston, the Chambers of Commerce and Coles Together (the County Economic Development Corporation), the City of Mattoon intends to:

1. Formulate boundary agreements between Charleston and Mattoon with respect to corporate boundaries, water and sewer facility service areas, zoning and building code enforcement jurisdiction within the SR-16 and CR-1000 Corridor Development Districts.
2. Persuade Coles-Moultrie Electric Cooperative and Ameren CIPS to formulate service area boundary agreements, perhaps as a term of franchise agreement renewals.
3. Identify issues and formulate recommended land use policies for the Coles County Unified Comprehensive Plan, particularly for marketing areas that have economic development potential within proximity of urban service areas and arterial transportation routes.
4. Retain a consultant to determine whether the area near the I-57 Interchange at U.S. Route 45, north of Lake Land College, will qualify for TIF status to formulate a plan for the redevelopment of that area.
5. Identify and prepare potential sites to be “Shovel Ready” for economic development prospects by these “step by step” strategies:
 - (a) Secure annexation agreements for sites selected for economic development; including purchase options within these agreements to establish a firm sales price for the real estate for a relatively long term;
 - (b) Initiate Phase I Environmental Assessments on optioned economic development sites;
 - (c) Rezone areas within the urban service area for the highest and best economic development use consistent with the Unified County Comprehensive Plan;
 - (d) Alter enterprise zone boundaries consistent with the Unified County Comprehensive Plan; and
 - (e) Extend utility infrastructure to optioned or acquired development sites

Cash Management Policies, Practices & Capital Improvement Plans

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.

Conservative fiscal policies have enabled the City to reverse deficit conditions reported in prior fiscal years and accumulate material cash balances. Within the next few years, however, a material portion of the cash balance in the various funds will be expended or obligated on high priority capital improvement projects identified in the following table.

Capital Improvement Program

Activity	Amount	Fund	Schedule
Repair Water Rx Plant Filters	\$ 180,000	Water	2005
Radio Read Water Meters	400,000	50/50 Water & Sewer	2005
Champaign Avenue Bridge	300,000	Motor Fuel Tax	2005
Street Resurfacing / Overlays	900,000	Motor Fuel Tax	2005
Keal Develop. Health Care Facility	195,000	Revolving Loan	2005
Lerna Road Water/Sewer Extension	40,000	Revolving Loan	2005
H&H Restaurants, Inc. - Equipment	62,500	Revolving Loan	2005
ANAMET Electrical, Inc. - Roof	127,985	Revolving Loan	2005
Wastewater Rx Plant Automation	1,000,000	Sewer	2005-2006
East Broadway Avenue Resurfacing	500,000	Motor Fuel Tax	2006
Kickapoo Drainage Project	2,500,000	Capital Improvement ¹	2006-2009
Sanitary/Storm Sewer Separation	2,500,000	Sewer	2007-2008

¹ On April 1, 2003, Mattoon's voters approved a 0.5% increase in the local sales tax rate authorized by enabling state statute for property tax relief and infrastructure improvements. The rate increase became effective January 1, 2004. About half of the increased sales tax revenue has been retained in the General Fund to offset a reduction in the city's property tax levy. The remainder is transferred to the Capital Improvement Fund where it has been pledged to implement plans formulated by the Illinois Department of Natural Resources – Office of Water Resources for the Kickapoo Creek Flood Control Project.

Risk Management

The Illinois Counties Risk Management Trust (ICRMT), an Illinois public entity risk management pool, insured the City's workers compensation exposures, property and casualty throughout the fiscal year. The workers compensation coverage is written with a \$25,000 deductible per occurrence. The Cincinnati Insurance Co. provided property damage coverage excluded by 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 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. The City has a material unfunded liability in the Police and Firefighter Pension Funds that is reported in the Notes to Financial Statements.

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.

The City provides post-employment medical and dental care benefits for certain retirees and their dependents. These expenditures are financed on a “pay-as-you-go” basis. In a subsequent fiscal year, generally accepted accounting principals will require the City to report a material unfunded liability for its post-employment health insurance benefits that will significantly reduce fund balances in the governmental funds and retained earnings in the enterprise funds.

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,

/s/ J. Preston Owen

/s/ Richard Underkofler

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 Schilling – Revenue & Finance

CITY ADMINISTRATOR

Richard Underkofler

CITY ATTORNEY & TREASURER

J. Preston Owen

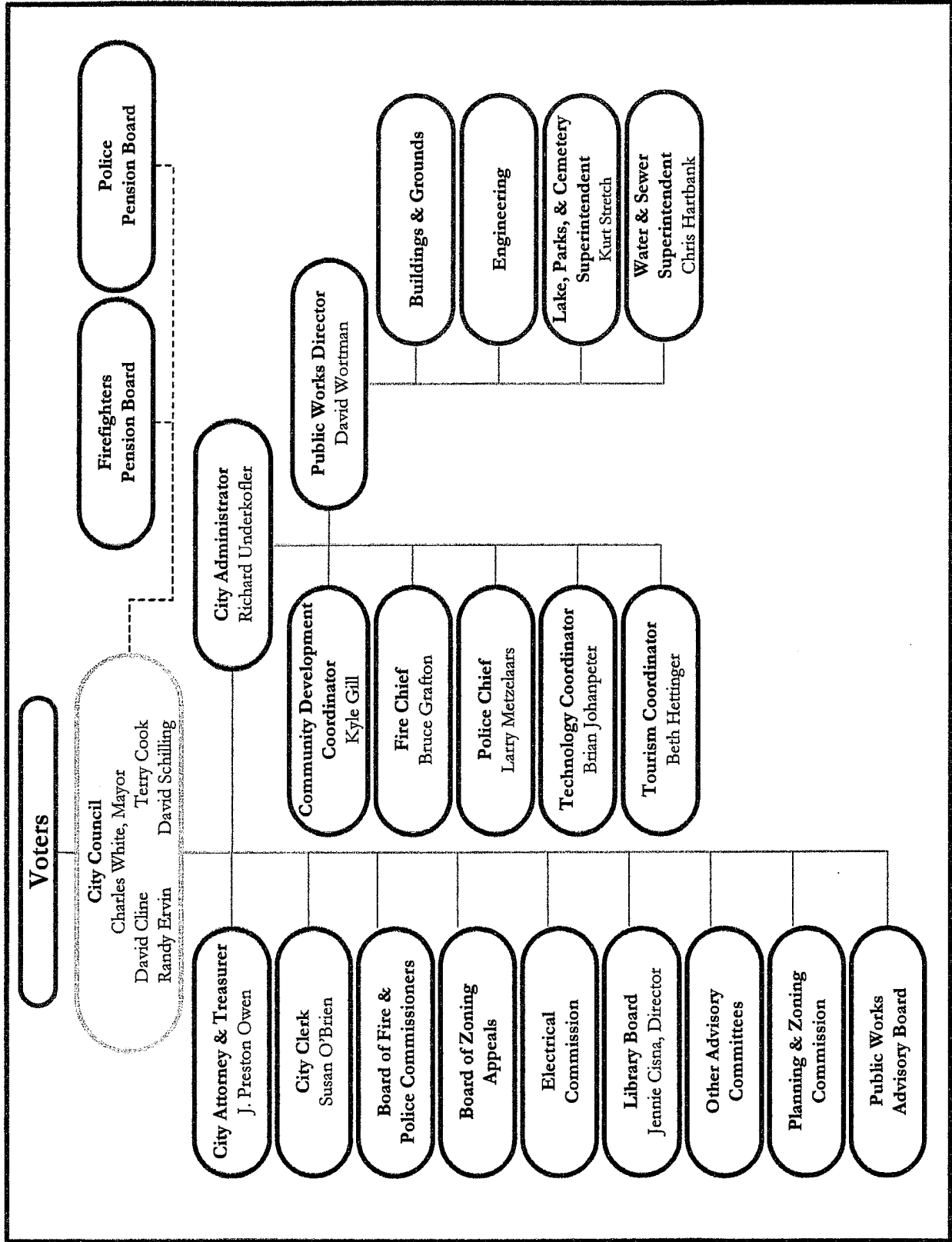
CITY CLERK

Susan J. O'Brien

DEPARTMENT DIRECTORS

Public Works Director	David Wortman
Police Chief	Larry Metzelaars
Fire Chief	Bruce Grafton
Community Development Coordinator	Kyle Gill
Water & Sewer Superintendent	Chris Hartbank
Lake & Parks Superintendent	Kurt Stretch
Tourism Coordinator	Beth Hettinger
Library Director	Jennie Cisna
Technology Coordinator	Brian Johanpeter

City of Mattoon Organizational Chart



CITY OF MATTOON, ILLINOIS

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FINANCIAL SECTION

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
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OFFICES

EFFINGHAM
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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, 2005, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2005, 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2005 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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 91 through 98 and pension plans' Schedules of Funding Progress on pages 83 through 85 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 conducted 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

August 2, 2005

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, 2005, which collectively comprise the City of Mattoon, Illinois' basic financial statements and have issued our report thereon dated August 2, 2005. 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 and its operation 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

West + Company, LLC

August 2, 2005

**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, 2005. 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 second 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 \$64,435,235 and liabilities of \$32,969,332, resulting in net assets of \$31,465,903 as of April 30, 2005. Total assets decreased from April 30, 2004 by \$352,695, total liabilities decreased from April 30, 2004 by \$2,088,442 and net assets increased from April 30, 2004 by \$1,753,747. Of the net assets as of April 30, 2005, \$23,132,820 represents the City's investment in capital assets, net of related debt, \$136,687 is held for restricted purposes, and \$8,196,396 is available to meet the City's ongoing obligations to its citizens and creditors. Due mainly to the spending cuts implemented during the last three fiscal years, the City's cash position in the general government funds increased by \$0.6 million dollars, from \$4.2 million to \$4.8 million. Due to the major upgrades and maintenance projects undertaken in the Water and Sewer funds, the City's cash position in the business type funds decreased by \$1.2 million dollars, from \$6.2 million to \$5.0 million.

- The following table shows the changes in major revenue sources from 2004 to 2005.

**City of Mattoon, Illinois
Changes in Major Revenue Sources
April 30, 2005**

Source	2005	2004	Change
Intergovernmental Shared Revenues	\$ 8,134,766	\$ 7,062,509	\$ 1,072,257
Property Tax Revenues	\$ 3,040,388	\$ 3,678,965	\$ (638,577)
Utility Tax Revenues	\$ 1,257,805	\$ 1,263,720	\$ (5,915)
Hotel Tax Revenues	\$ 236,942	\$ 232,450	\$ 4,492
Water Fund Charges for Services	\$ 2,990,608	\$ 3,279,188	\$ (288,580)
Sewer Fund Charges for Services	\$ 3,444,454	\$ 3,493,163	\$ (48,709)
Cemetery Fund Charges for Services	\$ 102,269	\$ 111,126	\$ (8,857)
Table Totals	\$ 19,207,232	\$ 19,121,121	\$ 86,111

- During FY 2005, 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 \$14 million in upgrading infrastructure systems and other capital assets. For the next fiscal year the City will need put in place a long term capital budget. In the past the City has funded capital improvements on a year-to-year basis with little planning for the following fiscal years. The Public Works Director, City Treasurer and City Administrator are in the process of developing a five year capital improvement plan.

- 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, 2004 and April 30, 2005, \$6.315 million in new debt was used to refund prior general obligation bond issues. The City has not issued any new debt, with the exception of refunding issues, since the purchase of the Tub Grinder in 2001. The City has no plans to issue any new debt in the foreseeable future.

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 utility services and Dodge Grove Cemetery.

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 begin on page 25 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 99 through 100 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 nonmajor 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 \$31.5 million as of April 30, 2005. 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.

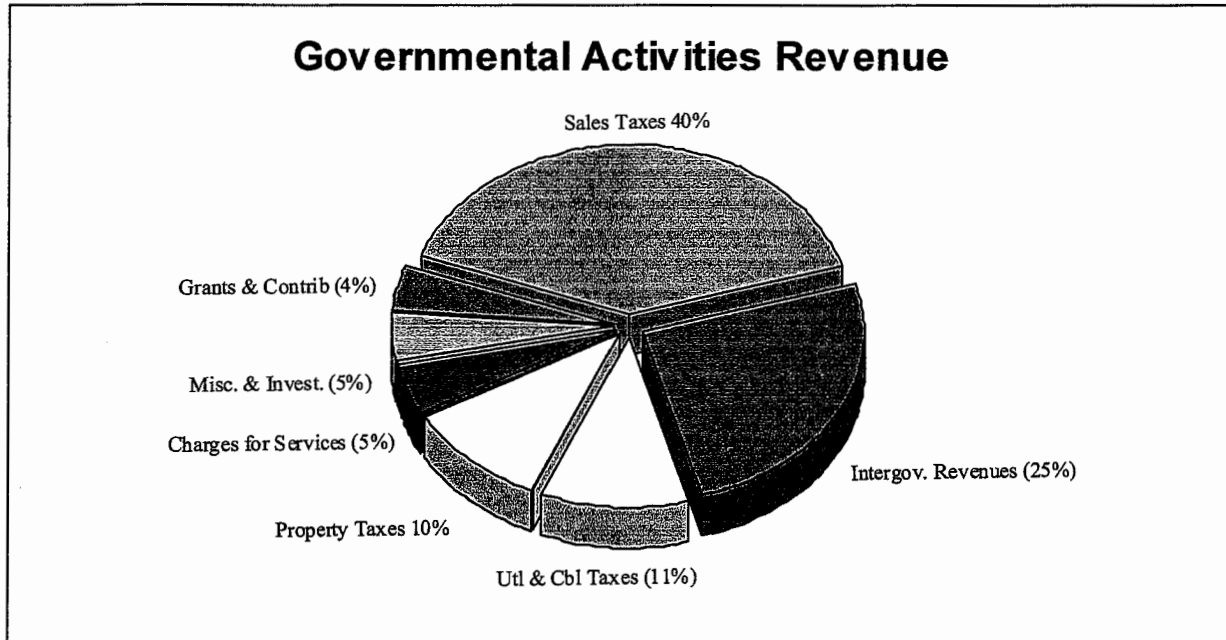
	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 8,504,664	\$ 5,600,868	\$ 14,105,532
Capital Assets (net)	\$ 6,704,252	\$ 43,625,451	\$ 50,329,703
Total Assets	\$ 15,208,916	\$ 49,226,319	\$ 64,435,235
Current Liabilities	\$ 1,872,319	\$ 622,640	\$ 2,494,959
Non-current Liabilities	\$ 5,394,058	\$ 25,080,315	\$ 30,474,373
Total Liabilities	\$ 7,266,377	\$ 25,702,955	\$ 32,969,332
Invested in Capital, Net of Debt	\$ 4,357,102	\$ 18,775,718	\$ 23,132,820
Restricted	\$ 84,404	\$ 52,283	\$ 136,687
Unrestricted	\$ 3,501,033	\$ 4,695,363	\$ 8,196,396
Total Net Assets	\$ 7,942,539	\$ 23,523,364	\$ 31,465,903
Total Net Assets as a % of Total Liabilities	108%	92%	95%
Unrestricted Net Assets as a % of Total Liabilities	48%	18%	25%

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 \$8.2 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 \$4.7 million, or about sixty percent, 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, 2005, the City is able to report positive balances in net assets for the governmental activities as well as business-type activities.

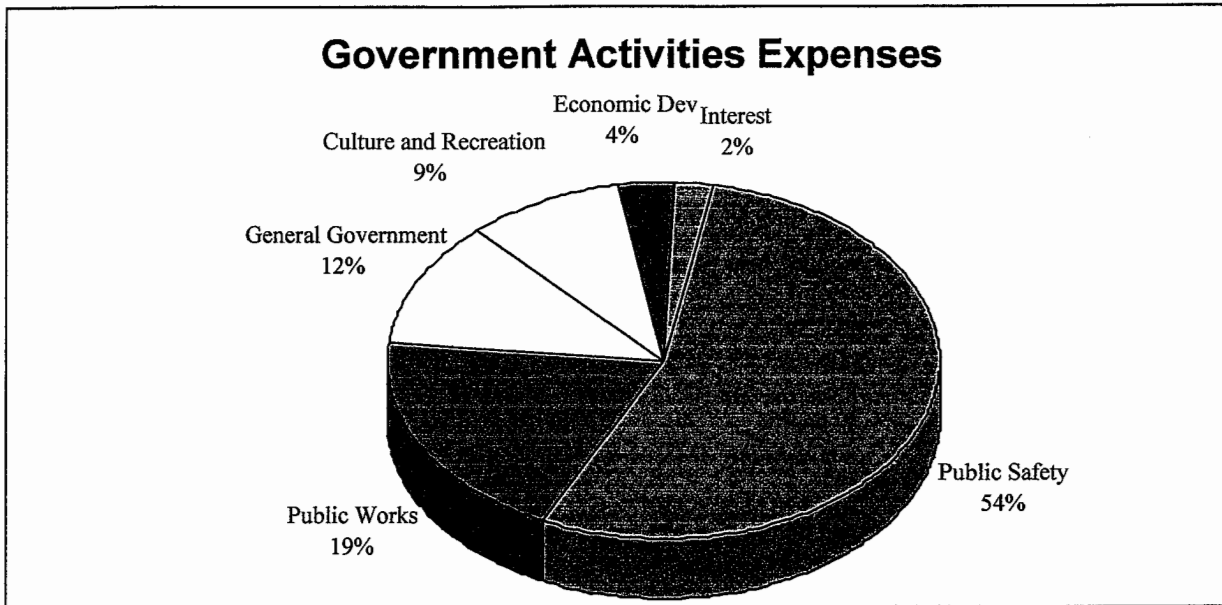
An examination of the *Statement of Activities* provides a concise picture of how the various activities of the City are funded. The following table summarizes the City's governmental and business-type activities.

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 630,993	\$ 6,537,331	\$ 7,168,324
Operating Grants & Contributions	\$ 498,603	\$ 215	\$ 498,818
Capital Grants and Contributions	\$ 53,164	\$ 76,000	\$ 129,164
General Revenues:			
Property Taxes	\$ 1,350,438	\$ -	\$ 1,350,438
Sales Taxes	\$ 5,178,973	\$ -	\$ 5,178,973
Utility Taxes	\$ 1,257,805	\$ -	\$ 1,257,805
Cable Television Franchise	\$ 170,804	\$ -	\$ 170,804
Intergovernmental Revenues	\$ 3,314,052	\$ -	\$ 3,314,052
Investment Income	\$ 84,152	\$ 89,577	\$ 173,730
Miscellaneous Income	\$ 514,433	\$ -	\$ 514,432
Gain on Sale of Assets	\$ 9,575	\$ 13,200	\$ 22,775
Total Revenue	<u>\$ 13,062,992</u>	<u>\$ 6,716,323</u>	<u>\$ 19,779,315</u>
Expenses			
Program Expenses:			
General Government	\$ 1,407,670	\$ -	\$ 1,407,670
Public Safety	\$ 6,371,429	\$ -	\$ 6,371,429
Public Works	\$ 2,272,479	\$ -	\$ 2,272,479
Health and Welfare	\$ 35,231	\$ -	\$ 35,231
Culture and Recreation	\$ 1,056,915	\$ -	\$ 1,056,915
Economic Development	\$ 405,867	\$ -	\$ 405,867
Interest on Long-term Debt	\$ 245,446	\$ -	\$ 245,446
Water	\$ -	\$ 2,916,125	\$ 2,916,125
Sewer	\$ -	\$ 3,262,079	\$ 3,262,079
Cemetery	\$ -	\$ 159,356	\$ 159,356
Total Expenses	<u>\$ 11,795,037</u>	<u>\$ 6,337,560</u>	<u>\$ 18,132,597</u>
Increase (decrease) in net assets before transfers	\$ 1,267,955	\$ 378,763	\$ 1,646,718
Transfers & Capital Contributions	<u>\$ 167,238</u>	<u>\$ (167,238)</u>	<u>\$ -</u>
Change in Net Assets	\$ 1,435,193	\$ 211,525	\$ 1,646,718
Net Assets - May 1, 2004	\$ 6,507,346	\$ 23,311,839	\$ 29,819,185
Net Assets - April 30, 2005	\$ 7,942,539	\$ 23,523,364	\$ 31,465,903

The following chart illustrates how governmental activities are funded. Sales taxes provided forty percent (40%) of the revenue for governmental revenues. Intergovernmental revenues (other taxes) provided twenty-five percent (25%) of the revenue for governmental revenues. Property taxes provided ten percent (10%) of the revenue for governmental activities. Utility taxes and the cable franchise agreement provided eleven percent (11%) of the revenue for governmental activities. Taxes, in one form or another comprised eighty-six percent (86%) of the revenue for governmental activities. The remaining fourteen percent (14%) came from charges for services, five percent (5%), Grants and Contributions, four percent (4%) and Miscellaneous and Investment Revenue, five percent (5%).



The following chart illustrates the expenditures of the governmental activities. Public Safety (fire and police protection) comprised fifty-four percent (54%) of the total expenditures of the governmental activities. Public works comprised nineteen percent (19%) of the total expenditures of the governmental activities. General government comprised twelve percent (12%) of the total expenditures of the governmental activities. The remaining fifteen percent (15%) came from expenditures for culture and recreation, nine percent (9%), economic development, four percent (4%) and interest, two percent (2%).



Business-type activities, water and sewer utilities and Dodge Grove cemetery, depend on charges for services as their primary revenue sources, over ninety-eight percent (98%) 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, 2005, the City of Mattoon's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$6,635,103, an increase of \$1,133,266 from April 30, 2004. Of the ending fund balances total, \$182,359 is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$6,452,744 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-four percent (94%) of revenues. Public safety and public works are the primary operations of the General fund. Over fifty-five percent (55%) of the General fund expenditures of \$10.5 million are allocated to the public safety sector. Another sixteen percent (16%) of the General fund costs are derived from the operations of public works. Over ten percent (10%) of the General fund's costs are derived from general governmental expenditures.

The General Fund has an undesignated fund balance of \$2,697,212, an increase of \$578,873 over the balance as of April 30, 2004. The Capital Project Fund has a fund balance of \$1,069,068, an increase of \$619,998 over the balance as of April 30, 2004. The General Fund's undesignated

fund balance is available to be applied in a future year's budget to one-time capital projects or to reduce outstanding debt. The Capital Project Funds may be used to fund the City's various capital projects.

With regard to the Other Governmental Funds, the Motor Fuel Tax fund had a total fund balance of \$959,970, the Revolving Loan fund had a total fund balance of \$973,063 and the Insurance and Tort Judgment fund had a balance of \$779,058. 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 to be pledged for expenditures on loans to assist in the economic development of Mattoon. 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 such as the Hotel and Motel Tax Fund, Festival Management Fund, Home Rehabilitation Grant Fund and the Midtown TIF District Fund. These remaining funds had a total balance as of April 30, 2005 of \$156,732. The total accumulated fund balances of all the Other Governmental Funds increased by \$554,393 during 2005.

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 2005 totaled \$23,523,364, an increase of \$211,525 from the previous year. The Water fund net assets increased \$122,367, the Sewer fund net assets increased \$106,077 and the Cemetery fund net assets decreased \$16,919.

For the year ended April 30, 2005, Revenues in the Water fund totaled \$2,990,608 (a decrease of \$288,580 from 2004), operating expenditures totaled \$2,427,722 (a decrease of \$191,952 from 2004) producing operating income of \$562,886 (a decrease of \$96,628 from 2004). Non-operating expenditures, transfers and contributions totaled \$440,519, leaving a gain of \$122,367 in the Net Assets of the Water fund. During the last three years the Water Fund has seen a dramatic decrease in operating income. The April 30, 2005 operating income is over thirty-three percent (33%) less than that of April 30, 2003. During the same time frame, the fund assets of the Water fund increased by only four and one-half percent (4.5%).

For the year ended April 30, 2005, Revenues in the Sewer fund totaled \$3,444,454 (a decrease of \$48,709 from 2004), operating expenditures totaled \$2,831,313 (a decrease of \$76,224 from 2004) producing operating income of \$613,141 (an increase of \$27,515 from 2004). Non-operating expenditures and transfers totaled \$507,064, leaving a gain of \$106,077 in the Net Assets of the Sewer fund (a decrease of \$85,829 from 2004). The April 30, 2005 operating income is over twenty (20%) greater than that of April 30, 2003. During the same time frame, the fund assets of the Sewer fund increased by only two percent (2%).

For the year ended April 30, 2005, Revenues in the Cemetery fund totaled \$102,269 (a decrease of \$8,857 from 2004), operating expenditures totaled \$159,356 (a decrease of \$30,602 from

2004) producing an operating loss of \$57,087 (a decrease of \$21,745 from 2004). Non-operating expenditures revenues totaled \$5,106 and transfers from the General fund and contributions totaled \$35,062, leaving a loss of \$16,919 in the Net Assets of the Cemetery fund. Operating revenues have remained constant since the year ended April 2003. Operating expenses have been reduced by over twenty-nine percent (29%) during the same time frame and the fund assets of the Cemetery Fund decreased by seventeen percent (17%).

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 86-87, the final 2005 General fund budget authorized expenditures and other financing uses of \$12,664,435, funded by anticipated revenues and other financing sources of \$13,485,330 leaving the amount of revenues and other financing sources over expenditures and other financing uses of (\$208,095). The actual amount of revenues and other financing sources over expenditures and other financing uses was \$578,873, a positive budget to actual variance of \$786,968. 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 91.

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 expenses associated with all the City's infrastructure will be reported in the financial statements for the period ending on April 30, 2006. As summarized in the table below, the City's reported investment in capital assets for governmental and business-type activities as of April 30, 2005 totaled over \$76.2 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 \$26 million, or approximately thirty four percent (34%) 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, 2005

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 2,002,945	\$ 588,555	\$ 2,591,500
Buildings and Improvements	\$ 5,699,489	\$ 12,574,053	\$ 18,273,542
Equipment, furniture and vehicles	\$ 4,801,834	\$ 2,233,516	\$ 7,035,350
Improvements other than buildings	\$ -	\$ 213,861	\$ 213,861
Reservoirs	\$ -	\$ 84,643	\$ 84,643
Treat. collect. and distrib. systems	\$ -	\$ 45,239,634	\$ 45,239,634
Construction in Progress	\$ 164,825	\$ 2,730,280	\$ 2,895,105
Subtotal	<u>\$ 12,669,093</u>	<u>\$ 63,664,542</u>	<u>\$ 76,333,635</u>
Less Accumulated Depreciation	\$ (5,964,841)	\$ (20,039,091)	\$ (26,003,932)
Total	<u><u>\$ 6,704,252</u></u>	<u><u>\$ 43,625,451</u></u>	<u><u>\$ 50,329,703</u></u>

Long-Term Debt

On April 30, 2005, the City of Mattoon had \$29,530,977 of bond and long-term note principal outstanding (a decrease of \$1,505,747 from April 30, 2004), as summarized in the following table:

City of Mattoon, Illinois
General Obligation Bonds and Notes Outstanding
April 30, 2005

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 4,104,000	\$ 9,710,000	\$ 13,814,000
Notes Payable	\$ 242,149	\$ 15,474,828	\$ 15,716,977
Total	<u><u>\$ 4,346,149</u></u>	<u><u>\$ 25,184,828</u></u>	<u><u>\$ 29,530,977</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, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
ASSETS				
Cash and cash equivalents	\$ 2,426,017	\$ 3,751,186	\$ 6,177,203	\$ 89,973
Certificates of deposit	--	1,010,299	1,010,299	--
Other investments	2,442,861	4,357	2,447,218	--
Receivables	2,742,151	302,478	3,044,629	375,000
Internal balances	27,665	(27,665)	--	--
Prepaid items	341,953	11,190	353,143	--
Long-term receivables	472,155	--	472,155	--
Deferred bond issue expense	48,767	228,608	277,375	--
Restricted assets:				
Cash and cash equivalents	3,095	207,480	210,575	1,690
Certificates of deposit	--	52,283	52,283	5,544
Other investments	--	--	--	22,014
Cemetery development	--	60,652	60,652	--
Capital assets (net of accumulated depreciation):				
Land	2,002,945	588,555	2,591,500	--
Buildings and building improvements	3,988,741	9,582,969	13,571,710	2,042,555
Improvements other than buildings	--	158,935	158,935	--
Treatment, collection and distribution systems	--	29,651,725	29,651,725	--
Equipment, furniture and vehicles	547,741	912,987	1,460,728	3,400
Construction in progress	164,825	2,730,280	2,895,105	--
Total assets	15,208,916	49,226,319	64,435,235	2,540,176

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)**

April 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
LIABILITIES				
Accounts payable	\$ 232,197	\$ 90,017	\$ 322,214	\$ --
Interest payable	2,060	--	2,060	--
Accrued payroll	219,709	64,006	283,715	--
Other accrued expenses	51,525	345,400	396,925	--
Due to component units	105,955	--	105,955	--
Unearned revenue	1,258,000	--	1,258,000	379,580
Liabilities payable from restricted assets:				
Other payables	2,873	123,217	126,090	--
Non-current liabilities:				
Due within one year	522,902	1,460,621	1,983,523	1,353
Due in more than one year	4,871,156	23,619,694	28,490,850	12,173
Total liabilities	<u>7,266,377</u>	<u>25,702,955</u>	<u>32,969,332</u>	<u>393,106</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,357,102	18,775,718	23,132,820	2,045,955
Restricted for:				
Other purposes	84,404	52,283	136,687	4,580
Permanently restricted	--	--	--	25,000
Unrestricted	3,501,033	4,695,363	8,196,396	71,535
Total net assets	<u>\$ 7,942,539</u>	<u>\$ 23,523,364</u>	<u>\$ 31,465,903</u>	<u>\$ 2,147,070</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF ACTIVITIES

For the year ended April 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			Mattoon Public Library
						Business-type Activities	Total		
Functions/Programs:									
Primary governmental activities:									
General government	\$ 1,407,670	\$ 127,131	\$ --	\$ --	\$ (1,280,539)	\$ --	\$ (1,280,539)		
Public safety	6,371,429	212,847	325,703	53,164	(5,779,715)	--	(5,779,715)		
Public works	2,272,479	34,558	--	--	(2,237,921)	--	(2,237,921)		
Health and welfare	35,231	--	--	--	(35,231)	--	(35,231)		
Culture and recreation	1,056,915	256,457	--	--	(800,458)	--	(800,458)		
Economic development	405,867	--	172,900	--	(232,967)	--	(232,967)		
Interest on long-term debt	245,446	--	--	--	(245,446)	--	(245,446)		
Total governmental activities	11,795,037	630,993	498,603	53,164	(10,612,277)	--	(10,612,277)		
Business-type activities:									
Water	2,916,125	2,990,608	--	76,000	--	150,483	150,483		
Sewer	3,262,079	3,444,454	--	--	--	182,375	182,375		
Cemetery	159,356	102,269	215	--	--	(56,872)	(56,872)		
Total business-type activities	6,337,560	6,537,331	215	76,000	--	275,986	275,986		
Total primary government	\$ 18,132,597	\$ 7,168,324	\$ 498,818	\$ 129,164	(10,612,277)	275,986	(10,336,291)		
Component Unit:									
Mattoon Public Library	\$ 479,509	\$ 11,856	\$ 14,535	\$ --	--	--	\$ (453,118)		
General revenues:									
Property taxes					1,324,157	--	1,324,157	378,975	
TIF property tax increment					26,281	--	26,281	--	
Sales taxes					5,178,973	--	5,178,973	--	
Utility taxes					1,257,805	--	1,257,805	--	
Other taxes					529,063	--	529,063	--	
Intergovernmental revenues					2,955,793	--	2,955,793	27,764	
Investment income					84,152	89,577	173,729	935	
Miscellaneous income					514,433	--	514,433	914	
Gain on sale of capital assets					9,575	13,200	22,775	--	
Transfers					167,238	(167,238)	--	--	
Total general revenues and transfers					12,047,470	(64,461)	11,983,009	408,588	
Change in net assets					1,435,193	211,525	1,646,718	(44,530)	
Net assets, beginning of year					6,507,346	23,311,839	29,819,185	2,191,600	
Net assets, end of year					\$ 7,942,539	\$ 23,523,364	\$ 31,465,903	\$ 2,147,070	

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

April 30, 2005

	General	Other Governmental Funds	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 86,604	\$ 2,340,842	\$ 2,427,446
Other investments	1,824,766	618,095	2,442,861
Receivables	2,584,666	157,485	2,742,151
Due from other funds	80,691	25,268	105,959
Prepaid items	6,157	335,796	341,953
Long-term receivables	--	472,155	472,155
Advances to other funds	--	97,955	97,955
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,582,884</u>	<u>\$ 4,047,596</u>	<u>\$ 8,630,480</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 90,040	\$ 19,678	\$ 109,718
Interest payable	2,060	--	2,060
Accrued payroll	218,366	1,343	219,709
Due to other funds	143,296	58,684	201,980
Due to component units	105,955	--	105,955
Unearned revenue	1,228,000	30,000	1,258,000
Advances from other funds	97,955	--	97,955
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,885,672</u>	<u>109,705</u>	<u>1,995,377</u>
 Fund balances:			
Reserved for advances	--	97,955	97,955
Reserved for other purposes	84,404	--	84,404
Unreserved, reported in:			
General fund	2,612,808	--	2,612,808
Special revenue funds	--	2,770,868	2,770,868
Capital project fund	--	1,069,068	1,069,068
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,697,212</u>	<u>3,937,891</u>	<u>6,635,103</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,582,884</u>	<u>\$ 4,047,596</u>	<u>\$ 8,630,480</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2005

Total fund balances, governmental funds	\$ 6,635,103
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.	6,704,252
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>(5,396,816)</u>
Net assets of governmental activities	<u>\$ 7,942,539</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, 2005

	General	Other Governmental Funds	Totals
Revenues:			
Taxes	\$ 2,682,947	\$ 454,359	\$ 3,137,306
Licenses and permits	161,051	--	161,051
Intergovernmental revenues	7,978,862	707,671	8,686,533
Charges for services	343,637	--	343,637
Fines and forfeitures	126,305	--	126,305
Investment income	54,976	29,176	84,152
Miscellaneous revenues	167,374	347,059	514,433
	<hr/>	<hr/>	<hr/>
Total revenues	11,515,152	1,538,265	13,053,417
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	1,061,291	230,016	1,291,307
Public safety	6,160,981	--	6,160,981
Public works	1,630,457	508,867	2,139,324
Health and welfare	35,231	--	35,231
Culture and recreation	624,989	401,751	1,026,740
Economic development	68,038	337,829	405,867
Capital outlay	73,039	161,374	234,413
Debt service:			
Principal	527,564	3,200	530,764
Interest and fiscal charges	249,221	--	249,221
Bond issuance costs	42,439	--	42,439
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 10,473,250	\$ 1,643,037	\$ 12,116,287
	<hr/>	<hr/>	<hr/>

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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,041,902	\$ (104,772)	\$ 937,130
Other financing sources (uses):			
Transfers in	254,970	799,494	1,054,464
Transfers out	(770,984)	(149,904)	(920,888)
Proceeds from sale of capital assets	--	9,575	9,575
Long-term debt proceeds	2,113,661	--	2,113,661
Payment to bond refunding escrow agent	(2,060,676)	--	(2,060,676)
Total other financing sources (uses)	<u>(463,029)</u>	<u>659,165</u>	<u>196,136</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	578,873	554,393	1,133,266
Fund balances, May 1, 2004	<u>2,118,339</u>	<u>3,383,498</u>	<u>5,501,837</u>
Fund balances, April 30, 2005	<u>\$ 2,697,212</u>	<u>\$ 3,937,891</u>	<u>\$ 6,635,103</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, 2005

Net changes in fund balances, governmental funds \$ 1,133,266

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. (207,331)

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. 520,219

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. (10,961)

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 \$ 1,435,193

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

April 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Fund
			Fund		
ASSETS					
Current assets:					
Cash	\$ 1,256,022	\$ 2,482,824	\$ 12,340	\$ 3,751,186	\$ (1,429)
Certificates of deposit	596,541	350,258	63,500	1,010,299	--
Other investments	4,357	--	--	4,357	--
Receivables	111,019	179,656	11,803	302,478	--
Due from other funds	--	--	--	--	145,973
Prepaid items	3,887	7,303	--	11,190	--
Total current assets	1,971,826	3,020,041	87,643	5,079,510	144,544
Noncurrent assets:					
Restricted assets:					
Cash on deposit	207,480	--	--	207,480	3,095
Investments	--	--	52,283	52,283	--
Deferred bond issue expense	155,208	73,400	--	228,608	--
Cemetery development	--	--	60,652	60,652	--
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	202,859	11,002	--	213,861	--
Reservoirs	84,643	--	--	84,643	--
Treatment, collection and distribution systems	8,722,745	36,516,889	--	45,239,634	--
Equipment, furniture and vehicles	959,819	1,203,182	70,515	2,233,516	--
Construction in progress	2,730,280	--	--	2,730,280	--
Less accumulated depreciation	(6,608,203)	(13,355,346)	(75,542)	(20,039,091)	--
Total capital assets (net of accumulated depreciation)	18,527,172	25,087,116	11,163	43,625,451	--
Total noncurrent assets	18,889,860	25,160,516	124,098	44,174,474	3,095
Total assets	20,861,686	28,180,557	211,741	49,253,984	147,639

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2005

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other -	Totals	Internal
			Cemetery Fund		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 43,987	\$ 45,803	\$ 227	\$ 90,017	\$ 122,479
Accrued payroll	28,929	32,936	2,141	64,006	--
Accrued interest	236,500	108,900	--	345,400	--
Due to other funds	12,707	13,847	1,111	27,665	22,287
Compensated absences payable	25,854	16,855	3,407	46,116	--
General obligation bonds - current	410,000	265,000	--	675,000	--
Notes payable - current	343,410	396,095	--	739,505	--
Payable from restricted assets:					
Other payables	123,217	--	--	123,217	2,873
Accrued interest	--	--	--	--	--
Retainages payable	--	--	--	--	--
Total current liabilities	1,224,604	879,436	6,886	2,110,926	147,639
Noncurrent liabilities:					
Long-term debt payable:					
General obligation bonds payable (net of unamortized discounts and premiums and deferred amount on refunding)	4,865,073	3,834,833	--	8,699,906	--
Notes payable	5,990,316	8,745,006	--	14,735,322	--
Compensated absences payable	103,416	67,421	13,629	184,466	--
Total noncurrent liabilities	10,958,805	12,647,260	13,629	23,619,694	--
Total liabilities	12,183,409	13,526,696	20,515	25,730,620	147,639
NET ASSETS					
Investment in capital assets (net of related debt)	6,918,373	11,846,182	11,163	18,775,718	--
Restricted for other purposes	--	--	52,283	52,283	--
Unrestricted	1,759,904	2,807,679	127,780	4,695,363	--
Total net assets	\$ 8,678,277	\$14,653,861	\$ 191,226	\$ 23,523,364	\$ --

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, 2005

	Business-type Activities - Enterprise Funds				Governmental
					Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Operating revenues:					
Charges for services	\$ 2,990,608	\$ 3,444,454	\$ 102,269	\$ 6,537,331	\$ --
Fund charges and employee contributions	--	--	--	--	1,973,945
Insurance reimbursements	--	--	--	--	10,321
Total operating revenue	2,990,608	3,444,454	102,269	6,537,331	1,984,266
Operating expenses:					
Reservoirs and sources of supply	134,417	--	--	134,417	--
Water treatment plant	701,301	--	--	701,301	--
Water distribution	585,495	--	--	585,495	--
Sewer collection system	--	468,191	--	468,191	--
Sewer lift stations	--	57,516	--	57,516	--
Wastewater treatment plant	--	1,175,129	--	1,175,129	--
Accounting and collection	256,743	156,946	--	413,689	--
Administrative and general	294,509	300,434	--	594,943	154,400
Insurance	--	--	--	--	163,720
Employee health benefit claims	--	--	--	--	1,699,970
Personnel services	--	--	98,660	98,660	--
Repairs and maintenance	--	--	688	688	--
Supplies	--	--	2,632	2,632	--
Purchased services	--	--	48,383	48,383	--
Utilities	--	--	4,839	4,839	--
Depreciation	455,257	673,097	4,154	1,132,508	--
Total operating expenses	2,427,722	2,831,313	159,356	5,418,391	2,018,090
Operating income (loss)	\$ 562,886	\$ 613,141	\$ (57,087)	\$ 1,118,940	\$ (33,824)

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, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Non-operating revenues (expenses):					
Investment income	\$ 44,788	\$ 39,683	\$ 5,106	\$ 89,577	\$ 162
Interest expense	(474,852)	(428,499)	--	(903,351)	--
Gain on sale of capital assets	13,200	--	--	13,200	--
Bond issuance costs	(13,551)	(2,267)	--	(15,818)	--
Total non-operating revenues (expenses)	(430,415)	(391,083)	5,106	(816,392)	162
Income (loss) before contributions and transfers	132,471	222,058	(51,981)	302,548	(33,662)
Capital contributions	76,000	--	--	76,000	--
Contributions-perpetual care	--	--	215	215	--
Transfers in	--	--	34,847	34,847	33,662
Transfers out	(86,104)	(115,981)	--	(202,085)	--
Change in net assets	122,367	106,077	(16,919)	211,525	--
Net assets, May 1, 2004	8,555,910	14,547,784	208,145	23,311,839	--
Net assets, April 30, 2005	\$ 8,678,277	\$ 14,653,861	\$ 191,226	\$ 23,523,364	\$ --

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended April 30, 2005

	Business-type Activities - Enterprise Funds			Governmental	
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 3,025,230	\$ 3,515,240	\$ 95,159	\$ 6,635,629	\$ 1,838,294
Payments to employees	(870,470)	(842,175)	(66,085)	(1,778,730)	--
Payments to suppliers	(1,085,151)	(1,340,090)	(82,692)	(2,507,933)	(295,834)
Payments to claimants	--	--	--	--	(1,627,947)
Net cash provided (used) by operating activities	1,069,609	1,332,975	(53,618)	2,348,966	(85,487)
Cash flows from noncapital financing activities:					
Operating transfers in	--	--	34,847	34,847	33,662
Operating transfers out	(86,104)	(115,981)	--	(202,085)	--
Contributions	--	--	215	215	--
Net cash provided (used) by noncapital financing activities	(86,104)	(115,981)	35,062	(167,023)	33,662
Cash flows from capital and related financing activities:					
Capital contributions	76,000	--	--	76,000	--
Purchases of capital assets	(1,251,943)	(205,322)	--	(1,457,265)	--
Sale of capital assets	13,200	--	--	13,200	--
Proceeds from borrowings	--	4,096,934	--	4,096,934	--
Principal payments on debt	(723,779)	(4,639,006)	--	(5,362,785)	--
Interest and fiscal charges	(374,005)	(498,208)	--	(872,213)	--
Net cash used by capital and related financing activities	\$(2,260,527)	\$(1,245,602)	\$ --	\$(3,506,129)	\$ --

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Cash flows from investing activities:					
Investment income received (net of expense)	\$ 44,825	\$ 39,684	\$ 4,366	\$ 88,875	\$ 162
Proceeds from sale and maturity of investments	2,797,847	378,106	87,362	3,263,315	--
Purchases of investments	<u>(596,852)</u>	<u>(350,259)</u>	<u>--</u>	<u>(947,111)</u>	<u>--</u>
Net cash provided by investing activities	<u>2,245,820</u>	<u>67,531</u>	<u>91,728</u>	<u>2,405,079</u>	<u>162</u>
Net increase (decrease) in cash	968,798	38,923	73,172	1,080,893	(51,663)
Cash, restricted and unrestricted, May 1, 2004	<u>494,704</u>	<u>2,443,901</u>	<u>(60,832)</u>	<u>2,877,773</u>	<u>53,329</u>
Cash, restricted and unrestricted, April 30, 2005	<u>\$ 1,463,502</u>	<u>\$ 2,482,824</u>	<u>\$ 12,340</u>	<u>\$ 3,958,666</u>	<u>\$ 1,666</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2005

	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)	\$ 562,886	\$ 613,141	\$ (57,087)	\$ 1,118,940	\$ (33,824)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	455,257	673,096	4,154	1,132,507	--
(Increase) decrease in receivables	48,205	70,786	(7,987)	111,004	--
(Increase) decrease in prepaid expenses	885	(2,714)	--	(1,829)	--
(Increase) decrease in due from other funds	--	--	--	--	(145,973)
(Increase) decrease in cemetery development	--	--	877	877	--
Increase (decrease) in accounts payable	36,198	(45,172)	(290)	(9,264)	74,348
Increase (decrease) in accrued payroll	(6,626)	(2,042)	(127)	(8,795)	--
Increase (decrease) in compensated absences payable	(26,321)	12,033	5,731	(8,557)	--
Increase (decrease) in due to other funds	12,707	13,847	1,111	27,665	22,287
Increase (decrease) in meter deposits payable	(13,582)	--	--	(13,582)	--
Increase (decrease) in other payables	--	--	--	--	(2,325)
Net cash provided (used) by operating activities	<u>\$ 1,069,609</u>	<u>\$ 1,332,975</u>	<u>\$ (53,618)</u>	<u>\$ 2,348,966</u>	<u>\$ (85,487)</u>

See notes to financial statements

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

April 30, 2005

	<u>Pension Component Units</u>
ASSETS	
Cash	\$ 2,115,164
Property taxes receivable, 2003 levy, estimated	1,402,000
Interest receivable	141,905
Due from primary government	105,955
Investments, at fair value	<u>24,569,143</u>
Total assets	<u>28,334,167</u>
LIABILITIES	
Pensions payable	203,314
Unearned revenue	<u>1,402,000</u>
Total liabilities	<u>1,605,314</u>
NET ASSETS	
Held in trust for pension benefits (a schedule of funding progress is presented on pages 84 - 85)	<u><u>\$ 26,728,853</u></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, 2005

	<u>Pension Component Units</u>
Additions:	
Contributions:	
Employer - taxes	\$ 1,189,658
Employer - intergovernmental revenue	224,266
Plan members	<u>387,237</u>
Total contributions	<u>1,801,161</u>
Investment income:	
Interest income	806,517
Net increase in fair value of investments	<u>512,002</u>
	1,318,519
Less: investment agency fees	<u>(1,500)</u>
Net investment income	<u>1,317,019</u>
Total additions	<u>3,118,180</u>
Deductions:	
Benefits and refunds of contributions	2,348,131
Miscellaneous	<u>6,087</u>
Total expenditures	<u>2,354,218</u>
Net increase	763,962
Net assets held in trust for pension benefits:	
Beginning of year	27,166,891
Prior period adjustment	<u>(1,202,000)</u>
End of year	<u>\$ 26,728,853</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. 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 city 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)

B. 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.

C. Financial Statement Presentation

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)

C. Financial Statement Presentation (Continued)

Major Governmental Fund

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)

C. Financial Statement Presentation (Continued)

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

Midtown TIF District Fund – This fund is used to account for expenditures for implementation of the Mattoon Midtown Redevelopment Plan and Project, including all property tax increment revenues received from Coles County allocable to the operation of the Mattoon Midtown Tax Increment District as required by the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11 - 74.4-3 et seq.).

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)

D. 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.

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.

Revenues susceptible to accrual are recognized in the current fiscal period. Those revenues 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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. The first installment is due 30 days after the bills are mailed, while the second payment is due around September 1. The Coles County Treasurer distributed the 2003 tax extension to the City on July 28, 2004, August 23, 2004, September 17, 2004 and November 23, 2004. The City Council adopted the 2004 tax levy (receivable in calendar year 2005) on December 21, 2004. For governmental fund financial statements, the 2004 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 2003 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.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City considers cash on hand, checking accounts, savings accounts, 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)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

1. 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.

2. 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.

3. 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)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, and 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)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

5. 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.

6. 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 issuance costs, are deferred and amortized over the life of the bonds using the straight line method, as the differences between the straight line method and the effective interest method are considered immaterial. 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.

7. 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 appropriable 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)**

E. **Assets, Liabilities, and Net Assets or Equity (Continued)**

8. **Net Assets**

In the government-wide and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three categories:

Investment in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation, less outstanding principal of related debt.

Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Governmental Activities column on the Statement of Net Assets contains restricted net assets for amounts received from the U.S. Department of Justice for sharing of forfeited property. These revenues are restricted to permissible law enforcement uses as established by the Department of Justice.

The Business-type Activities column of the Statement of Net Assets and the Cemetery Fund on the Statement of Net Assets for Proprietary Funds 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

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 the reconciling amount are as follows:

Bonds payable	\$ 4,104,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(96,460)
Plus: Deferred issuance premium (to be amortized as interest expense)	8,455
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(48,767)
Accrued interest payable	51,526
Interest payable	-
Capital leases payable	212,007
Notes payable	242,149
Developer contracts payable	281,868
Compensated absences payable	<u>642,038</u>
 Net adjustment to reduce "total fund balances, governmental funds" to arrive at "net assets of governmental activities"	 <u>\$ 5,396,816</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

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 the 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 the reconciling amount are as follows:

Capital outlay	\$ 234,413
Depreciation expense	<u>(441,744)</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ (207,331)</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 the reconciling amount are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - refunding	\$ (2,105,000)
Less issuance costs	42,439
Plus issuance premium	(8,661)
Principal repayments:	
General obligation debt	284,000
Capital leases	38,530
Notes payable	152,304
Developer contracts	55,931
Payment to escrow agent for refunding	<u>2,060,676</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ 520,219</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 the reconciling amount are as follows:

Compensated absences	\$ (14,736)
Accrued interest	25,828
Interest payable	2,622
Amortization of deferred charge on refunding	(4,817)
Amortization of deferred bond discount	(18,203)
Amortization of deferred bond premium	206
Amortization of deferred bond issuance costs	<u>(1,861)</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u><u>\$ (10,961)</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments

Cash and Certificates of Deposit – At April 30, 2005, the carrying amount of the primary government’s deposits was \$7,301,023 and the bank balance was \$9,057,213. The carrying amount of the component units’ deposits was \$1,082,492 and the bank balance was \$1,117,142. Bank balances, categorized by level of risk at April 30, 2005, were as follows:

	Category 1	Category 2	Category 3
Primary government	\$ 500,000	\$ 8,440,840	\$ 116,373
Component units:			
Mattoon Public Library	106,548	--	23,445
Police Pension Fund	604,874	--	--
Firefighters Pension Fund	382,275	--	--
Total deposits	\$ 1,593,697	\$ 8,440,840	\$ 139,818

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, 2005 consist primarily of certificates of deposit (included in the above deposit section of the notes to financial statements), the Illinois Funds Money Market Fund, and other money market funds. 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, insurance contracts, money market funds, corporate equity, and mutual funds investing in government securities. Money market fund shares of \$1,129,722 were covered by \$596,991 of Securities Investor Protection Corporation insurance, and \$532,731 was uninsured.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments (Continued)

At April 30, 2005, 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	4,580	5,423	--	10,003
Police Pension Fund				
U.S. government securities	--	5,021,412	--	5,021,412
Firefighters Pension Fund				
Corporate equity	--	1,017,436	--	1,017,436
U.S. government securities	--	6,939,062	--	6,939,062
	<u>\$ 4,580</u>	<u>\$ 12,983,333</u>	<u>\$ --</u>	<u>\$ 12,987,913</u>
Investments not subject to categorization:				
Primary government:				
Illinois Funds Money Market Fund				2,136,231
Money market mutual funds				148,707
Mutual funds				310,988
Component units:				
Mattoon Public Library				
Money market mutual funds				1,690
Mutual funds				12,011
Police Pension Fund				
Insurance contracts				5,772,753
Money market mutual funds				1,032,731
Firefighters Pension Fund				
Insurance contracts				3,434,342
Money market mutual funds				95,301
Mutual funds				<u>2,384,138</u>
Total				<u>\$28,316,805</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, 2005 for the primary government were as follows:

	Governmental Activities		Business-type Activities		
	General Fund	Other Governmental Funds	Water Fund	Sewer Fund	Other - Cemetery Fund
Property taxes	\$ 1,228,000	\$ 30,000	\$ --	\$ --	\$ --
Utility taxes	103,796	--	--	--	--
Telecommunications taxes	130,188	--	--	--	--
Income and use taxes	201,467	--	--	--	--
Sales taxes	818,050	--	--	--	--
Personal property replacement taxes	59,522	--	--	--	--
Motor fuel taxes	--	43,427	--	--	--
Other taxes	2,264	36,346	--	--	--
Interest	--	--	--	--	170
Customer receivables	--	--	111,019	179,656	--
Other receivables	41,379	47,712	--	--	11,633
Totals	\$ 2,584,666	\$ 157,485	\$ 111,019	\$ 179,656	\$ 11,803

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. Receivables (Continued)

Receivables balances as of April 30, 2005 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	\$ 375,000	\$ 617,000	\$ 785,000
Interest	--	82,517	59,388
Totals	\$ 375,000	\$ 699,517	\$ 844,388

6. Schedule of Payables and Receivables within the Reporting Entity

Payables and receivables between funds consisted of the following at April 30, 2005:

Due to /from other funds

	Receivable	Payable
Governmental activities:		
General Fund	\$ 80,691	\$ 143,296
Other Governmental Funds:		
Motor Fuel Tax Fund	9,801	58,404
Hotel and Motel Tax Fund	--	280
Revolving Loan Fund	15,467	--
Water Fund	--	12,707
Sewer Fund	--	13,847
Other Business-type - Cemetery Fund	--	1,111
Internal Service Fund:		
Employee Health Fund	145,973	22,287
Due to/from other funds	\$ 251,932	\$ 251,932

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

The amount receivable to the General Fund consists of a reimbursement of construction services due from the Motor Fuel Tax Fund and a check written from the wrong bank account due from the Employee Health Fund. The amount receivable to the Motor Fuel Tax Fund consists of a reimbursement of street lighting due from the General Fund. The amount receivable to the Revolving Loan Fund consists of the current portion of a long-term loan due from the General Fund. The amount receivable to the Employee Health Fund consists of charges for services due from the General Fund, Hotel and Motel Tax Fund, Water Fund, Sewer Fund, and Cemetery Fund.

Advance to/from other funds

	Receivable	Payable
Governmental activities:		
General Fund	\$ --	\$ 97,955
Other Governmental Funds		
Revolving Loan Fund	97,955	--
Advance to/from other funds	\$ 97,955	\$ 97,955

The amount receivable to the Revolving Loan Fund consists of the long-term portion of an economic development loan due from the General Fund.

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, 2005:

	Receivable	Payable
Primary government:		
Governmental activities:		
General Fund	\$ --	\$ 105,955
Component units:		
Fiduciary activities:		
Firefighters Pension Fund	66,368	--
Police Pension Fund	39,587	--
Totals	\$ 105,955	\$ 105,955

The amounts receivable to the component units are personal property replacement taxes from the General Fund.

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, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2005</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,002,945	\$ --	\$ --	\$ 2,002,945
Construction in progress	<u>178,390</u>	<u>75,796</u>	<u>89,361</u>	<u>164,825</u>
Total capital assets not being depreciated	<u>2,181,335</u>	<u>75,796</u>	<u>89,361</u>	<u>2,167,770</u>
Capital assets being depreciated:				
Buildings and improvements	5,524,550	174,939	--	5,699,489
Less: Accumulated depreciation	<u>(1,597,857)</u>	<u>(112,891)</u>	<u>--</u>	<u>(1,710,748)</u>
Buildings and improvements, net	<u>3,926,693</u>	<u>62,048</u>	<u>--</u>	<u>3,988,741</u>
Equipment, furniture and vehicles	4,728,795	73,039	--	4,801,834
Less: Accumulated depreciation	<u>(3,925,240)</u>	<u>(328,853)</u>	<u>--</u>	<u>(4,254,093)</u>
Equipment, furniture and vehicles, net	<u>803,555</u>	<u>(255,814)</u>	<u>--</u>	<u>547,741</u>
Total capital assets being depreciated, net	<u>4,730,248</u>	<u>(193,766)</u>	<u>--</u>	<u>4,536,482</u>
Governmental activities, Capital assets, net	<u>\$ 6,911,583</u>	<u>\$ (117,970)</u>	<u>\$ 89,361</u>	<u>\$ 6,704,252</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets (Continued)

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

	Balance April 30, 2004	Additions	Deletions	Balance April 30, 2005
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 588,555	\$ --	\$ --	\$ 588,555
Construction in progress	14,153,680	1,141,164	12,564,564	2,730,280
Total capital assets not being depreciated	14,742,235	1,141,164	12,564,564	3,318,835
Capital assets being depreciated:				
Buildings and building improvements	12,574,053	--	--	12,574,053
Less: Accumulated depreciation	(2,768,347)	(222,737)	--	(2,991,084)
Buildings and building improvements, net	9,805,706	(222,737)	--	9,582,969
Improvements other than building	96,458	117,403	--	213,861
Less: Accumulated depreciation	(48,496)	(6,430)	--	(54,926)
Improvements other than building, net	47,962	110,973	--	158,935
Reservoirs	84,643	--	--	84,643
Less: Accumulated depreciation	(84,643)	--	--	(84,643)
Reservoirs, net	--	--	--	--
Treatment, collection and distribution systems	32,792,473	12,447,161	--	45,239,634
Less: Accumulated depreciation	(14,808,011)	(779,898)	--	(15,587,909)
Treatment, collection and distribution systems, net	17,984,462	11,667,263	--	29,651,725
Equipment, furniture and vehicles	1,917,414	316,102	--	2,233,516
Less: Accumulated depreciation	(1,197,087)	(123,442)	--	(1,320,529)
Equipment, furniture and vehicles, net	720,327	192,660	--	912,987
Total capital assets being depreciated, net	28,558,457	11,748,159	--	40,306,616
Business-type activities, Capital assets, net	<u>\$ 43,300,692</u>	<u>\$ 12,889,323</u>	<u>\$ 12,564,564</u>	<u>\$ 43,625,451</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	\$ 69,576
Public safety	196,365
Public works	150,177
Culture and recreation	<u>25,626</u>

Governmental activities,
Depreciation expense

\$ 441,744

Business-type activities:

Water	\$ 455,257
Sewer	673,096
Cemetery	<u>4,154</u>

Business-type activities,
Depreciation expense

\$ 1,132,507

Analysis of changes in component unit capital assets:

	Balance April 30, 2004	Additions	Deletions	Balance April 30, 2005
Component unit (Mattoon Public Library):				
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,552,094	\$ -	\$ -	\$ 2,552,094
Less: Accumulated depreciation	<u>(458,497)</u>	<u>(51,042)</u>	<u>--</u>	<u>(509,539)</u>
Buildings and improvements, net	<u>2,093,597</u>	<u>(51,042)</u>	<u>--</u>	<u>2,042,555</u>
Equipment, furniture and vehicles	45,150	--	--	45,150
Less: Accumulated depreciation	<u>(39,350)</u>	<u>(2,400)</u>	<u>--</u>	<u>(41,750)</u>
Equipment, furniture and vehicles, net	<u>5,800</u>	<u>(2,400)</u>	<u>--</u>	<u>3,400</u>
Governmental activities, Capital assets, net	<u>\$ 2,099,397</u>	<u>\$ (53,442)</u>	<u>\$ --</u>	<u>\$ 2,045,955</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>\$ 53,442</u>
Governmental activities, Depreciation expense	<u>\$ 53,442</u>

8. Construction in Progress

The City has active construction projects in progress as of April 30, 2005. The projects include widening and construction of existing streets and bridges, a carbon permanganate building, and various water system improvements. At April 30, 2005 the City's construction in progress are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Governmental activities:		
Infrastructure:		
Champaign Avenue Bridge	<u>\$ 164,825</u>	<u>\$ 1,445,000</u>
Business-type activities:		
Carbon Permanganate Building	\$ 463,162	65,000
Swords Drive Standpipe	1,301,749	51,000
Lake Paradise Clean Lakes Project	165,252	650,000
Water Storage Tank Rehabilitation	<u>800,117</u>	<u>80,000</u>
	<u>\$ 2,730,280</u>	<u>\$ 846,000</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, 2004	\$ 40,350
Less: cost of crypts sold	877
Mausoleum carrying value, April 30, 2005	39,473
Land held for future expansion estimated carrying value, April 30, 2005	21,179
	\$ 60,652

10. Restricted Assets

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

11. Short-Term Debt

On July 6, 2004, the City of Mattoon's component unit, the Mattoon Public Library, entered into an open-end credit line of up to \$120,000 with First Mid-Illinois Bank & Trust to cover operating expenses. The line of credit had an interest rate of 4.25% on July 6, 2004 and varied daily thereafter to match the Wall Street Journal Prime Rate. The line of credit expired on October 14, 2004. The Library repaid the \$35,000 advance from the line of credit on September 14, 2004. The short-term debt activity of the component unit for the year ended April 30, 2005 was as follows:

	Balance at April 30, 2004	Additions	Reductions	Balance at April 30, 2005
Line of Credit	\$ --	\$ 35,000	\$ 35,000	\$ --

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

12. Capital leases

The City has entered into a lease agreement to finance an extension of the City's sanitary sewer and water systems. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has 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:

Asset	Governmental Activities
Sanitary sewer and water extensions	\$ 374,471

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2005, were as follows:

Years Ending April 30,	Governmental Activities
2006	\$ 49,500
2007	49,500
2008	49,500
2009	49,500
2010	49,500
Total minimum lease payments	247,500
Less: amount representing interest	(35,493)
Present value of minimum lease payments	\$ 212,007

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. 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. During the year, general obligation bonds totaling \$6,315,000 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 2003A	4.35%	\$ 1,435,000
Governmental activities - refunding:		
Series 2003	1.00% - 3.15%	564,000
Series 2005B	2.50% - 4.05%	2,105,000
Business-type activities - refunding:		
Series 2003	3.00% - 3.50%	5,500,000
Series 2005A	2.50% - 4.00%	<u>4,210,000</u>
		<u>\$ 13,814,000</u>

The General Fund services all of the general obligation bonds for governmental activities.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. 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>
2006	\$ 326,000	\$ 150,175	\$ 675,000	\$ 319,936
2007	338,000	140,252	690,000	301,011
2008	345,000	129,398	715,000	280,974
2009	353,000	117,754	740,000	259,524
2010	365,000	105,414	765,000	236,896
2010-2014	1,682,000	314,643	4,340,000	792,738
2015-2019	<u>695,000</u>	<u>71,341</u>	<u>1,785,000</u>	<u>115,220</u>
Total	<u>\$ 4,104,000</u>	<u>\$ 1,028,977</u>	<u>\$ 9,710,000</u>	<u>\$ 2,306,299</u>

Advance Refunds of General Obligation Bonds:

Series 2005A:

On January 11, 2005, the City issued \$4,210,000 in general obligation refunding bonds (Series 2005A, alternate revenue source) with interest rates ranging between 2.50% and 4.00%. The City issued the bonds to advance refund \$4,070,000 of the outstanding Sewer Fund Series 1998 general obligation bonds (alternate revenue source) with interest rates ranging between 4.60% and 4.625%. 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 1998 series bonds. As a result, the 1998 series bonds are considered defeased, and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$137,909. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt as a deferred charge. The outstanding principal of the defeased bonds is \$4,070,000 at April 30, 2005.

The advance refunding reduced total debt service payments over the next 13 years by \$141,695. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$108,773.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

13. General Obligation Bonds (Continued)

Advance Refunds of General Obligation Bonds (continued):

Series 2005B:

On January 11, 2005, the City issued \$2,105,000 in general obligation refunding bonds (Series 2005B, alternate revenue source) with interest rates ranging between 2.50% and 4.05%. The City issued the bonds to advance refund \$1,985,000 of the outstanding series 1999 general obligation bonds with interest rates ranging between 4.85% and 5.15%. 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 1999 series bonds. As a result, the 1999 series bonds are 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 \$75,676. 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 \$1,985,000 at April 30, 2005.

The advance refunding reduced total debt service payments over the next 10 years by \$80,612. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$60,913.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. Notes Payable

The City has issued various notes as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase a tub grinder	4.375%	\$ 242,149
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%	6,333,727
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for sewer wastewater treatment plant rehabilitation	2.865%	380,271
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for expansion of the sewer wastewater treatment plant	2.675%	<u>8,760,830</u>
		<u><u>\$ 15,716,977</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. 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>
2006	\$ 30,421	\$ 10,594	\$ 739,505	\$ 421,623
2007	31,752	9,263	760,128	401,001
2008	33,141	7,874	781,327	379,802
2009	34,591	6,424	803,117	358,011
2010	36,104	4,911	825,516	335,612
2011-2015	76,142	5,014	4,486,079	1,319,565
2016-2020	--	--	5,075,667	659,491
2021-2023	--	--	2,003,487	108,611
Total	<u>\$ 242,149</u>	<u>\$ 44,080</u>	<u>\$ 15,474,828</u>	<u>\$ 3,983,715</u>

15. 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 \$88,132 plus interest of \$32,500 based on Home Depot's taxable sales from March 1, 2003 through February 28, 2005.

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

15. 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. During the fiscal year ended April 30, 2005, the City reimbursed Mr. Summers and Mr. Whitworth from 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, 2005, 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. This liability was transferred to the Midtown TIF Fund in the fiscal year ended April 30, 2005.

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. This transaction was completed during the fiscal year ended April 30, 2005.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

16. Changes In Long-Term Liabilities

Long-term liability activity for the primary government for the year ended April 30, 2005 was as follows:

	<u>Balance</u> <u>April 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 4,268,000	\$2,105,000	\$2,269,000	\$ 4,104,000	\$ 326,000
Add (less) deferred amounts:					
On refunding	(25,602)	(75,676)	(4,818)	(96,460)	--
For issuance premiums	--	8,661	(206)	8,455	--
For issuance discounts	(18,203)	--	(18,203)	--	--
	<u>4,224,195</u>	<u>2,037,985</u>	<u>2,255,821</u>	<u>4,015,995</u>	<u>326,000</u>
Capital leases	250,537	--	38,530	212,007	38,073
Notes payable	394,453	--	152,304	242,149	30,421
Developer contracts	337,799	--	55,931	281,868	N/A
Compensated absences	627,302	14,737	--	642,039	128,408
	<u>5,834,286</u>	<u>\$2,052,722</u>	<u>\$2,502,586</u>	<u>\$ 5,394,058</u>	<u>\$ 522,902</u>
Governmental activities, Long-term liabilities	<u>\$ 5,834,286</u>	<u>\$2,052,722</u>	<u>\$2,502,586</u>	<u>\$ 5,394,058</u>	<u>\$ 522,902</u>
Business-type Activities:					
General obligation bonds	\$ 10,180,000	\$4,210,000	\$4,680,000	\$ 9,710,000	\$ 675,000
Add (less) deferred amounts:					
On refunding	(311,325)	(137,909)	(30,031)	(419,203)	--
For issuance premium	65,227	24,843	5,962	84,108	--
For issuance discount	(36,658)	--	(36,658)	--	--
	<u>9,897,244</u>	<u>4,096,934</u>	<u>4,619,273</u>	<u>9,374,905</u>	<u>675,000</u>
Notes payable	16,194,271	--	719,443	15,474,828	739,505
Compensated absences	239,139	--	8,557	230,582	46,116
	<u>26,330,654</u>	<u>\$4,096,934</u>	<u>\$5,347,273</u>	<u>\$ 25,080,315</u>	<u>\$1,460,621</u>
Business-type activities, Long-term liabilities	<u>\$ 26,330,654</u>	<u>\$4,096,934</u>	<u>\$5,347,273</u>	<u>\$ 25,080,315</u>	<u>\$1,460,621</u>

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

16. Changes In Long-Term Liabilities (Continued)

Long-term liability activity for the component unit for the year ended April 30, 2005 was as follows:

	<u>Balance</u> <u>April 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Component Unit (Mattoon Public Library):					
Governmental Activities:					
Compensated absences	\$ 9,600	\$ 3,926	\$ --	\$ 13,526	\$ 1,353

17. Taxes

Tax revenues during the year ended April 30, 2005 were as follows:

	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>		
	<u>Governmental Activities</u>		<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Mattoon Public Library</u>	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>
Property taxes	\$ 1,133,021	\$ 191,136	\$ 378,975	\$ 594,829	\$ 594,829
TIF property tax increment	--	26,281	--	--	--
Utility taxes	1,257,805	--	--	--	--
Road and bridge taxes	121,317	--	--	--	--
Hotel taxes	--	236,942	--	--	--
Cable TV franchise taxes	170,804	--	--	--	--
Totals	<u>\$ 2,682,947</u>	<u>\$ 454,359</u>	<u>\$ 378,975</u>	<u>\$ 594,829</u>	<u>\$ 594,829</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. Intergovernmental Revenues

Intergovernmental revenues during the year ended April 30, 2005 were as follows:

	Primary Government		Discretely Presented Component Unit		
	Governmental Activities		Governmental Activities	Fiduciary Activities	
	General Fund	Other Governmental Funds	Mattoon Public Library	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund
Telecommunications taxes	\$ 805,906	\$ --	\$ --	\$ --	\$ --
Income and use taxes	1,445,989	--	--	--	--
Sales taxes	5,178,973	--	--	--	--
Personal property replacement taxes	140,289	--	--	98,742	125,524
Pull tabs and jar games tax	5,497	--	--	--	--
Motor fuel taxes	--	534,771	--	--	--
Foreign fire insurance taxes	23,341	--	--	--	--
Operating grants and contributions	325,703	--	--	--	--
Capital grants and contributions	53,164	--	--	--	--
HOME grant	--	172,900	--	--	--
Per capita grant	--	--	4,487	--	--
Totals	<u>\$ 7,978,862</u>	<u>\$ 707,671</u>	<u>\$ 4,487</u>	<u>\$ 98,742</u>	<u>\$ 125,524</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2004	2003	2002
Assessed valuation	\$ 163,272,483	\$ 166,608,327	\$ 164,344,460
Rate per \$100, excluding road and bridge rate	<u>1.7866</u>	<u>1.7550</u>	<u>2.1350</u>
Taxes extended, excluding road and bridge taxes	2,917,026	2,923,976	3,508,754
Add: City's share of road and bridge taxes extended	<u>124,789</u>	<u>121,835</u>	<u>119,198</u>
Total taxes extended	<u>\$ 3,041,815</u>	<u>\$ 3,045,811</u>	<u>\$ 3,627,952</u>
Taxes available to City after abatements and losses in collection (2004 estimated)	<u>\$ 3,035,000</u>	<u>\$ 3,013,077</u>	<u>\$ 3,632,965</u>
Percentage of extension available to City (2004 estimated)	<u>99.78%</u>	<u>98.93%</u>	<u>100.14%</u>

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2004	2003	2002
Distribution of taxes available (2004 estimated):			
General Fund:			
General government	\$ 408,000	\$ 411,934	\$ 404,857
Fire protection	244,000	247,158	243,572
Police protection	244,000	247,158	243,572
Street lighting	86,000	--	82,544
Garbage fund	--	102,160	93,808
Street fund, including road & bridge	124,000	121,318	119,022
Park fund	122,000	123,580	121,785
Audit	--	--	39,498
Illinois municipal retirement fund	--	--	375,232
Insurance Fund:			
Insurance and tort judgment	30,000	191,136	378,523
Mattoon Public Library	375,000	378,975	371,941
Firefighters Pension Fund	785,000	594,829	617,158
Police Pension Fund	617,000	594,829	541,453
	\$ 3,035,000	\$ 3,013,077	\$ 3,632,965

The City Council has abated the 2002, 2003 and 2004 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

20. Schedule of Operating Transfers within the Reporting Entity

Operating transfers between funds during the year ended April 30, 2005 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds: Motor Fuel Tax Fund	\$ 58,404
General Fund	Water Fund	86,104
General Fund	Sewer Fund	110,462
Other Governmental Funds: Festival Management Fund	Other Governmental Funds: Hotel and Motel Tax Fund	59,500
Other Governmental Funds: Midtown TIF District Fund	Other Governmental Funds: Capital Projects Fund	32,000
Other Governmental Funds: Capital Projects Fund	General Fund	702,475
Other Governmental Funds: Capital Projects Fund	Sewer Fund	5,519
Other Proprietary-Cemetery	General Fund	34,847
Internal Service Fund	General Fund	<u>33,662</u>
Total		<u><u>\$ 1,122,973</u></u>

The first three transfers were to reimburse the General Fund for construction services provided to the Motor Fuel Tax Fund, the Water Fund and the Sewer Fund. The second and third transfers also allocated debt service requirements and technology services to the Water Fund and Sewer Funds. The fourth transfer moved amounts from Hotel and Motel Tax Fund to the Festival Management Fund to help cover costs of Bagelfest, the Fall Festival, and Fireworks. The fifth transfer reassigned amounts previously accounted for in the Capital Projects Fund to the newly established Midtown TIF District Fund. The sixth transfer was to transfer amounts from a general obligation bond refunding and the one-half sales tax increase earmarked for capital projects. The seventh transfer was to transfer amounts from a general obligation bond refunding. The eighth transfer was to subsidize the Cemetery Fund from the General Fund. The final transfer was to eliminate prior year interfund balances between the funds.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. Prior Period Adjustments

The following prior period adjustments were reported as of April 30, 2005 to make the financial statements more consistent:

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>
Net assets at April 30, 2004	\$ 12,388,404	\$ 14,778,487
Reclassify amount of property taxes that should have been deferred	<u>601,000</u>	<u>601,000</u>
Net assets restated at April 30, 2005	<u><u>\$ 11,787,404</u></u>	<u><u>\$ 14,177,487</u></u>

The following adjustment to beginning net assets as reflected on the Statement of Net Assets was due to the omission of a capital asset from the governmental capital asset schedule:

Net assets at April 30, 2004	\$ 6,418,317
Record capital asset omitted	<u>89,029</u>
Net assets restated at April 30, 2004	<u><u>\$ 6,507,346</u></u>

22. 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.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plan (Continued)

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 2004 was 10.90% 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, 2004 was 28 years.

Annual Pension Cost

For December 31, 2004, the City's annual pension cost of \$423,356 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 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 with a 15.0% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plan (Continued)

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.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 423,356	100%	\$ --
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%	--

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

23. 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, 2005:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Retirees and beneficiaries receiving benefits	35	47
Current employees:		
Vested	9	8
Nonvested	<u>28</u>	<u>30</u>
Total	<u><u>72</u></u>	<u><u>85</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. 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 were required to contribute 8.455% until June 30, 2004. Effective July 1, 2004, the members are required to contribute 9.455%. 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 contribution rate for the fiscal year ended April 30, 2004 has been estimated at 39.79% and 36.65% 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

23. 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, 2004 include:

	Police Pension	Firefighters Pension	
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	
	Police Pension	Firefighters Pension	
	April 30, 2004	April 30, 2004	
Pension Benefit Obligation			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 12,339,640	\$ 16,176,079	
Active participants	8,452,555	7,875,121	
Total pension benefit obligation	20,792,195	24,051,200	
Net assets available for benefits, at lower of cost market	12,603,149	14,917,261	
Pensions benefit obligation in excess of assets	\$ 8,189,046	\$ 9,133,939	

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. 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, 2004	April 30, 2004
Amount necessary to provide the employer normal costs	\$ 272,974	\$ 400,769
Amount necessary to amortize the unfunded actuarial accrued liability	<u>344,937</u>	<u>384,738</u>
	<u>\$ 617,911</u>	<u>\$ 785,507</u>
As a percentage of current covered payroll (at April 30, 2004):		
Employer normal costs	14.38%	22.09%
Amortization of unfunded actuarial accrued liability	<u>18.18%</u>	<u>21.22%</u>
	<u>32.56%</u>	<u>43.31%</u>
Contributions made as a dollar amount as of valuation date (at April 30, 2004):		
Employer	\$ 695,441	\$ 721,576
Plan members	<u>186,355</u>	<u>155,803</u>
	<u>\$ 881,796</u>	<u>\$ 877,379</u>
As a percentage of current covered payroll (at April 30, 2004):		
Employer	36.65%	39.79%
Plan members	<u>9.82%</u>	<u>8.59%</u>
	<u>46.46%</u>	<u>48.38%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Police Pension Fund

Schedule of Employer Contributions

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2004	\$ 617,911	\$ 695,441	112.55%
2003	581,902	615,918	105.85%
2002	553,637	573,485	103.59%
2001	540,547	506,725	93.74%
2000	489,757	429,043	87.60%
1999	447,126	403,358	90.21%
1998	** 335,000	336,910	100.57%
1997	309,738	285,516	92.18%
1996	** 260,658	265,845	101.99%
1995	260,658	264,359	101.42%

** The annual required contribution was estimated in accordance with the trend of prior year actuarial determinations.

Schedule of Funding Progress

The Schedule of Funding Progress for the Police Pension Fund 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

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

Firefighters Pension Fund

Schedule of Employer Contributions

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2004	\$ 785,507	\$ 721,576	91.86%
2003	747,299	702,772	94.04%
2002	696,435	635,990	91.32%
2001	615,667	517,898	84.12%
2000	540,423	443,750	82.11%
1999	507,100	427,463	84.30%
1998	** 435,000	408,640	93.94%
1997	400,411	354,404	88.51%
1996	** 337,105	334,172	99.13%
1995	337,105	344,319	102.14%

** The annual required contribution was estimated in accordance with the trend of prior year actuarial determinations.

Schedule of Funding Progress

The Schedule of Funding Progress for the Firefighters Pension Fund 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

24. 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 making less than \$1,625 per month: \$47 per month for those with no dependents; \$107 per month for those with dependents. An employee contribution for the health plan is also required for employees making more than \$1,625 per month: \$62 per month for those with no dependents; \$143 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 2005, the total cost of the health plan per employee/retiree is projected to be \$312 per month for employees/retirees with no dependents; \$715 per month for employees/retirees with dependents.

25. 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 administrators. The plan administrators are PersonalCare of Illinois for medical benefits and Delta Dental for dental benefits.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

25. 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 276 employees and retirees participating in the group health plan. Of this number, 157 were active employees and 119 were retirees. Eighty-four of the participants had single coverage, and 192 had family coverage.

The health plan is funded on a pay-as-you go basis. The City incurred health plan claims expenditures of \$1,699,971 in the fiscal year that ended April 30, 2005, which includes \$99,119 of 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

26. 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	12/1/2005
Property & Equipment	ICRMT	Replacement Cost Blanket Building & Contents Limit Property - \$5,000 deductible Inland Marine - \$1,000 deductible	12/1/2005
Auto Physical Damage	ICRMT	Actual Cash Value \$1,000 deductible	12/1/2005
Inland Marine	Cincinnati	\$200,000 for Lake Paradise Dam \$400,000 for Lake Mattoon Dam	5/12/2006
General Liability ²	ICRMT	\$1 million each occurrence \$3 million aggregate \$5,000 deductible	12/1/2005
Automotive Liability	ICRMT	\$1 million \$5,000 deductible	12/1/2005
Excess Liability ³	ICRMT	\$9 million	12/1/2005

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

26. 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.

27. 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 has repealed the ordinances establishing the TIF District, and the lawsuit has been dismissed. However, the City is still reviewing information to possibly re-establish the TIF District. As of April 30, 2005, the City had received \$31,712 under the loan agreement from Agracel, Inc.

At April 30, 2005, 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 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.

28. Subsequent Events

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

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]
12/31/04	\$ 6,921,709	\$ 9,352,289	\$ 2,430,580	74.01%	\$ 3,884,003	62.58%
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%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$6,952,952.
On a market basis, the funded ratio would be 74.34%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2004 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)
04/30/04	\$ 12,603,149	\$ 20,792,195	\$ 8,189,046	60.61%	\$ 1,897,771	431.51%
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%

* 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)
04/30/04	\$ 14,917,261	\$ 24,051,200	\$ 9,133,939	62.02%	\$ 1,813,453	503.68%
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%

* 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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,939,847	\$ 4,939,847	\$ 2,682,947	\$ (2,256,900)
Licenses and permits	170,250	170,250	161,051	(9,199)
Intergovernmental revenues	7,998,146	7,671,782	7,978,862	307,080
Charges for services	481,151	481,151	343,637	(137,514)
Fines and forfeitures	122,600	122,600	126,305	3,705
Investment income	78,500	78,500	54,976	(23,524)
Contributions & miscellaneous revenues	21,200	21,200	167,374	146,174
Total revenues	13,811,694	13,485,330	11,515,152	(1,970,178)
Expenditures:				
Current:				
General government	747,550	714,468	1,061,291	(346,823)
Public safety	8,177,984	7,802,420	6,160,981	1,641,439
Public works	1,660,745	1,794,369	1,630,457	163,912
Health and welfare	736,852	743,852	35,231	708,621
Culture and recreation	638,718	673,268	624,989	48,279
Economic development	50,000	140,136	68,038	72,098
Capital outlay	--	--	73,039	(73,039)
Debt service:				
Principal	665,543	750,108	527,564	222,544
Interest and fiscal charges	2,000	2,000	249,221	(247,221)
Bond issuance charges	--	43,814	42,439	1,375
Total expenditures	12,679,392	12,664,435	10,473,250	2,191,185

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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ 1,132,302	\$ 820,895	\$ 1,041,902	\$ 221,007
Other financing sources (uses):				
Transfers in	105,000	165,000	254,970	89,970
Transfers out	(827,847)	(827,847)	(770,984)	56,863
Transfers to component units	(417,136)	(409,957)	--	409,957
Long-term debt proceeds	--	2,120,000	2,113,661	(6,339)
Payment to refunding bond escrow agent	--	(2,076,186)	(2,060,676)	15,510
Total other financing sources (uses)	(1,139,983)	(1,028,990)	(463,029)	565,961
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(7,681)	(208,095)	578,873	786,968
Fund balances, May 1, 2004	1,591,817	2,118,339	2,118,339	--
Fund balances, April 30, 2005	<u>\$ 1,584,136</u>	<u>\$ 1,910,244</u>	<u>\$ 2,697,212</u>	<u>\$ 786,968</u>

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, 2005

	Special Revenue										Capital Projects	
	Insurance										Capital Projects Fund	
	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Festival Management Fund	Judgment and Tort Fund	Home Rehabilitation Grant Fund	Revolving Loan Fund	Midtown TIF District Fund					
ASSETS												
Cash	\$ 655,160	\$ 91,583	\$ 24,311	\$ 443,265	\$ 31	\$ 33,413	\$ 13,386	\$ 1,079,693	\$ 2,340,842			
Other investments	311,734	--	--	--	--	306,361	--	--	618,095			
Receivables	43,427	36,346	--	30,000	--	47,712	--	--	157,485			
Due from other funds	9,801	--	--	--	--	15,467	--	--	25,268			
Prepaid expenditures	--	--	--	335,796	--	--	--	--	335,796			
Long-term receivables	--	--	--	--	--	472,155	--	--	472,155			
Advance to other funds	--	--	--	--	--	97,955	--	--	97,955			
Total assets	\$ 1,020,122	\$ 127,929	\$ 24,311	\$ 809,061	\$ 31	\$ 973,063	\$ 13,386	\$ 1,079,693	\$ 4,047,596			
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 1,748	\$ 6,172	\$ 1,111	\$ 3	--	\$ --	\$ 19	\$ 10,625	\$ 19,678			
Accrued payroll	--	1,343	--	--	--	--	--	--	1,343			
Due to other funds	58,404	280	--	--	--	--	--	--	58,684			
Unearned revenue	--	--	--	30,000	--	--	--	--	30,000			
Total liabilities	60,152	7,795	1,111	30,003	-	-	19	10,625	109,705			
Fund equity:												
Fund balances:												
Reserved for advances	--	--	--	--	--	97,955	--	--	97,955			
Reserved for long-term receivables	--	--	--	--	--	472,155	--	--	472,155			
Unreserved	959,970	120,134	23,200	779,058	31	402,953	13,367	1,069,068	3,367,781			
Total liabilities and fund equity	\$ 1,020,122	\$ 127,929	\$ 24,311	\$ 809,061	\$ 31	\$ 973,063	\$ 13,386	\$ 1,079,693	\$ 4,047,596			

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2005

	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		Midtown TIF District Fund	Capital Projects Fund
Revenues:									
Taxes	\$ --	\$ 236,942	\$ --	\$ 191,136	\$ --	\$ --	\$ 26,281	\$ --	\$ 454,359
Intergovernmental revenues	534,771	--	--	--	172,900	--	--	--	707,671
Investment income	9,611	--	--	193	--	12,769	68	6,535	29,176
Miscellaneous revenues	20,781	373	167,253	24,707	--	--	59,622	74,323	347,059
Total revenues	565,163	237,315	167,253	216,036	172,900	12,769	85,971	80,858	1,538,265
Expenditures:									
General government	--	--	--	230,016	--	--	--	--	230,016
Public works	508,732	--	--	--	--	--	--	135	508,867
Culture and recreation	--	180,732	221,019	--	--	--	--	--	401,751
Economic development	--	--	--	--	172,869	2,840	101,404	60,716	337,829
Capital outlay	75,796	--	--	--	--	--	--	85,578	161,374
Debt service:									
Principal	--	--	--	--	--	--	3,200	--	3,200
Total expenditures	584,528	180,732	221,019	230,016	172,869	2,840	104,604	146,429	1,643,037
Excess (deficiency) of revenues over (under) expenditures	(19,365)	56,583	(53,766)	(13,980)	31	9,929	(18,633)	(65,571)	(104,772)
Other financing sources (uses):									
Operating transfers in	--	--	59,500	--	--	--	32,000	707,994	799,494
Operating transfers out	(58,404)	(59,500)	--	--	--	--	--	(32,000)	(149,904)
Proceeds from sale of capital assets	--	--	--	--	--	--	--	9,575	9,575
Total other financing sources (uses)	(58,404)	(59,500)	59,500	--	--	--	32,000	685,569	659,165
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(77,769)	(2,917)	5,734	(13,980)	31	9,929	13,367	619,998	554,393
Fund balances, May 1, 2004	1,037,739	123,051	17,466	793,038	--	963,134	--	449,070	3,383,498
Fund balances, April 30, 2005	\$ 959,970	\$ 120,134	\$ 23,200	\$ 779,058	\$ 31	\$ 973,063	\$ 13,367	\$ 1,069,068	\$ 3,937,891

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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 1,740,800	714,875	\$ 534,771	\$ (180,104)
Investment income	6,000	6,000	9,611	3,611
Contributions and miscellaneous	284,200	284,200	20,781	(263,419)
Total revenues	2,031,000	1,005,075	565,163	(439,912)
Expenditures:				
Current:				
Public works	3,304,300	1,685,763	508,732	1,177,031
Capital outlay	--	--	75,796	(75,796)
Total expenditures	3,304,300	1,685,763	584,528	1,101,235
Excess (deficiency) of revenues over (under) expenditures	(1,273,300)	(680,688)	(19,365)	661,323
Other financing sources (uses):				
Long-term debt proceeds	534,000	--	--	--
Transfers out	--	(60,000)	(58,404)	1,596
Total other financing sources (uses)	534,000	(60,000)	(58,404)	1,596
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(739,300)	(740,688)	(77,769)	662,919
Fund balances, May 1, 2004	1,012,438	1,037,739	1,037,739	--
Fund balances, April 30, 2005	\$ 273,138	\$ 297,051	\$ 959,970	\$ 662,919

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, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 245,000	\$ 245,000	\$ 236,942	\$ (8,058)
Investment income	2,400	2,400	--	(2,400)
Contributions & miscellaneous revenues	350	455	373	(82)
Total revenues	247,750	247,855	237,315	(10,540)
Expenditures:				
Current:				
Culture and recreation	188,250	188,355	180,732	7,623
Total expenditures	188,250	188,355	180,732	7,623
Excess of revenues over expenditures	59,500	59,500	56,583	(2,917)
Other financing sources (uses):				
Operating transfers out	(59,500)	(59,500)	(59,500)	--
Total other financing sources (uses)	(59,500)	(59,500)	(59,500)	--
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	(2,917)	(2,917)
Fund balances, May 1, 2004	101,166	123,051	123,051	--
Fund balances, April 30, 2005	\$ 101,166	\$ 123,051	\$ 120,134	\$ (2,917)

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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Contributions & miscellaneous revenues	\$ 160,000	149,635	\$ 167,253	\$ 17,618
Total revenues	160,000	149,635	167,253	17,618
Expenditures:				
Current:				
Culture and recreation	218,815	226,601	221,019	5,582
Total expenditures	\$ 218,815	\$ 226,601	\$ 221,019	\$ 5,582
Excess (deficiency) of revenues over (under) expenditures	\$ (58,815)	\$ (76,966)	\$ (53,766)	\$ 23,200
Other financing sources (uses):				
Operating transfers in	59,500	59,500	59,500	--
Total other financing sources (uses)	59,500	59,500	59,500	--
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	685	(17,466)	5,734	23,200
Fund balances, May 1, 2004	49,306	17,466	17,466	--
Fund balances, April 30, 2005	\$ 49,991	\$ --	\$ 23,200	\$ 23,200

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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ --	\$ --	\$ 191,136	\$ 191,136
Charges for services	908,521	908,521	--	(908,521)
Investment income	--	--	193	193
Contributions & miscellaneous revenues	10,000	10,000	24,707	14,707
Total revenues	918,521	918,521	216,036	(702,485)
Expenditures:				
Current:				
General government	934,176	937,588	230,016	707,572
Total expenditures	934,176	937,588	230,016	707,572
Excess (deficiency) of revenues over (under) expenditures	(15,655)	(19,067)	(13,980)	5,087
Other financing sources (uses):				
Operating transfers in	193,000	193,000	--	(193,000)
Total other financing sources (uses)	193,000	193,000	--	(193,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	177,345	173,933	(13,980)	(187,913)
Fund balances, May 1, 2004	332,935	793,038	793,038	--
Fund balances, April 30, 2005	\$ 510,280	\$ 966,971	\$ 779,058	\$ (187,913)

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, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 600,000	\$ 189,000	\$ 172,900	\$ (16,100)
Total revenues	<u>600,000</u>	<u>189,000</u>	<u>172,900</u>	<u>(16,100)</u>
Expenditures:				
Current:				
Economic development	600,000	189,000	172,869	16,131
Total expenditures	<u>600,000</u>	<u>189,000</u>	<u>172,869</u>	<u>16,131</u>
Excess (deficiency) of revenues over (under) expenditures	--	--	31	31
Fund balances, April 30, 2004	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances, April 30, 2005	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 31</u>	<u>\$ 31</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, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 10,000	\$ 10,000	\$ 12,769	\$ 2,769
Miscellaneous revenue	22,351	22,351	--	(22,351)
Total revenues	<u>32,351</u>	<u>32,351</u>	<u>12,769</u>	<u>(19,582)</u>
Expenditures:				
Current:				
Economic development	<u>918,756</u>	<u>558,526</u>	<u>2,840</u>	<u>555,686</u>
Total expenditures	<u>918,756</u>	<u>558,526</u>	<u>2,840</u>	<u>555,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(886,405)</u>	<u>(526,175)</u>	<u>9,929</u>	<u>536,104</u>
Other financing sources (uses):				
Operating transfers in	<u>15,467</u>	<u>15,467</u>	<u>--</u>	<u>(15,467)</u>
Total other financing sources (uses)	<u>15,467</u>	<u>15,467</u>	<u>--</u>	<u>(15,467)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>(870,938)</u>	<u>(510,708)</u>	<u>9,929</u>	<u>520,637</u>
Fund balances, May 1, 2004	<u>870,938</u>	<u>963,134</u>	<u>963,134</u>	<u>--</u>
Fund balances, April 30, 2005	<u>\$ --</u>	<u>\$ 452,426</u>	<u>\$ 973,063</u>	<u>\$ 520,637</u>

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR GOVERNMENTAL FUND
MIDTOWN TIF DISTRICT FUND**

For the year ended April 30, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 18,000	\$ 18,000	\$ 26,281	\$ 8,281
Investment income	100	100	68	(32)
Miscellaneous income	55,500	55,500	59,622	4,122
Total revenues	<u>73,600</u>	<u>73,600</u>	<u>85,971</u>	<u>12,371</u>
Expenditures:				
Current:				
Economic development	102,088	102,088	101,404	684
Debt service:				
Principal	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	<u>--</u>
Total expenditures	<u>105,288</u>	<u>105,288</u>	<u>104,604</u>	<u>684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,688)</u>	<u>(31,688)</u>	<u>(18,633)</u>	<u>13,055</u>
Other financing sources (uses):				
Operating transfers in	<u>--</u>	<u>--</u>	<u>32,000</u>	<u>32,000</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>32,000</u>	<u>32,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>(31,688)</u>	<u>(31,688)</u>	<u>13,367</u>	<u>45,055</u>
Fund balances, May 1, 2004	<u>31,999</u>	<u>31,999</u>	<u>--</u>	<u>(31,999)</u>
Fund balances, April 30, 2005	<u>\$ 311</u>	<u>\$ 311</u>	<u>\$ 13,367</u>	<u>\$ 13,056</u>

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, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment income	\$ 5,000	\$ 5,000	\$ 6,535	\$ 1,535
Contributions & miscellaneous revenues	--	--	74,323	74,323
Total revenues	5,000	5,000	80,858	75,858
Expenditures:				
Current:				
General government	--	1,200	--	1,200
Public works	744,000	685,307	135	685,172
Economic development	92,000	100,000	60,716	39,284
Capital outlay	--	--	85,578	(85,578)
Total expenditures	836,000	786,507	146,429	640,078
Excess (deficiency) of revenues over (under) expenditures	(831,000)	(781,507)	(65,571)	715,936
Other financing sources (uses):				
Transfers in	600,000	600,000	707,994	107,994
Transfers out	--	(32,000)	(32,000)	--
Sale of surplus property	--	--	9,575	9,575
Long-term debt proceeds	50,000	50,000	--	(50,000)
Total other financing sources (uses)	650,000	618,000	685,569	67,569
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(181,000)	(163,507)	619,998	783,505
Fund balances, May 1, 2004	399,816	449,070	449,070	--
Fund balances, April 30, 2005	\$ 218,816	\$ 285,563	\$ 1,069,068	\$ 783,505

CITY OF MATTOON, ILLINOIS

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

April 30, 2005

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 1,415,006	\$ 700,158	\$ 2,115,164
Property taxes receivable, 2004 levy, estimated	617,000	785,000	1,402,000
Interest receivable	82,517	59,388	141,905
Due from primary government	39,587	66,368	105,955
Investments, at fair value	<u>10,794,165</u>	<u>13,774,978</u>	<u>24,569,143</u>
 Total assets	 <u>12,948,275</u>	 <u>15,385,892</u>	 <u>28,334,167</u>
LIABILITIES			
Pensions payable	88,281	115,033	203,314
Unearned revenue	<u>617,000</u>	<u>785,000</u>	<u>1,402,000</u>
 Total liabilities	 <u>705,281</u>	 <u>900,033</u>	 <u>1,605,314</u>
NET ASSETS			
Held in trust for pension benefits (a schedule of funding progress is presented on pages 84-85)	 <u>\$ 12,242,994</u>	 <u>\$ 14,485,859</u>	 <u>\$ 26,728,853</u>

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2005

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer - taxes	\$ 594,829	\$ 594,829	\$ 1,189,658
Employer - intergovernmental revenue	98,742	125,524	224,266
Plan members	211,737	175,500	387,237
Total contributions	<u>905,308</u>	<u>895,853</u>	<u>1,801,161</u>
Investment income:			
Interest income	318,521	487,996	806,517
Net increase in fair value of investments	245,208	266,794	512,002
	563,729	754,790	1,318,519
Less: investment agency fees	--	(1,500)	(1,500)
Net investment income	<u>563,729</u>	<u>753,290</u>	<u>1,317,019</u>
Total additions	<u>1,469,037</u>	<u>1,649,143</u>	<u>3,118,180</u>
Deductions:			
Benefits and refunds of contributions	1,010,736	1,337,395	2,348,131
Miscellaneous	2,711	3,376	6,087
Total expenditures	<u>1,013,447</u>	<u>1,340,771</u>	<u>2,354,218</u>
Net increase	455,590	308,372	763,962
Net assets held in trust for pension benefits:			
Beginning of year	12,388,404	14,778,487	27,166,891
Prior period adjustment	<u>(601,000)</u>	<u>(601,000)</u>	<u>(1,202,000)</u>
End of year	<u>\$ 12,242,994</u>	<u>\$ 14,485,859</u>	<u>\$ 26,728,853</u>

ACCOMPANYING INFORMATION SECTION

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

April 30, 2005

	<u>2004 Tax Year</u>
Assessed valuation	<u>\$ 163,272,483</u>
Statutory debt limitation: (8.625% of assessed valuation)	<u>\$ 14,082,252</u>

According to the City Attorney, the general obligation bonds, alternative revenue source, shown in note 13 and the notes payable, shown in note 14, are excluded from the statutory debt limitations as provided by the Illinois Compiled Statutes.