

CITY OF MATTOON, ILLINOIS

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED APRIL 30, 2006
AND
INDEPENDENT AUDITORS' REPORTS**

CITY OF MATTOON, ILLINOIS

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FINANCIAL SECTION

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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, 2006, 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, 2006, 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
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In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2006 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 3 through 16, budgetary comparison information on pages 87 through 88 and pension plans' Schedules of Funding Progress on pages 84 through 86 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, combining and individual nonmajor fund financial statements and schedules, and the combining and individual component unit 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 and schedules and the combining and individual component unit 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

October 5, 2006

**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, 2006. 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 third 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 \$81,027,219 and liabilities of \$31,647,324, resulting in net assets of \$49,379,895 as of April 30, 2006. Total assets increased from April 30, 2005 by \$16,591,984, total liabilities decreased from April 30, 2005 by \$1,322,008 and net assets increased from April 30, 2005 by \$17,913,992. Of the net assets as of April 30, 2006, \$39,416,606 represents the City's investment in capital assets, net of related debt, \$1,735,059 is held for restricted purposes, and \$8,228,230 is available to meet the City's ongoing obligations to its citizens and creditors. Due mainly to the spending cuts and cost saving measures implemented during the last three fiscal years, the City's cash position in the general government funds increased by \$800,000, from \$4.8 million to \$5.6 million. Due to continuing upgrades and maintenance projects undertaken in the Water and Sewer funds, the City's cash position in the business type funds decrease by \$500,000, from \$5.0 million to \$4.5 million.

- The following table shows the changes in major revenue sources from 2005 to 2006.

City of Mattoon, Illinois
Changes in Major Revenue Sources
April 30, 2006

Source	2006	2005	Change
Intergovernmental Shared Revenues	\$ 8,534,774	\$ 8,134,766	\$ 400,008
Property Tax Revenues	\$ 3,130,208	\$ 3,040,388	\$ 89,820
Utility Tax Revenues	\$ 1,346,185	\$ 1,257,805	\$ 88,380
Hotel Tax Revenues	\$ 233,702	\$ 236,942	\$ (3,240)
Water Fund Charges for Services	\$ 3,084,071	\$ 2,990,608	\$ 93,463
Sewer Fund Charges for Services	\$ 3,542,728	\$ 3,444,454	\$ 98,274
Cemetery Fund Charges for Services	\$ 126,495	\$ 102,269	\$ 24,226
Table Totals	\$ 19,998,163	\$ 19,207,232	\$ 790,931

- During FY 2006, the City of Mattoon continued a proactive plan for the replacement of aging infrastructure, the upgrade of technology used in operations, and the improvement of utility services. The City invested more than \$2 million in upgrading infrastructure systems and other capital assets. The City needs to continue the effort to 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, 2005 and April 30, 2006, \$136,442 in new debt was used to purchase a new street sweeper. The City plans to issue new debt to fund the ongoing purchase of new vehicles for the City's fleet each year for 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 Balances-Governmental Funds*. 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 and life 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 102 thru 103 of this report.

Notes to the Basic Financial Statements

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

Additional Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The *Statement of Net Assets* for the City of Mattoon is summarized in the table below. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$49.3 million as of April 30, 2006. 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.

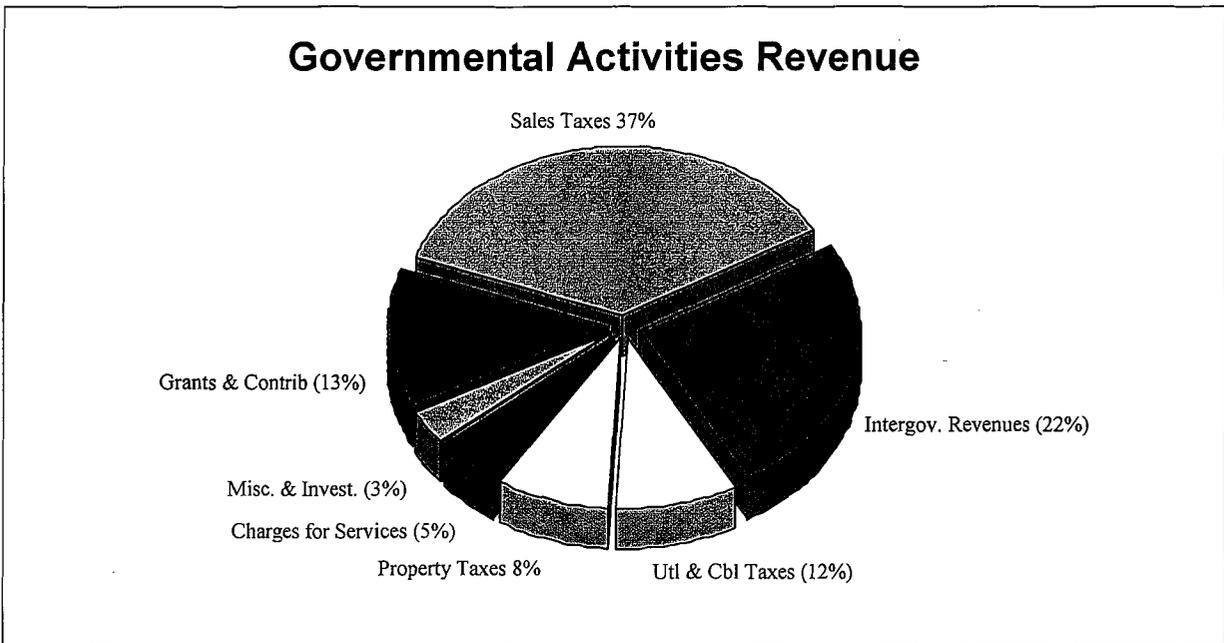
	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 10,219,408	\$ 5,292,653	\$ 15,512,061
Capital Assets (net)	\$ 22,334,575	\$ 43,180,583	\$ 65,515,158
Total Assets	\$ 32,553,983	\$ 48,473,236	\$ 81,027,219
Current Liabilities	\$ 2,247,795	\$ 507,854	\$ 2,755,649
Non-current Liabilities	\$ 5,204,692	\$ 23,686,983	\$ 28,891,675
Total Liabilities	\$ 7,452,487	\$ 24,194,837	\$ 31,647,324
Invested in Capital Assets, Net of Debt	\$ 20,006,346	\$ 19,410,260	\$ 39,416,606
Restricted	\$ 1,681,109	\$ 53,950	\$ 1,735,059
Unrestricted	\$ 3,414,041	\$ 4,814,189	\$ 8,228,230
Total Net Assets	\$ 25,101,496	\$ 24,278,399	\$ 49,379,895
Total Net Assets as a % of Total Liabilities	337%	100%	156%
Unrestricted Net Assets as a % of Total Liabilities	46%	20%	26%

A small portion of the City's net assets (3.5%) 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 \$4.8 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, 2006, the City is able to report positive balances in net assets for the governmental activities as well as business-type activities.

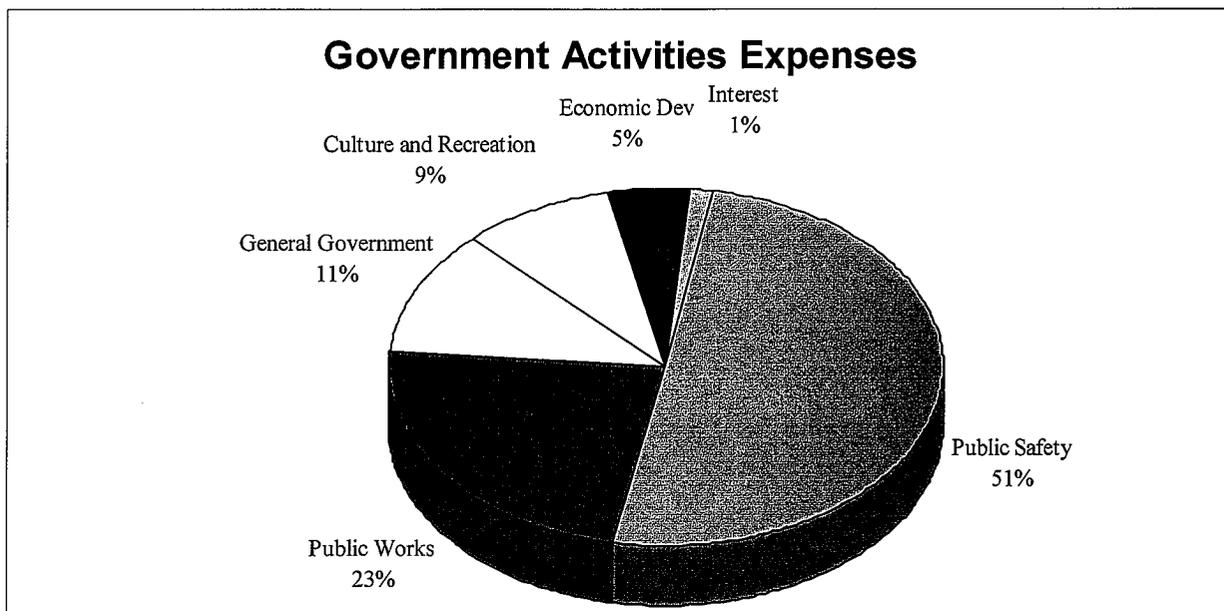
An examination of the *Statement of Activities* provides a concise picture of how the various activities of the City are funded. The following table summarizes the City's governmental and business-type activities.

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 683,595	\$ 6,753,294	\$ 7,436,889
Operating Grants & Contributions	\$ 1,175,066	\$ 149	\$ 1,175,215
Capital Grants and Contributions	\$ 791,558	\$ -	\$ 791,558
General Revenues:			
Property Taxes	\$ 1,224,734	\$ -	\$ 1,224,734
Sales Taxes	\$ 5,347,030	\$ -	\$ 5,347,030
Utility Taxes	\$ 1,346,185	\$ -	\$ 1,346,185
Other Taxes	\$ 524,093	\$ -	\$ 524,093
Intergovernmental Revenues	\$ 3,182,193	\$ -	\$ 3,182,193
Investment Income	\$ 201,396	\$ 157,412	\$ 358,808
Miscellaneous Income	\$ 328,439	\$ -	\$ 328,439
Gain on Sale of Assets	\$ (26,867)	\$ 77,512	\$ 50,645
Total Revenue	\$ 14,777,422	\$ 6,988,367	\$ 21,765,789
Expenses			
Program Expenses:			
General Government	\$ 1,505,704	\$ -	\$ 1,505,704
Public Safety	\$ 6,679,076	\$ -	\$ 6,679,076
Public Works	\$ 3,087,303	\$ -	\$ 3,087,303
Health and Welfare	\$ 37,259	\$ -	\$ 37,259
Culture and Recreation	\$ 1,170,532	\$ -	\$ 1,170,532
Economic Development	\$ 622,346	\$ -	\$ 622,346
Interest on Long-term Debt	\$ 193,093	\$ -	\$ 193,093
Water	\$ -	\$ 2,819,757	\$ 2,819,757
Sewer	\$ -	\$ 3,218,589	\$ 3,218,589
Cemetery	\$ -	\$ 153,384	\$ 153,384
Total Expenses	\$ 13,295,313	\$ 6,191,730	\$ 19,487,043
Increase (decrease) in net assets before transfers	\$ 1,482,109	\$ 796,637	\$ 2,278,746
Transfers & Capital Contributions	\$ 41,602	\$ (41,602)	\$ -
Change in Net Assets	\$ 1,523,711	\$ 755,035	\$ 2,278,746
Net Assets - May 1, 2005	\$ 7,942,539	\$ 23,523,364	\$ 31,465,903
Prior Period Adjustment	\$ 15,635,246	\$ -	\$ 15,635,246
Net Assets - April 30, 2006	\$ 25,101,496	\$ 24,278,399	\$ 49,379,895

The following chart illustrates how governmental activities are funded. Sales taxes provided thirty-seven percent (37%) of the revenue for governmental revenues. Intergovernmental revenues (state shared taxes) provided twenty-two percent (22%) of the revenue for governmental revenues. Property taxes provided eight percent (8%) of the revenue for governmental activities. Utility taxes and other taxes provided twelve percent (12%) of the revenue for governmental activities. Taxes, in one form or another comprised seventy-nine percent (79%) of the revenue for governmental activities. The remaining twenty-one percent (21%) came from charges for services, five percent (5%), Miscellaneous and Investment Revenue, three percent (3%), and Grants and Contributions, thirteen percent (13%)



The following chart illustrates the expenditures of the governmental activities. Public Safety (fire and police protection) comprised fifty-one percent (51%) of the total expenditures of the governmental activities. Public works comprised twenty-three percent (23%) of the total expenditures of the governmental activities. General government comprised eleven percent (11%) 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, five percent (5%) and interest, one percent (1%).



Business-type activities, water and sewer utilities and Dodge Grove cemetery, depend on charges for services as their primary revenue sources, over ninety-six percent (96%) 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, 2006, the City of Mattoon's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$7,448,460, an increase of \$813,357 from April 30, 2005. Of the ending fund balances total, \$1,285,771 is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$6,162,689 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-three percent (93%) of revenues. Public safety and public works are the primary operations of the General fund. Over fifty-nine percent (59%) of the General fund expenditures of \$10.9 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 \$3,631,914, an increase of \$1,019,106 over the balance as of April 30, 2005. The Capital Project Fund has a fund balance of \$1,030,377, a decrease of \$38,691 from the balance as of April 30, 2005. 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 \$936,047, the Revolving Loan fund had a total fund balance of \$991,204 and the Insurance and Tort Judgment fund had a balance of \$629,197. The Motor Fuel Tax fund balance primarily reflects the amounts designated to pay for new bridges, resurfacing and construction of new streets. The Revolving Loan fund balance is primarily monies to be pledged for expenditure 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, 2006 of \$117,046. The total accumulated fund balances of all the Other Governmental Funds decreased by \$234,020 during 2005-2006.

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 2006 totaled \$24,278,399, an increase of \$755,035 from the previous year. The Water fund net assets increased \$358,644, the Sewer fund net assets increased \$321,123 and the Cemetery fund net assets increased \$75,268.

For the year ended April 30, 2006, revenues in the Water fund totaled \$3,084,071 (an increase of \$93,463 from 2005), operating expenditures totaled \$2,512,845 (an increase of \$85,123 from 2005) producing operating income of \$571,226 (an increase of \$8,340 from 2005). Non-operating expenditures, transfers and contributions totaled \$212,582, leaving a gain of \$358,644 in the Net Assets of the Water fund. During the last four years, the Water Fund has seen a decrease in its operating income. During the same time frame, the fund assets of the Water Fund increased by only eight percent (8%). The Water Fund has not increased rates since 1999 and before the beginning of the 2007 – 2008 fiscal year the City must evaluate its rate structure and adjust it accordingly to meet the ongoing needs of the water system.

For the year ended April 30, 2006, Revenues in the Sewer fund totaled \$3,542,728 (an increase of \$98,274 from 2005), operating expenditures totaled \$2,818,751 (a decrease of \$12,562 from 2005) producing operating income of \$723,977 (an increase of \$110,836 from 2005). Non-operating expenditures and transfers totaled \$402,854, leaving a gain of \$321,123 in the Net Assets of the Sewer fund. The April 30, 2006 operating income is forty-two (42%) greater than that of April 30, 2003. During the same time frame, the fund assets of the Sewer fund increased by only four percent (4%). The Sewer Fund is in a better position than the Water Fund because the Sewer Fund has had series of increases over the last five years. The City should implement a cost of living increase for the rates charged by the Sewer Fund to ensure that the fund maintains the revenue to fund the ongoing needs of the system.

For the year ended April 30, 2006, Revenues in the Cemetery fund totaled \$126,495 (an increase of \$24,226 from 2005), operating expenditures totaled \$153,384 (a decrease of \$5,972 from 2005) producing an operating loss of \$26,889 (a decrease of \$30,198 from 2005). Non-operating expenditures revenues totaled \$5,008 and transfers from the General fund and contributions totaled \$97,149, leaving a gain of \$75,268 in the Net Assets of the Cemetery fund. Operating revenues have remained relatively constant since the year ended April 2003. Operating expenses have been reduced by thirty-two percent (32%) during the same time frame and the fund assets of the Cemetery Fund increased by fifteen percent (15%). This increase is entirely due to the transfers (subsidy) from the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Required Supplementary Information section contains the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual* for the General Fund on pages 87-88, the original 2006 General fund budget authorized expenditures and other financing uses of \$14,064,733, funded by anticipated revenues and other financing sources of \$14,064,633 leaving the amount of revenues and other financing sources over expenditures and other financing uses of (\$100). The actual amount of revenues and other financing sources over expenditures and other financing uses was \$1,047,377, a positive budget to actual variance of \$1,047,477. 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 Non-major Governmental Funds can be found in the Combining and Individual Fund Statements and Schedules, beginning on page 92.

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 are reported in the financial statements for the period ended 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, 2006 totaled over \$135.3 million. Over forty-eight percent (48%) 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. The governmental activities comprised over fifty-two percent (52%) of the total, with the most significant portion being the infrastructure (roads, bridges and sidewalks) of the City.

Total accumulated depreciation was calculated to be over \$69 million, or approximately fifty-two percent (52%) of the historical asset cost. Net of accumulated depreciation, the City's investment in capital assets is in excess of \$65 million.

City of Mattoon, Illinois
Capital Assets, Net of Accumulated Depreciation
April 30, 2006

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 2,002,945	\$ 588,555	\$ 2,591,500
Buildings and Improvements	\$ 5,808,678	\$ 12,627,090	\$ 18,435,768
Equipment, furniture and vehicles	\$ 5,038,646	\$ 3,099,718	\$ 8,138,364
Improvements other than buildings	\$ -	\$ 298,504	\$ 298,504
Infrastructure	\$ 57,840,000	\$ -	\$ 57,840,000
Treat. collect. and distrib. systems	\$ -	\$ 47,791,158	\$ 47,791,158
Construction in Progress	\$ -	\$ 223,096	\$ 223,096
Subtotal	<u>\$ 70,690,269</u>	<u>\$ 64,628,121</u>	<u>\$135,318,390</u>
Less Accumulated Depreciation	\$(48,355,694)	\$ (21,447,538)	\$ (69,803,232)
Total	<u><u>\$ 22,334,575</u></u>	<u><u>\$ 43,180,583</u></u>	<u><u>\$ 65,515,158</u></u>

Long-Term Debt

On April 30, 2006, the City of Mattoon had \$27,928,303 of bond and long-term note principal outstanding (a decrease of \$1,673,449 from April 30, 2005), as summarized in the following table:

City of Mattoon, Illinois
General Obligation Bonds and Notes Outstanding
April 30, 2006

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 3,697,696	\$ 8,729,775	\$ 12,427,471
Notes Payable	\$ 366,665	\$ 14,735,322	\$ 15,101,987
Capital Leases	\$ 173,934	\$ -	\$ 173,934
Developer Contracts	\$ 224,911	\$ -	\$ 224,911
Total	<u><u>\$ 4,463,206</u></u>	<u><u>\$ 23,465,097</u></u>	<u><u>\$ 27,928,303</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, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
ASSETS				
Cash and cash equivalents	\$ 1,766,189	\$ 3,213,660	\$ 4,979,849	\$ 107,433
Certificates of deposit	--	982,605	982,605	--
Investments, at fair value	3,861,747	472	3,862,219	5,000
Receivables	3,420,345	528,232	3,948,577	427,172
Internal balances	25,860	(25,860)	--	--
Prepaid items	495,233	11,501	506,734	--
Long-term receivables	601,531	--	601,531	--
Restricted assets:				
Cash and cash equivalents	3,618	304,759	308,377	--
Certificates of deposit	--	7,367	7,367	--
Investments, at fair value	--	--	--	25,000
Deferred bond issue expense	44,885	209,265	254,150	--
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	3,982,312	9,433,269	13,415,581	1,991,513
Improvements other than buildings	--	146,635	146,635	--
Treatment, collection and distribution systems	--	31,134,346	31,134,346	--
Infrastructure	15,660,328	--	15,660,328	--
Equipment, furniture and vehicles	688,990	1,654,682	2,343,672	11,777
Construction in progress	--	223,096	223,096	--
Total assets	32,553,983	48,473,236	81,027,219	2,567,895

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)
April 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
LIABILITIES				
Accounts payable	\$ 585,536	\$ 67,301	\$ 652,837	\$ 6,971
Accrued payroll	263,635	60,223	323,858	--
Other accrued expenses	48,051	260,200	308,251	--
Due to component units	210,177	--	210,177	--
Unearned revenue	1,137,000	--	1,137,000	387,393
Liabilities payable from restricted assets:				
Other payables	3,396	120,130	123,526	--
Non-current liabilities:				
Due within one year	592,237	1,494,505	2,086,742	2,971
Due in more than one year	4,612,455	22,192,478	26,804,933	26,740
Total liabilities	7,452,487	24,194,837	31,647,324	424,075
NET ASSETS				
Invested in capital assets, net of related debt	20,006,346	19,410,260	39,416,606	2,003,290
Restricted for:				
Public safety	638,512	--	638,512	--
Highways and streets	936,048	--	936,048	--
Culture and recreation	106,518	--	106,518	4,393
Economic development	31	--	31	--
Other purposes	--	53,950	53,950	--
Permanent endowment:				
Nonexpendable	--	--	--	25,000
Unrestricted	3,414,041	4,814,189	8,228,230	111,137
Total net assets	\$ 25,101,496	\$ 24,278,399	\$ 49,379,895	\$ 2,143,820

See notes to financial statements

CITY OF MATTOON, ILLINOIS

STATEMENT OF ACTIVITIES

For the year ended April 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Mattoon Public Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Functions/Programs:								
Primary government:								
Governmental activities:								
General government	\$ 1,505,704	\$ 125,452	\$ 637,713	\$ --	\$ (742,539)	\$ --	\$ (742,539)	
Public safety	6,679,076	213,240	251,286	--	(6,214,550)	--	(6,214,550)	
Public works	3,087,303	61,847	79,631	791,558	(2,154,267)	--	(2,154,267)	
Health and welfare	37,259	--	--	--	(37,259)	--	(37,259)	
Culture and recreation	1,170,532	283,056	--	--	(887,476)	--	(887,476)	
Economic development	622,346	--	206,436	--	(415,910)	--	(415,910)	
Interest on long-term debt	193,093	--	--	--	(193,093)	--	(193,093)	
Total governmental activities	<u>13,295,313</u>	<u>683,595</u>	<u>1,175,066</u>	<u>791,558</u>	<u>(10,645,094)</u>	<u>--</u>	<u>(10,645,094)</u>	
Business-type activities:								
Water	2,819,757	3,084,071	--	--	--	264,314	264,314	
Sewer	3,218,589	3,542,728	--	--	--	324,139	324,139	
Cemetery	153,384	126,495	149	--	--	(26,740)	(26,740)	
Total business-type activities	<u>6,191,730</u>	<u>6,753,294</u>	<u>149</u>	<u>--</u>	<u>--</u>	<u>561,713</u>	<u>561,713</u>	
Total primary government	<u>\$ 19,487,043</u>	<u>\$ 7,436,889</u>	<u>\$ 1,175,215</u>	<u>\$ 791,558</u>	<u>(10,645,094)</u>	<u>561,713</u>	<u>(10,083,381)</u>	
Component Unit:								
Mattoon Public Library	<u>\$ 600,816</u>	<u>\$ 17,333</u>	<u>\$ 135,623</u>	<u>\$ 8,500</u>				<u>\$ (439,360)</u>
General revenues:								
Property taxes					1,138,779	--	1,138,779	375,834
TIF property tax increment					85,955	--	85,955	--
Sales taxes					5,347,030	--	5,347,030	--
Utility taxes					1,346,185	--	1,346,185	--
Other taxes					524,093	--	524,093	--
Intergovernmental revenues					3,182,193	--	3,182,193	35,825
Investment income					201,396	157,412	358,808	5,369
Miscellaneous income					328,439	--	328,439	19,082
Gain on sale (loss on disposal) of capital assets					(26,867)	77,512	50,645	--
Transfers					41,602	(41,602)	--	--
Total general revenues and transfers					<u>12,168,805</u>	<u>193,322</u>	<u>12,362,127</u>	<u>436,110</u>
Change in net assets					<u>1,523,711</u>	<u>755,035</u>	<u>2,278,746</u>	<u>(3,250)</u>
Net assets, beginning of year					7,942,539	23,523,364	31,465,903	2,147,070
Prior period adjustment					15,635,246	--	15,635,246	--
Net assets, end of year					<u>\$ 25,101,496</u>	<u>\$ 24,278,399</u>	<u>\$ 49,379,895</u>	<u>\$ 2,143,820</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

April 30, 2006

	General	Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 448,323	\$ 1,322,848	\$ 1,771,171
Investments, at fair value	2,404,056	1,457,691	3,861,747
Receivables	3,261,306	159,039	3,420,345
Due from other funds	58,404	40,246	98,650
Prepaid items	6,157	489,076	495,233
Long-term receivables	--	601,531	601,531
Advances to other funds	--	82,489	82,489
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,178,246</u>	<u>\$ 4,152,920</u>	<u>\$ 10,331,166</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 66,240	\$ 389,237	\$ 455,477
Accrued payroll	262,490	1,145	263,635
Due to other funds	148,942	58,667	207,609
Due to component units	210,177	--	210,177
Unearned revenue	1,663,319	--	1,663,319
Advances from other funds	82,489	--	82,489
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,433,657</u>	<u>449,049</u>	<u>2,882,706</u>
 Fund balances:			
Reserved for:			
Advances	--	82,489	82,489
Long-term receivables	--	601,531	601,531
Prepaid expenditures	6,157	489,076	495,233
Other purposes	106,518	--	106,518
Unreserved, reported in:			
General fund	3,631,914	--	3,631,914
Special revenue funds:			
Designated for loans	--	245,500	245,500
Undesignated	--	1,254,898	1,254,898
Capital project fund	--	1,030,377	1,030,377
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>3,744,589</u>	<u>3,703,871</u>	<u>7,448,460</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 6,178,246</u>	<u>\$ 4,152,920</u>	<u>\$ 10,331,166</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2006

Total fund balances, governmental funds \$ 7,448,460

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. 22,334,575

Other long-term assets are not available to pay for
current-period expenditures and, therefore, are
deferred in the funds. 526,319

Long-term liabilities, including bonds payable, are not due
and payable in the current period and, therefore, are
not reported in the funds. (5,207,858)

Net assets of governmental activities \$ 25,101,496

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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 2,744,635	\$ 350,377	\$ 3,095,012
Licenses and permits	159,184	--	159,184
Intergovernmental revenues	8,976,053	733,787	9,709,840
Charges for services	401,812	--	401,812
Fines and forfeitures	122,599	--	122,599
Investment income	118,227	83,169	201,396
Developer contributions	--	100,000	100,000
Contributions and miscellaneous revenues	115,743	212,696	328,439
	<u>12,638,253</u>	<u>1,480,029</u>	<u>14,118,282</u>
Expenditures:			
Current:			
General government	1,163,529	268,759	1,432,288
Public safety	6,481,741	7,484	6,489,225
Public works	1,735,275	440,886	2,176,161
Health and welfare	37,259	--	37,259
Culture and recreation	707,406	431,041	1,138,447
Economic development	161,378	460,968	622,346
Capital outlay	44,425	898,723	943,148
Debt service:			
Principal	460,610	--	460,610
Interest and fiscal charges	184,985	--	184,985
	<u>\$ 10,976,608</u>	<u>\$ 2,507,861</u>	<u>\$ 13,484,469</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2006

	General	Other Governmental Funds	Totals
Excess (deficiency) of revenues over (under) expenditures	\$ 1,661,645	\$ (1,027,832)	\$ 633,813
Other financing sources (uses):			
Transfers in	138,602	777,870	916,472
Transfers out	(752,870)	(122,000)	(874,870)
Proceeds from sale of capital assets	--	1,500	1,500
Long-term debt proceeds	--	136,442	136,442
Total other financing sources (uses)	(614,268)	793,812	179,544
Net change in fund balances	1,047,377	(234,020)	813,357
Fund balances, May 1, 2005	2,697,212	3,937,891	6,635,103
Fund balances, April 30, 2006	\$ 3,744,589	\$ 3,703,871	\$ 7,448,460

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, 2006

Net changes in fund balances, governmental funds \$ 813,357

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. (163,898)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets. 663,191

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and some amounts reported as revenues in the funds were reported as revenues on the statement of activities in the prior year. This is the amount by which current year resources not reported as revenues in the funds exceeds the amount from the prior year. (5,551)

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. This amount is the net effect of these differences in the treatment of long-term debt and related items. 324,168

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. (107,556)

Changes in net assets of governmental activities \$ 1,523,711

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

April 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 647,971	\$ 2,512,641	\$ 53,048	\$ 3,213,660	\$ (4,982)
Certificates of deposit	617,187	359,918	5,500	982,605	--
Investments, at fair value	472	--	--	472	--
Receivables	261,533	255,934	10,765	528,232	--
Due from other funds	--	--	--	--	134,819
Prepaid items	4,018	7,483	--	11,501	--
Total current assets	1,531,181	3,135,976	69,313	4,736,470	129,837
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	258,176	--	46,583	304,759	3,618
Investments, at fair value	--	--	7,367	7,367	--
Deferred bond issue expense	141,657	67,608	--	209,265	--
Cemetery development	--	--	60,652	60,652	--
Capital assets:					
Land	378,724	208,431	1,400	588,555	--
Buildings and building improvements	12,036,305	502,958	87,827	12,627,090	--
Improvements other than buildings	287,502	11,002	--	298,504	--
Treatment, collection and distribution systems	10,999,521	36,791,637	--	47,791,158	--
Equipment, furniture and vehicles	1,637,200	1,359,378	103,140	3,099,718	--
Construction in progress	223,096	--	--	223,096	--
Less accumulated depreciation	(7,120,079)	(14,246,162)	(81,297)	(21,447,538)	--
Total capital assets (net of accumulated depreciation)	18,442,269	24,627,244	111,070	43,180,583	--
Total noncurrent assets	18,842,102	24,694,852	225,672	43,762,626	3,618
Total assets	20,373,283	27,830,828	294,985	48,499,096	133,455

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Fund
			Fund		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 25,120	\$ 37,776	\$ 4,405	\$ 67,301	\$ 130,059
Accrued payroll	25,330	29,556	5,337	60,223	--
Accrued interest	155,000	105,200	--	260,200	--
Due to other funds	11,856	12,991	1,013	25,860	--
Compensated absences payable	24,473	16,357	3,547	44,377	--
General obligation bonds - current	425,000	265,000	--	690,000	--
Notes payable - current	353,319	406,809	--	760,128	--
Payable from restricted assets:					
Other payables	120,130	--	--	120,130	3,396
Total current liabilities	1,140,228	873,689	14,302	2,028,219	133,455
Noncurrent liabilities:					
Long-term debt payable:					
General obligation bonds payable (net of unamortized discounts and premiums and deferred amount on refunding)	4,461,244	3,578,531	--	8,039,775	--
Notes payable	5,636,997	8,338,197	--	13,975,194	--
Compensated absences payable	97,893	65,427	14,189	177,509	--
Total noncurrent liabilities	10,196,134	11,982,155	14,189	22,192,478	--
Total liabilities	11,336,362	12,855,844	28,491	24,220,697	133,455
NET ASSETS					
Invested in capital assets (net of related debt)	7,361,953	11,937,238	111,070	19,410,260	--
Restricted for other purposes	--	--	53,950	53,950	--
Unrestricted	1,674,968	3,037,746	101,474	4,814,189	--
Total net assets	\$ 9,036,921	\$ 14,974,984	\$ 266,494	\$ 24,278,399	\$ --

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, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other -	Totals	Activities
			Cemetery Fund		Internal Service Fund
Operating revenues:					
Charges for services	\$ 3,084,071	\$ 3,542,728	\$ 126,495	\$ 6,753,294	\$ --
Fund charges and employee contributions	--	--	--	--	1,728,184
Insurance reimbursements	--	--	--	--	32,445
Total operating revenue	3,084,071	3,542,728	126,495	6,753,294	1,760,629
Operating expenses:					
Reservoirs and sources of supply	119,466	--	--	119,466	--
Water treatment plant	947,734	--	--	947,734	--
Water distribution	469,944	--	--	469,944	--
Sewer collection system	--	420,867	--	420,867	--
Sewer lift stations	--	32,973	--	32,973	--
Wastewater treatment plant	--	1,023,738	--	1,023,738	--
Accounting and collection	166,385	160,592	--	326,977	--
Administrative and general	277,440	289,765	--	567,205	155,032
Insurance	--	--	--	--	161,565
Employee health benefit claims	--	--	--	--	1,444,111
Personnel services	--	--	104,832	104,832	--
Repairs and maintenance	--	--	1,612	1,612	--
Supplies	--	--	3,784	3,784	--
Purchased services	--	--	31,644	31,644	--
Utilities	--	--	5,757	5,757	--
Depreciation	531,876	890,816	5,755	1,428,447	--
Total operating expenses	2,512,845	2,818,751	153,384	5,484,980	1,760,708
Operating income (loss)	\$ 571,226	\$ 723,977	\$ (26,889)	\$ 1,268,314	\$ (79)

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, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other -	Totals	Activities
			Cemetery Fund		Internal Service Fund
Non-operating revenues (expenses):					
Investment income	\$ 64,896	\$ 87,508	\$ 5,008	\$ 157,412	\$ 79
Interest expense	(292,345)	(393,883)	--	(686,228)	--
Gain on sale of capital assets	77,512	--	--	77,512	--
Bond issuance costs	(14,567)	(5,955)	--	(20,522)	--
Total non-operating revenues (expenses)	(164,504)	(312,330)	5,008	(471,826)	79
Income (loss) before contributions and transfers	406,722	411,647	(21,881)	796,488	--
Contributions-perpetual care	--	--	149	149	--
Transfers in	--	--	97,000	97,000	--
Transfers out	(48,078)	(90,524)	--	(138,602)	--
Change in net assets	358,644	321,123	75,268	755,035	--
Net assets, May 1, 2005	8,678,277	14,653,861	191,226	23,523,364	--
Net assets, April 30, 2006	<u>\$ 9,036,921</u>	<u>\$ 14,974,984</u>	<u>\$ 266,494</u>	<u>\$ 24,278,399</u>	<u>\$ --</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended April 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
					Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,993,351	\$ 3,545,773	\$ 127,370	\$ 6,666,494	\$ 1,771,783
Payments to employees	(790,981)	(764,509)	(73,013)	(1,628,503)	--
Payments to suppliers	(1,283,159)	(1,257,684)	(66,641)	(2,607,484)	(338,883)
Payments to claimants	--	--	--	--	(1,436,009)
Net cash provided (used) by operating activities	<u>919,211</u>	<u>1,523,580</u>	<u>(12,284)</u>	<u>2,430,507</u>	<u>(3,109)</u>
Cash flows from noncapital financing activities:					
Operating transfers in	--	--	97,000	97,000	--
Operating transfers out	(48,078)	(90,524)	--	(138,602)	--
Contributions	--	--	149	149	--
Net cash provided (used) by noncapital financing activities	<u>(48,078)</u>	<u>(90,524)</u>	<u>97,149</u>	<u>(41,453)</u>	<u>--</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(446,972)	(430,944)	(105,662)	(983,578)	--
Sale of capital assets	77,512	--	--	77,512	--
Principal payments on debt	(753,410)	(661,095)	--	(1,414,505)	--
Interest and fiscal charges	(353,691)	(389,048)	--	(742,739)	--
Net cash used by capital and related financing activities	<u>\$(1,476,561)</u>	<u>\$(1,481,087)</u>	<u>\$ (105,662)</u>	<u>\$(3,063,310)</u>	<u>\$ --</u>

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2006

	Business-type Activities - Enterprise Funds			Totals	Governmental
	Water Fund	Sewer Fund	Other - Cemetery Fund		Internal Service Fund
Cash flows from investing activities:					
Investment income received (net of expense)	\$ 44,118	\$ 77,848	\$ 4,986	\$ 126,952	\$ 79
Proceeds from sale and maturity of investments	3,955	--	103,102	107,057	--
Net cash provided by investing activities	48,073	77,848	108,088	234,009	79
Net increase (decrease) in cash	(557,355)	29,817	87,291	(440,247)	(3,030)
Cash, restricted and unrestricted, May 1, 2005	1,463,502	2,482,824	12,340	3,958,666	1,666
Cash, restricted and unrestricted, April 30, 2006	\$ 906,147	\$ 2,512,641	\$ 99,631	\$ 3,518,419	\$ (1,364)

See notes to financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
				Totals	Activities
	Water Fund	Sewer Fund	Other - Cemetery Fund		Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 571,226	\$ 723,977	\$ (26,889)	\$ 1,268,314	\$ (79)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	531,876	890,816	5,755	1,428,447	--
(Increase) decrease in receivables	(150,452)	(76,278)	874	(225,856)	--
(Increase) decrease in due from other funds	--	--	--	--	11,154
(Increase) decrease in prepaid items	(131)	(180)	--	(311)	--
Increase (decrease) in accounts payable	(18,867)	(8,027)	4,178	(22,717)	7,580
Increase (decrease) in accrued payroll	(3,599)	(3,380)	3,196	(3,783)	--
Increase (decrease) in due to other funds	(851)	(856)	(98)	(1,805)	(22,287)
Increase (decrease) in compensated absences payable	(6,904)	(2,492)	700	(8,696)	--
Increase (decrease) in meter deposits payable	(3,087)	--	--	(3,087)	--
Increase (decrease) in other payables	--	--	--	--	523
Net cash provided (used) by operating activities	<u>\$ 919,211</u>	<u>\$ 1,523,580</u>	<u>\$ (12,284)</u>	<u>\$ 2,430,507</u>	<u>\$ (3,109)</u>

See notes to financial statements

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

April 30, 2006

	<u>Pension Component Units</u>
ASSETS	
Cash and cash equivalents	\$ 1,638,753
Property taxes receivable, 2005 levy, estimated	1,607,000
Interest receivable	197,014
Due from primary government	210,177
Investments, at fair value	<u>27,118,603</u>
Total assets	<u>30,771,547</u>
LIABILITIES	
Pensions payable	224,465
Unearned revenue	<u>1,607,000</u>
Total liabilities	<u>1,831,465</u>
NET ASSETS	
Held in trust for pension benefits (a schedule of funding progress is presented on pages 85-86)	<u><u>\$ 28,940,082</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, 2006

	<u>Pension Component Units</u>
Additions:	
Contributions:	
Employer - taxes	\$ 1,404,804
Employer - intergovernmental revenue	256,882
Plan members	<u>382,456</u>
Total contributions	<u>2,044,142</u>
Investment income:	
Interest income	859,875
Net increase in fair value of investments	<u>1,867,821</u>
	2,727,696
Less: investment agency fees	<u>(2,500)</u>
Net investment income	<u>2,725,196</u>
Total additions	<u>4,769,338</u>
Deductions:	
Benefits and refunds of contributions	2,548,592
Miscellaneous	<u>9,517</u>
Total expenditures	<u>2,558,109</u>
Net increase	2,211,229
Net assets held in trust for pension benefits:	
Beginning of year	<u>26,728,853</u>
End of year	<u><u>\$ 28,940,082</u></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 Statements No. 14 and 39, 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. Entities may also be part of the financial reporting entity if their inclusion is necessary to prevent the financial statements from being misleading or incomplete or if the entities are closely related to or financially integrated with the primary government. 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 custodial 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. 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, the City has elected to not apply FASB Statements and Interpretations issued after November 30, 1989.

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 2004 tax extension to the City on July 13, 2005, August 18, 2005, September 21, 2005 and November 17, 2005. The City Council adopted the 2005 tax levy (receivable in calendar year 2006) on December 20, 2005. For governmental fund financial statements, the 2005 property tax levy is deferred since this amount is normally not collected within the time period to be available (defined as within 60 days). The 2005 property tax levy is also deferred in the government-wide statements, since the levy is intended to finance the fiscal year 2007 expenditures. Property tax revenues recorded in these financial statements are from the 2004 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 of 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 and 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 obligations, the Illinois Funds Money Market Fund, and bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, subject to certain qualifications.

Statutes authorize the Police and Firefighters Pension component units to invest in obligations of the United States of America and its agencies, 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, general accounts of life insurance companies authorized to transact business in Illinois, separate accounts managed by life insurance companies subject to certain qualifications, and mutual funds meeting certain requirements. Through an appointed investment adviser, the Pension component units can also invest in common and preferred stocks, subject to 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

4. Capital Assets (Continued)

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:

Property	Years
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

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 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

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

6. Long-Term Obligations (Continued)

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 Balances

In the governmental fund financial statements, funds report reservations of fund balances 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.

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:

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

Restricted net assets – 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 reports \$1,681,109 of restricted net assets, of which \$106,518 is restricted by enabling legislation.

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 (Continued)

The Business-type Activities column of the Statement of Net Assets and the Cemetery Fund on the Statement of Net Assets for Proprietary Funds contain restricted net assets for mausoleums as follows:

Hearn-Howland Mausoleum

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. The current amount restricted for the Hearn-Howland Mausoleum is \$7,367.

Dodge Grove Cemetery Mausoleum

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. The current amount restricted for the Dodge Grove Cemetery Mausoleum is \$46,583.

The discretely presented component unit, the Mattoon Public Library, also has restricted net assets for purchasing a security system and permanently restricted net assets with unrestricted investment earnings.

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. Reconciliation of Government-wide and Fund Financial Statements

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

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

Bonds payable	\$ 3,778,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(88,140)
Plus: Deferred issuance premium (to be amortized as interest expense)	7,836
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(44,885)
Accrued interest payable	48,051
Capital leases payable	173,934
Notes payable	366,665
Developer contracts payable	224,911
Compensated absences payable	741,486
Net adjustment to reduce "total fund balances, governmental funds" to arrive at "net assets of governmental activities"	\$ 5,207,858

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	\$ 943,148
Depreciation expense	<u>(1,107,046)</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ (163,898)</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets." The details of the reconciling amount are as follows:

In the statement of activities, only the gain or loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the capital assets disposed of or sold.	\$ (28,367)
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Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>691,558</u>
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Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ 663,191</u>
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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 “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:	
Notes payable	\$ (136,442)
Principal repayments:	
General obligation debt	326,000
Capital leases	38,073
Notes payable	39,580
Developer contracts	<u>56,957</u>
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	<u>\$ 324,168</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	\$ (99,447)
Accrued interest	3,474
Amortization of deferred charge on refunding	(8,320)
Amortization of deferred bond premium	619
Amortization of deferred bond issuance costs	(3,882)
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	\$ (107,556)

3. Deposits and Investments

A. Deposits

At April 30, 2006, the carrying amount of the primary government's deposits was \$6,271,226 and the bank balance was \$6,642,941. The governmental component unit (Mattoon Public Library) had deposits with a carrying amount of \$105,104 and bank balances totaling \$115,142. The fiduciary component units had deposits with a carrying amount of \$852,680 and bank balances totaling \$781,960.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At April 30, 2006, the government and its component units had bank balances exposed to custodial credit risk as follows:

	Primary Government	Governmental- Type Component Unit (Mattoon Public Library)	Fiduciary-Type Component Units (Pensions)
Uninsured and uncollateralized	\$ 54,837	\$ 14,162	\$ 76,467

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. Deposits and Investments (Continued)

B. Investments

As of April 30, 2006, the City's primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Corporate equity	\$ 66	N/A	N/A
Preferred corporate equity	650	N/A	N/A
Mutual funds - bonds	162,210	AA	0.90
Illinois Funds Money Market Fund	3,699,292	AAAm	Demand *
Money market accounts	6,340	AAAm	0.12
Total	<u>\$ 3,868,558</u>		

* The City uses this money market fund as a savings account as funds are available on demand.

As of April 30, 2006, the City's governmental component unit (Mattoon Public Library) had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Mutual funds - equity	\$ 20,650	N/A	N/A
Corporate equity	9,350	N/A	N/A
Money market accounts	2,132	AAAm/Aaa	0.13
Total	<u>\$ 32,132</u>		

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

3. Deposits and Investments (Continued)

B. Investments (Continued)

As of April 30, 2006, the City's fiduciary component units had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>	<u>Weighted Average Duration (Years)</u>
U.S. agencies	\$ 12,554,895	AAA	12.82	N/A
Corporate notes and bonds	333,684	A/A2	17.05	N/A
Insurance contracts	11,201,453	AA+/Aa1	N/A	N/A
Mutual funds - equity	1,985,703	N/A	N/A	N/A
Mutual funds - bonds	912	AAA/Aaa	N/A	0.41
Corporate equity	346,983	N/A	N/A	N/A
Corporate equity - preferred	189,480	A/A1	N/A	N/A
Money market accounts	<u>1,291,566</u>	AAA	0.12	N/A
Total	<u>\$ 27,904,676</u>			

The Illinois Funds Money Market Fund

The Illinois Funds Money Market Fund (Illinois Funds) enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. Although not subject to direct regulatory oversight, the investment pool is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. The investment policy of the Illinois Funds states that, unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity. The policy also limits investment categories to 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities, unless specifically authorized by the Treasurer. Further, certificates of deposit cannot exceed 10% of any single financial institution's total deposits. The Illinois Funds received Standard & Poor's highest rating.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The primary government of the City and the Mattoon Public Library component unit do not have formal investment policies that limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. The fiduciary component units' investment policies do not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To help assess this risk, investments in debt securities are rated on their credit quality by nationally recognized statistical rating organizations. Statutes state that any short term obligations of corporations invested in by the City's primary government or the Mattoon Public Library component unit must be rated at the time of purchase at one of the three highest classifications established by at least two standard rating services. Investments in bonds of local governments must be rated within the four highest classifications established by a rating service nationally recognized for expertise in rating bonds of states and their political subdivisions. Neither the City nor the Mattoon Public Library governmental component unit has an investment policy that further limits its investments' exposure to credit risk. The City's fiduciary component units' have investment policies that further limit their investments in contracts and agreements of life insurance companies to those rated at least A by A.M. Best Company and AA rated by Moody's and Standard and Poor's rating services.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State statutes limit the investments in short term obligations of corporations to one-third or less of the government's funds. Neither the City nor the Mattoon Public Library component unit has an investment policy that further limits the percentage of investments from a single issuer. There are no investments (other than investments in external investment pools) in any one issuer that represent five percent or more of total investments for the primary government of the City or the Mattoon Public Library component unit.

State statutes limit the fiduciary component units' investments in separate accounts managed by life insurance companies and mutual funds to a maximum of forty-five percent of the market value of the pension's net present assets in its most recent annual report. Further, the market value of stock in any one corporation cannot exceed five percent of the cash and invested assets of the pension fund. The investment policies of the fiduciary component units do not further limit investment concentrations. More than five percent of the City's fiduciary funds' investments are in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, AIG Life Insurance Company annuities, and AIG SunAmerica Life Assurance Company annuities. These investments are 15.17%, 14.68%, 12.10%, 24.51%, and 14.44%, respectively, of the fiduciary component units' total investments.

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, 2006 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	\$ 1,137,000	\$ --	\$ --	\$ --	\$ --
Utility taxes	118,807	--	--	--	--
Telecommunications taxes	201,026	--	--	--	--
Income and use taxes	358,061	--	--	--	--
Sales taxes	1,293,393	--	--	--	--
Personal property replacement taxes	68,679	--	--	--	--
Motor fuel taxes	--	41,913	--	--	--
Other taxes	2,983	35,835	--	--	--
Customer receivables	--	--	198,652	176,612	--
Other receivables	81,357	81,291	62,881	79,322	10,765
Totals	\$ 3,261,306	\$ 159,039	\$ 261,533	\$ 255,934	\$ 10,765

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. Receivables (Continued)

Receivables balances as of April 30, 2006 for the discretely presented component units were as follows:

	Governmental Activities	Fiduciary Activities	
	Mattoon Public Library	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund
Property taxes	\$ 383,000	\$ 734,000	\$ 873,000
Grants	44,172	--	--
Interest	--	110,844	86,170
Totals	\$ 427,172	\$ 844,844	\$ 959,170

6. Schedule of Payables and Receivables within the Reporting Entity

Payables and receivables between funds consisted of the following at April 30, 2006:

Due to/from other funds

	Receivable	Payable
Governmental Funds:		
General Fund	\$ 58,404	\$ 148,942
Other Governmental Funds:		
Motor Fuel Tax Fund	24,779	58,404
Hotel and Motel Tax Fund	--	263
Revolving Loan Fund	15,467	--
Total Other Governmental Funds	40,246	58,667
Total Governmental Funds	98,650	207,609
Proprietary funds:		
Enterprise funds:		
Water Fund	--	11,856
Sewer Fund	--	12,991
Other Business-Type - Cemetery Fund	--	1,013
Internal Service Fund:		
Employee Health Fund	134,819	--
Due to/from other funds	\$ 233,469	\$ 233,469

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. 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 Funds:		
General Fund	\$ --	\$ 82,489
Other Governmental Funds:		
Revolving Loan Fund	82,489	--
Advance to/from other funds	\$ 82,489	\$ 82,489

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, 2006:

Due from primary government to component units

	Receivable	Payable
Primary Government:		
Governmental Fund:		
General Fund	\$ --	\$ 210,177
Component Units:		
Fiduciary Component Units:		
Firefighters Pension Fund	129,597	--
Police Pension Fund	80,580	--
Total due from primary government to component units	\$ 210,177	\$ 210,177

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, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,002,945	\$ --	\$ --	\$ 2,002,945
Construction in progress	<u>164,825</u>	<u>256,346</u>	<u>421,171</u>	<u>--</u>
Total capital assets not being depreciated	<u>2,167,770</u>	<u>256,346</u>	<u>421,171</u>	<u>2,002,945</u>
Capital assets being depreciated:				
Buildings and improvements	5,699,489	109,189	--	5,808,678
Less: Accumulated depreciation	<u>(1,710,748)</u>	<u>(115,618)</u>	<u>--</u>	<u>(1,826,366)</u>
Buildings and improvements, net	<u>3,988,741</u>	<u>(6,429)</u>	<u>--</u>	<u>3,982,312</u>
Infrastructure	56,540,000	1,300,000	--	57,840,000
Less: Accumulated depreciation	<u>(41,408,970)</u>	<u>(770,702)</u>	<u>--</u>	<u>(42,179,672)</u>
Infrastructure, net	<u>15,131,030</u>	<u>529,298</u>	<u>--</u>	<u>15,660,328</u>
Equipment, furniture and vehicles	4,801,834	390,342	153,530	5,038,646
Less: Accumulated depreciation	<u>(4,254,093)</u>	<u>(220,726)</u>	<u>(125,163)</u>	<u>(4,349,656)</u>
Equipment, furniture and vehicles, net	<u>547,741</u>	<u>169,616</u>	<u>28,367</u>	<u>688,990</u>
Total capital assets being depreciated, net	<u>19,667,512</u>	<u>692,485</u>	<u>28,367</u>	<u>20,331,630</u>
Governmental activities, Capital assets, net	<u>\$ 21,835,282</u>	<u>\$ 948,831</u>	<u>\$ 449,538</u>	<u>\$ 22,334,575</u>

The beginning balance for infrastructure has been adjusted to reflect infrastructure, which has not previously been reported. See Note 21 for further information.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. Capital Assets (Continued)

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

	<u>Balance</u> <u>April 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 588,555	\$ --	\$ --	\$ 588,555
Construction in progress	<u>2,730,280</u>	<u>290,777</u>	<u>2,797,961</u>	<u>223,096</u>
Total capital assets not being depreciated	<u>3,318,835</u>	<u>290,777</u>	<u>2,797,961</u>	<u>811,651</u>
Capital assets being depreciated:				
Buildings and building improvements	12,574,053	73,037	20,000	12,627,090
Less: Accumulated depreciation	<u>(2,991,084)</u>	<u>(222,737)</u>	<u>(20,000)</u>	<u>(3,193,821)</u>
Buildings and building improvements, net	<u>9,582,969</u>	<u>(149,700)</u>	<u>--</u>	<u>9,433,269</u>
Improvements other than building	298,504	--	--	298,504
Less: Accumulated depreciation	<u>(139,569)</u>	<u>(12,300)</u>	<u>--</u>	<u>(151,869)</u>
Improvements other than building, net	<u>158,935</u>	<u>(12,300)</u>	<u>--</u>	<u>146,635</u>
Treatment, collection and distribution systems	45,239,634	2,551,524	--	47,791,158
Less: Accumulated depreciation	<u>(15,587,909)</u>	<u>(1,068,903)</u>	<u>--</u>	<u>(16,656,812)</u>
Treatment, collection and distribution systems, net	<u>29,651,725</u>	<u>1,482,621</u>	<u>--</u>	<u>31,134,346</u>
Equipment, furniture and vehicles	2,233,516	866,202	--	3,099,718
Less: Accumulated depreciation	<u>(1,320,529)</u>	<u>(124,507)</u>	<u>--</u>	<u>(1,445,036)</u>
Equipment, furniture and vehicles, net	<u>912,987</u>	<u>741,695</u>	<u>--</u>	<u>1,654,682</u>
Total capital assets being depreciated, net	<u>40,306,616</u>	<u>2,062,316</u>	<u>--</u>	<u>42,368,932</u>
Business-type activities, Capital assets, net	<u>\$ 43,625,451</u>	<u>\$ 2,353,093</u>	<u>\$ 2,797,961</u>	<u>\$ 43,180,583</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	\$ 72,050
Public safety	104,128
Public works	910,743
Culture and recreation	<u>20,125</u>

Governmental activities,
Depreciation expense

\$ 1,107,046

Business-type activities:

Water	\$ 531,876
Sewer	890,816
Cemetery	<u>5,755</u>

Business-type activities,
Depreciation expense

\$ 1,428,447

Analysis of changes in component unit capital assets:

	<u>Balance</u> <u>April 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Component unit (Mattoon Public Library):				
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,552,094	\$ -	\$ -	\$ 2,552,094
Less: Accumulated depreciation	<u>(509,539)</u>	<u>(51,042)</u>	<u>--</u>	<u>(560,581)</u>
Buildings and improvements, net	<u>2,042,555</u>	<u>(51,042)</u>	<u>--</u>	<u>1,991,513</u>
Equipment, furniture and vehicles	45,150	11,333	--	56,483
Less: Accumulated depreciation	<u>(41,750)</u>	<u>(2,956)</u>	<u>--</u>	<u>(44,706)</u>
Equipment, furniture and vehicles, net	<u>3,400</u>	<u>8,377</u>	<u>--</u>	<u>11,777</u>
Governmental activities, Capital assets, net	<u>\$ 2,045,955</u>	<u>\$ (42,665)</u>	<u>\$ --</u>	<u>\$ 2,003,290</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>\$ 53,998</u>
 Governmental activities, Depreciation expense	 <u>\$ 53,998</u>

8. Construction in Progress

The City has active construction projects in progress as of April 30, 2006. The projects include various water system improvements. At April 30, 2006 the City's construction in progress are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Business-type activities:		
Lake Conservation and Restoration Project	<u>\$ 223,096</u>	<u>\$ 591,904</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, 2005	\$ 39,473
Less: cost of crypts sold	_____ --
Mausoleum carrying value, April 30, 2006	39,473
Land held for future expansion, estimated carrying value, April 30, 2006	_____ 21,179
	<u>\$ 60,652</u>

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 investment accounts for technology and for a \$25,000 endowment. It is the City's policy to first apply restricted resources when an expenditure or expense is incurred for which both restricted and unrestricted resources are available.

11. 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. Capital Leases (Continued)

The assets acquired through current capital leases are as follows:

Asset	Business-Type Activities
Sanitary sewer and water extensions	\$ 374,471
Less: Accumulated depreciation	(68,983)
	\$ 305,488

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2006, were as follows:

Years Ending April 30,	Governmental Activities
2007	\$ 49,507
2008	49,500
2009	49,500
2010	49,500
Total minimum lease payments	198,000
Less: amount representing interest	(24,066)
Present value of minimum lease payments	\$ 173,934

Although the leased assets are recorded in the business-type activities, the governmental activities are reporting the lease payments. This is due to the fact that the leased assets are used for economic development, which is a function of the governmental activities.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

12. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. 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%	\$ 1,300,000
Governmental activities - refunding:		
Series 2003	1.00% - 3.15%	498,000
Series 2005B	2.50% - 4.05%	<u>1,980,000</u>
Total governmental activities bonds		<u>\$ 3,778,000</u>
Business-type activities - refunding:		
Series 2003	3.00% - 3.50%	\$ 5,090,000
Series 2005A	2.50% - 4.00%	<u>3,945,000</u>
Total business-type activities bonds		<u>\$ 9,035,000</u>

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. General Obligation Bonds (Continued)

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

Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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
2011	377,000	92,301	795,000	213,221
2012-2016	1,465,000	249,995	4,530,000	646,726
2017-2019	535,000	43,688	800,000	48,010
Total	<u>\$ 3,778,000</u>	<u>\$ 878,802</u>	<u>\$ 9,035,000</u>	<u>\$ 1,986,362</u>

13. 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%	\$ 211,787
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase a street sweeper	4.690%	136,442
Coles County Emergency 911 Board note, serviced by the General Fund, proceeds used to purchase records management system software	0.000%	18,436
Total governmental activities notes		<u>\$ 366,665</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. Notes Payable (Continued)

	<u>Interest Rates</u>	<u>Amount</u>
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%	\$ 5,990,316
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for sewer wastewater treatment plant rehabilitation	2.865%	355,749
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for expansion of the sewer wastewater treatment plant	2.675%	<u>8,389,257</u>
Total business-type activities notes		<u><u>\$ 14,735,322</u></u>

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>
2007	\$ 65,815	\$ 15,665	\$ 760,128	\$ 401,000
2008	68,370	13,110	781,327	379,803
2009	61,821	10,441	803,117	358,011
2010	64,612	7,650	825,516	335,612
2011	67,517	4,746	848,541	312,588
2012-2016	38,530	2,485	4,611,213	1,194,432
2017-2021	--	--	4,655,533	521,952
2022-2024	--	--	<u>1,449,947</u>	<u>58,694</u>
Total	<u>\$ 366,665</u>	<u>\$ 54,097</u>	<u>\$ 14,735,322</u>	<u>\$ 3,562,092</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. Developer Contracts

Home Depot Agreement

During the year ended April 30, 2003, the City of Mattoon entered into an economic incentive agreement with Home Depot U.S.A., Inc. The agreement provides that the City will reimburse Home Depot for its investment in the infrastructure that serves the store and the adjacent commercial area. The reimbursement will be based upon 35% of the sales tax received by the City arising from sales at the store. The City's reimbursement to Home Depot shall not exceed \$300,000 plus interest computed at a 6% annual rate over a term of 5 years from the commencement date. If this amount of principal and interest has not been completely paid off within 5 years of the commencement date, the obligation to reimburse Home Depot for its investment in the infrastructure is "forgiven". Since the commencement date of March 1, 2003, the City has reimbursed Home Depot \$145,089 plus interest of \$45,489 based on Home Depot's taxable sales from March 1, 2003 through February 28, 2006.

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

Mattoon Midtown TIF District

This TIF District was established December 16, 2003. The City entered into a formal agreement with the Mattoon Area Industrial Development Corporation (MAID) approved by Ordinance No 2002-5137 to underwrite the cost of advance planning expenses incidental to organizing the TIF District. 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, the entire approved amount, 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. Changes In Long-Term Liabilities

Long-term liability activity for the primary government for the year ended April 30, 2006 was as follows:

	<u>Balance</u> <u>April 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 4,104,000	\$ --	326,000	\$ 3,778,000	\$ 338,000
Add (less) deferred amounts:					
On refunding	(96,460)	--	(8,320)	(88,140)	--
For issuance premiums	8,455	--	619	7,836	--
	<u>4,015,995</u>	<u>--</u>	<u>318,299</u>	<u>3,697,696</u>	<u>338,000</u>
Capital leases	212,007	--	38,073	173,934	40,125
Notes payable	269,803	136,442	39,580	366,665	65,815
Developer contracts	281,868	--	56,957	224,911	N/A
Compensated absences	642,039	99,447	--	741,486	148,297
	<u>5,421,712</u>	<u>235,889</u>	<u>452,909</u>	<u>5,204,692</u>	<u>592,237</u>
Governmental activities, Long-term liabilities	<u>\$ 5,421,712</u>	<u>\$ 235,889</u>	<u>\$ 452,909</u>	<u>\$ 5,204,692</u>	<u>\$ 592,237</u>
Business-type Activities:					
General obligation bonds	\$ 9,710,000	\$ --	\$ 675,000	\$ 9,035,000	\$ 690,000
Add (less) deferred amounts:					
On refunding	(419,203)	--	(37,105)	(382,098)	--
For issuance premium	84,108	--	7,235	76,873	--
	<u>9,374,905</u>	<u>--</u>	<u>645,130</u>	<u>8,729,775</u>	<u>690,000</u>
Notes payable	15,474,828	--	739,506	14,735,322	760,128
Compensated absences	230,582	--	8,696	221,886	44,377
	<u>25,080,315</u>	<u>--</u>	<u>1,393,332</u>	<u>23,686,983</u>	<u>1,494,505</u>
Business-type activities, Long-term liabilities	<u>\$ 25,080,315</u>	<u>\$ --</u>	<u>\$ 1,393,332</u>	<u>\$ 23,686,983</u>	<u>\$ 1,494,505</u>

The beginning balance of notes payable for governmental activities has been adjusted for a note not reported previously. See Note 21 for further information.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

15. Changes In Long-Term Liabilities (Continued)

Long-term liability activity for the component unit for the year ended April 30, 2006 was as follows:

	<u>Balance</u> <u>April 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2006</u>	<u>Due Within</u> <u>One Year</u>
Component Unit (Mattoon Public Library):					
Governmental Activities:					
Compensated absences	\$ 13,526	\$ 16,185	\$ --	\$ 29,711	\$ 2,971

16. Deficit Fund Balance

The Midtown TIF Fund, part of Other Governmental Funds, carried a \$7,527 fund deficit at April 30, 2006. The City intends to reduce this deficit by reducing expenditures in future periods.

17. Taxes

Tax revenues during the year ended April 30, 2006 were as follows:

	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Activities</u>	<u>Fiduciary</u> <u>Activities</u>	
	<u>General Fund</u>	<u>Mattoon</u> <u>Public Library</u>	<u>Mattoon</u> <u>Police</u> <u>Pension Fund</u>	<u>Mattoon</u> <u>Firefighters</u> <u>Pension Fund</u>	
Property taxes	\$ 1,108,059	\$ 30,720	\$ 375,834	\$ 618,493	\$ 786,311
TIF property tax increment	--	85,955	--	--	--
Utility taxes	1,346,185	--	--	--	--
Road and bridge taxes	124,836	--	--	--	--
Hotel taxes	--	233,702	--	--	--
Cable TV franchise taxes	165,555	--	--	--	--
Totals	<u>\$ 2,744,635</u>	<u>\$ 350,377</u>	<u>\$ 375,834</u>	<u>\$ 618,493</u>	<u>\$ 786,311</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. Intergovernmental Revenues

Intergovernmental revenues during the year ended April 30, 2006 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	\$ 829,149	\$ --	\$ --	\$ --	\$ --
Income and use taxes	1,636,004	--	--	--	--
Sales taxes	5,319,709	--	--	--	--
Personal property replacement taxes	194,111	--	35,825	117,323	139,559
Pull tabs and jar games tax	5,158	--	--	--	--
Motor fuel taxes	--	527,351	--	--	--
Foreign fire insurance taxes	23,292	--	--	--	--
Operating grants and contributions	968,630	--	128,746	--	--
HOME grant	--	206,436	--	--	--
Totals	\$ 8,976,053	\$ 733,787	\$ 164,571	\$ 117,323	\$ 139,559

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2005	2004	2003
Assessed valuation	\$ 171,621,770	\$ 163,272,483	\$ 166,608,327
Rate per \$100, excluding road and bridge rate	<u>1.7558</u>	<u>1.7866</u>	<u>1.7550</u>
Taxes extended, excluding road and bridge taxes	3,013,335	2,917,026	2,923,976
Add: City's share of road and bridge taxes extended	<u>117,060</u>	<u>124,789</u>	<u>121,835</u>
Total taxes extended	<u>\$ 3,130,395</u>	<u>\$ 3,041,815</u>	<u>\$ 3,045,811</u>
Taxes available to City after abatements and losses in collection (2005 estimated)	<u>\$ 3,127,000</u>	<u>\$ 3,052,093</u>	<u>\$ 3,016,081</u>
Percentage of extension available to City (2005 estimated)	<u>99.89%</u>	<u>100.34%</u>	<u>99.02%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2005	2004	2003
Distribution of taxes available (2005 estimated):			
General Fund:			
General government	\$ 416,000	\$ 408,517	\$ 411,934
Fire protection	249,000	245,109	247,158
Police protection	249,000	245,109	247,158
Street lighting	--	86,769	--
Garbage	--	--	102,160
Street, including road & bridge	117,000	124,836	121,318
Park	106,000	122,555	123,580
Insurance Fund:			
Insurance and tort judgment	--	30,720	191,136
Mattoon Public Library	383,000	375,834	378,975
Firefighters Pension Fund	873,000	786,311	594,829
Police Pension Fund	734,000	618,493	594,829
	<u>\$ 3,127,000</u>	<u>\$ 3,044,253</u>	<u>\$ 3,013,077</u>

The City Council has abated the 2003, 2004 and 2005 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, 2006 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water Fund	\$ 48,078
General Fund	Sewer Fund	90,524
Other Governmental Funds: Motor Fuel Tax Fund	General Fund	14,978
Other Governmental Funds: Festival Management Fund	General Fund	25,000
Other Governmental Funds: Capital Projects Fund	General Fund	677,892
Other Governmental Funds: Festival Management Fund	Other Governmental Funds: Hotel and Motel Tax Fund	60,000
Other Proprietary-Cemetery	General Fund	35,000
Other Proprietary-Cemetery	Other Governmental Funds: Capital Projects Fund	<u>62,000</u>
		<u><u>\$ 1,013,472</u></u>

The first and second transfers allocated debt service requirements to the Water Fund and Sewer Funds. The third transfer reimbursed the Motor Fuel Tax Fund for expenditures disallowed by the Illinois Department of Transportation. The fourth transfer provided funding for the sesquicentennial celebration from the General Fund to the Festival Management Fund. The fifth transfer reclassified amounts from the one-half sales tax increase earmarked for capital projects. The sixth transfer provided funding for festivals, such as Bagelfest, from the Hotel and Motel Tax Fund to the Festival Management Fund. The seventh transfer subsidized the Cemetery Fund from the General Fund. The final transfer provided funding for a new building in the Cemetery Fund from the Capital Projects Fund.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. Prior Period Adjustments

The following adjustment to beginning net assets for governmental activities as reflected on the Statement of Activities was due to the omission of infrastructure, a note payable, and tax and intergovernmental revenues from the Statement of Activities in the prior fiscal year:

Net assets at April 30, 2005	\$ <u>7,942,539</u>
Record infrastructure not reported in prior year	15,131,030
Record note payable not reported in prior year	(27,654)
Record revenues not reported in prior year	<u>531,870</u>
Net adjustment to net assets	<u>15,635,246</u>
Net assets restated at April 30, 2005	<u><u>\$ 23,577,785</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.

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 2005 was 10.83% 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 amortization period at December 31, 2005 was 27 years.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

22. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For December 31, 2005, the City's annual pension cost of \$399,417 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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 2005 actuarial valuation were based on the 2002-2004 experience study.

Trend Information

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 399,417	100%	\$ --
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%	--

Schedule of Funding Progress

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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 Firefighters Pension Plan complied with the investment guidelines set forth at 40 ILCS 5/1-113. The Police Pension Plan’s investments in accounts managed by insurance companies exceeded the investment limit of 45% of the market value of their net present assets.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Membership

Membership of the plans consisted of the following at April 30, 2006:

	Police Pension	Firefighters Pension
Retirees and beneficiaries receiving benefits	37	50
Current employees:		
Vested	7	7
Nonvested	34	30
Total	78	87

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.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

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

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the State legislature. Firefighter Plan members are required to contribute 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, 2005 has been estimated at 36.36% and 39.29% of annual covered payroll for the Police and Firefighters 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)

Significant actuarial assumptions used in determining the pension benefit obligation as of April 30, 2005 include:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
a. Funding Method Used	Entry Age Normal Cost	Entry Age Normal Cost
b. Amortization Method	Level percentage of	Level percentage of
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

The pension benefit obligation as of April 30, 2005 was as follows:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
	April 30, 2005	April 30, 2005
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 15,786,110	\$ 17,611,500
Active participants	<u>7,105,209</u>	<u>7,721,919</u>
Total pension benefit obligation	22,891,319	25,333,419
Net assets available for benefits, at lower of cost or market	<u>12,372,599</u>	<u>14,534,610</u>
Pensions benefit obligation in excess of assets	<u>\$ 10,518,720</u>	<u>\$ 10,798,809</u>

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, 2005	April 30, 2005
Amount necessary to provide the employer normal costs	\$ 278,402	\$ 405,414
Amount necessary to amortize the unfunded actuarial accrued liability	<u>455,786</u>	<u>467,922</u>
	<u>\$ 734,188</u>	<u>\$ 873,336</u>
As a percentage of current covered payroll (at April 30, 2005):		
Employer normal costs	14.59%	22.11%
Amortization of unfunded actuarial accrued liability	<u>23.89%</u>	<u>25.52%</u>
	<u>38.48%</u>	<u>47.63%</u>
Contributions made as a dollar amount as of valuation date (at April 30, 2005):		
Employer	\$ 693,571	\$ 720,353
Plan members	<u>211,737</u>	<u>175,500</u>
	<u>\$ 905,308</u>	<u>\$ 895,853</u>
As a percentage of current covered payroll (at April 30, 2005):		
Employer	36.36%	39.29%
Plan members	<u>11.10%</u>	<u>9.57%</u>
	<u>47.46%</u>	<u>48.87%</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
2005	\$ 734,188	\$ 693,571	94.47%
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%

** 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
2005	\$ 873,336	\$ 720,353	82.48%
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%

** 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. See note 25 for information on retiree contributions to the health plan.

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. The health plan offers medical, dental and prescription drug benefits. 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.

Presently, the municipality requires active employee and retiree contributions to the health plan. The contributions for retirees making less than \$1,625 per month and active employees is \$47 per month for those with no dependents or \$107 per month for those with dependents. The contributions are approximately 15% of the total costs. The contribution for retirees making more than \$1,625 per month is \$62 per month for those with no dependents or \$143 per month for those with dependents. The contributions are approximately 20% of the total costs. The municipality bears all cost above the amount contributed by employees and retirees on a pay-as-you-go basis. For calendar year 2006, the total cost of the health plan per employee/retiree is projected to be \$449 per month for employees/retirees with no dependents; \$586 per month for employees/retirees with dependents. Based on the calendar year 2006 costs, the contributions for retirees making less than \$1,625 per month and active employees will be \$67 per month for those with no dependents or \$88 per month for those with dependents for the fiscal year ending April 30, 2007. The contribution for retirees making more than \$1,625 per month will be \$90 per month for those with no dependents or \$117 per month for those with dependents for the fiscal year ending April 30, 2007.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

25. Self-Insurance (Continued)

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 \$2,600 calendar year out of pocket family maximum or \$1,300 calendar year out of pocket single maximum after the deductible for PPO providers. The out-of-pocket family maximum and out-of-pocket single maximum in excess of the deductible are \$5,000 per year and \$2,500 per year, respectively, 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 \$2.1 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 275 employees and retirees participating in the group health plan. Of this number, 156 were active employees and 119 were retirees. Eighty-three 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 \$1,444,111 in the fiscal year that ended April 30, 2006, which includes \$130,026 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. There have been no decreases of insurance coverage in the last three years. 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 First dollar coverage	12/1/2006
Property & Equipment	ICRMT	Replacement Cost Blanket Building & Contents Limit Property - \$5,000 deductible Inland Marine - \$1,000 deductible	12/1/2006
Auto Physical Damage	ICRMT	Actual Cash Value \$1,000 deductible	12/1/2006
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	12/1/2006
Automotive Liability	ICRMT	\$1 million \$5,000 deductible	12/1/2006
Excess Liability ³	ICRMT	\$9 million	12/1/2006

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 1999 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

At April 30, 2006, 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.

During the year ended April 30, 2006, the City approved various commitments to help organizations fund capital purchases and improvements. As of April 30, 2006, loans totaling up to \$245,500 had been approved, but not paid, from the Revolving Loan Fund. The City also had up to \$50,000 left to pay on a grant agreement for repairs and reuse of a building. The grant will be paid from the Capital Projects Fund.

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]
12/31/05	\$ 7,943,563	\$ 9,576,773	\$ 1,633,210	82.95%	\$ 3,688,062	44.28%
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%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$8,115,434.
On a market basis, the funded ratio would be 84.74%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more 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)
4/30/05	\$ 12,372,599	\$ 22,891,319	\$ 10,518,720	54.05%	\$ 1,907,510	551.44%
4/30/04	12,603,149	20,792,195	8,189,046	60.61%	1,897,771	431.51%
4/30/03	11,591,993	19,271,369	7,679,376	60.15%	1,837,998	417.81%
4/30/02	10,105,246	16,998,094	6,892,848	59.45%	1,911,560	360.59%
4/30/01	10,084,741	16,119,994	6,035,253	62.56%	2,065,331	292.22%
4/30/00	9,782,589	14,851,300	5,068,711	65.87%	2,014,674	251.59%
4/30/99	8,996,035	13,230,480	4,234,445	67.99%	1,940,729	218.19%
4/30/98	*	*	*	*	*	*
4/30/97	7,791,380	11,014,294	3,222,914	70.74%	1,553,144	207.51%
4/30/96	7,272,196	10,072,798	2,800,602	72.20%	1,430,011	195.84%

* Actuarial information is not available.

CITY OF MATTOON, ILLINOIS

**FIRE PENSION FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
4/30/05	\$ 14,534,610	\$ 25,333,419	\$ 10,798,809	57.37%	\$ 1,833,235	589.06%
4/30/04	14,917,261	24,051,200	9,133,939	62.02%	1,813,453	503.68%
4/30/03	14,344,721	23,207,775	8,863,054	61.81%	1,737,246	510.18%
4/30/02	14,049,553	22,040,342	7,990,789	63.74%	1,971,604	405.29%
4/30/01	14,009,394	20,000,142	5,990,748	70.05%	1,746,448	343.02%
4/30/00	13,505,395	18,488,680	4,983,285	73.05%	1,603,837	310.71%
4/30/99	12,989,581	17,454,067	4,464,486	74.42%	1,562,393	285.75%
4/30/98	*	*	*	*	*	*
4/30/97	11,903,350	15,127,942	3,224,592	78.68%	1,472,887	218.93%
4/30/96	11,272,969	14,615,457	3,342,488	77.13%	1,414,385	236.32%

* 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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,606,465	\$ 4,606,465	\$ 2,744,635	\$ (1,861,830)
Licenses and permits	158,750	158,750	159,184	434
Intergovernmental revenues	8,426,087	8,426,087	8,976,053	549,966
Charges for services	485,031	485,031	401,812	(83,219)
Fines and forfeitures	126,500	126,500	122,599	(3,901)
Investment income	109,400	109,400	118,227	8,827
Contributions & miscellaneous revenues	34,400	34,400	115,743	81,343
Total revenues	13,946,633	13,946,633	12,638,253	(1,308,380)
Expenditures:				
Current:				
General government	757,092	757,092	1,163,529	(406,437)
Public safety	8,051,420	8,051,420	6,481,741	1,569,679
Public works	1,653,172	1,653,172	1,735,275	(82,103)
Health and welfare	731,690	731,690	37,259	694,431
Culture and recreation	697,329	697,329	707,406	(10,077)
Economic development	320,136	320,136	161,378	158,758
Capital outlay	--	--	44,425	(44,425)
Debt service:				
Principal	656,284	656,284	460,610	195,674
Interest and fiscal charges	1,500	1,500	184,985	(183,485)
Total expenditures	12,868,623	12,868,623	10,976,608	1,892,015

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ 1,078,010	\$ 1,078,010	\$ 1,661,645	\$ 583,635
Other financing sources (uses):				
Transfers in	73,000	73,000	138,602	65,602
Transfers out	(784,400)	(784,400)	(752,870)	31,530
Transfers to component units	(411,710)	(411,710)	--	411,710
Proceeds from Revolving Loan	45,000	45,000	--	(45,000)
Total other financing sources (uses)	<u>(1,078,110)</u>	<u>(1,078,110)</u>	<u>(614,268)</u>	<u>463,842</u>
Net change in fund balances	<u>\$ (100)</u>	<u>\$ (100)</u>	1,047,377	<u>\$ 1,047,477</u>
Fund balances, May 1, 2005			<u>2,697,212</u>	
Fund balances, April 30, 2006			<u>\$ 3,744,589</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, 2006

	Special Revenue						Capital Projects	Totals	
	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Festival Management Fund	Insurance and Tort Judgment Fund	Home Rehabilitation Grant Fund	Revolving Loan Fund	Midtown TIF District Fund		Capital Projects Fund
ASSETS									
Cash and cash equivalents	\$ 1,149	\$ 73,028	\$ 18,024	\$ 119,296	\$ 31	\$ 69,054	\$ 9,664	\$ 1,032,602	\$ 1,322,848
Investments, at fair value	1,295,494	--	--	--	--	162,197	--	--	1,457,691
Receivables	41,913	35,835	--	20,825	--	60,466	--	--	159,039
Due from other funds	24,779	--	--	--	--	15,467	--	--	40,246
Prepaid expenditures	--	--	--	489,076	--	--	--	--	489,076
Long-term receivables	--	--	--	--	--	601,531	--	--	601,531
Advance to other funds	--	--	--	--	--	82,489	--	--	82,489
Total assets	\$ 1,363,335	\$ 108,863	\$ 18,024	\$ 629,197	\$ 31	\$ 991,204	\$ 9,664	\$ 1,032,602	\$ 4,152,920
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 368,884	\$ 937	\$ --	\$ --	\$ --	\$ --	\$ 17,191	\$ 2,225	\$ 389,237
Accrued payroll	--	1,145	--	--	--	--	--	--	1,145
Due to other funds	58,404	263	--	--	--	--	--	--	58,667
Total liabilities	427,288	2,345	-	-	-	-	17,191	2,225	449,049
Fund equity:									
Fund balances:									
Reserved for:									
Advances	--	--	--	--	--	82,489	--	--	82,489
Long-term receivables	--	--	--	--	--	601,531	--	--	601,531
Prepaid expenditures	--	--	--	489,076	--	--	--	--	489,076
Unreserved:									
Designated for loans	--	--	--	--	--	245,500	--	--	245,500
Undesignated	936,047	106,518	18,024	140,121	31	61,684	(7,527)	1,030,377	2,285,275
Total liabilities and fund equity	\$ 1,363,335	\$ 108,863	\$ 18,024	\$ 629,197	\$ 31	\$ 991,204	\$ 9,664	\$ 1,032,602	\$ 4,152,920

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2006

	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	\$ --	\$ 233,702	\$ --	\$ 30,720	\$ --	\$ --	\$ 85,955	\$ --	\$ 350,377
Intergovernmental revenues	527,351	--	--	--	206,436	--	--	--	733,787
Investment income	30,028	--	--	78	--	21,750	1,970	29,343	83,169
Developer contributions	100,000	--	--	--	--	--	--	--	100,000
Contributions and miscellaneous revenues	5,465	85	153,462	53,684	--	--	--	--	212,696
Total revenues	662,844	233,787	153,462	84,482	206,436	21,750	87,925	29,343	1,480,029
Expenditures:									
General government	--	--	--	234,343	--	--	--	34,416	268,759
Public safety	--	--	--	--	--	--	--	7,484	7,484
Public works	258,128	--	--	--	--	--	--	182,758	440,886
Culture and recreation	--	187,403	243,638	--	--	--	--	--	431,041
Economic development	--	--	--	--	206,436	3,609	108,819	142,104	460,968
Capital outlay	443,617	--	--	--	--	--	--	455,106	898,723
Total expenditures	701,745	187,403	243,638	234,343	206,436	3,609	108,819	821,868	2,507,861
Excess (deficiency) of revenues over (under) expenditures	(38,901)	46,384	(90,176)	(149,861)	--	18,141	(20,894)	(792,525)	(1,027,832)
Other financing sources (uses):									
Operating transfers in	14,978	--	85,000	--	--	--	--	677,892	777,870
Operating transfers out	--	(60,000)	--	--	--	--	--	(62,000)	(122,000)
Proceeds from sale of capital assets	--	--	--	--	--	--	--	1,500	1,500
Long-term debt proceeds	--	--	--	--	--	--	--	136,442	136,442
Total other financing sources (uses)	14,978	(60,000)	85,000	--	--	--	--	753,834	793,812
Net change in fund balances	(23,923)	(13,616)	(5,176)	(149,861)	--	18,141	(20,894)	(38,691)	(234,020)
Fund balances, May 1, 2005	959,970	120,134	23,200	779,058	31	973,063	13,367	1,069,068	3,937,891
Fund balances (deficits), April 30, 2006	\$ 936,047	\$ 106,518	\$ 18,024	\$ 629,197	\$ 31	\$ 991,204	\$ (7,527)	\$ 1,030,377	\$ 3,703,871

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, 2006

	<u>Budget</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental revenues	\$ 695,000	\$ 695,000	\$ 527,351	\$ (167,649)
Investment income	6,000	6,000	30,028	24,028
Developer contributions	190,000	190,000	100,000	(90,000)
Contributions and miscellaneous revenues	5,000	5,000	5,465	465
Total revenues	<u>896,000</u>	<u>896,000</u>	<u>662,844</u>	<u>(233,156)</u>
Expenditures:				
Current:				
Public works	1,388,950	1,388,950	258,128	1,130,822
Capital outlay	--	--	443,617	(443,617)
Total expenditures	<u>1,388,950</u>	<u>1,388,950</u>	<u>701,745</u>	<u>687,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(492,950)</u>	<u>(492,950)</u>	<u>(38,901)</u>	<u>454,049</u>
Other financing sources (uses):				
Transfers in	--	--	14,978	14,978
Transfers out	(53,000)	(53,000)	--	53,000
Total other financing sources (uses)	<u>(53,000)</u>	<u>(53,000)</u>	<u>14,978</u>	<u>67,978</u>
Net change in fund balances	<u>\$ (545,950)</u>	<u>\$ (545,950)</u>	<u>(23,923)</u>	<u>\$ 522,027</u>
Fund balances, May 1, 2005			<u>959,970</u>	
Fund balances, April 30, 2006			<u>\$ 936,047</u>	

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 245,000	\$ 245,000	\$ 233,702	\$ (11,298)
Contributions and miscellaneous revenues	--	--	85	85
Total revenues	<u>245,000</u>	<u>245,000</u>	<u>233,787</u>	<u>(11,213)</u>
Expenditures:				
Current:				
Culture and recreation	<u>167,628</u>	<u>167,628</u>	<u>187,403</u>	<u>(19,775)</u>
Total expenditures	<u>167,628</u>	<u>167,628</u>	<u>187,403</u>	<u>(19,775)</u>
Excess of revenues over expenditures	<u>77,372</u>	<u>77,372</u>	<u>46,384</u>	<u>(30,988)</u>
Other financing sources (uses):				
Operating transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>--</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>--</u>
Net change in fund balances	<u>\$ 17,372</u>	<u>\$ 17,372</u>	<u>(13,616)</u>	<u>\$ (30,988)</u>
Fund balances, May 1, 2005			<u>120,134</u>	
Fund balances, April 30, 2006			<u>\$ 106,518</u>	

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Contributions & miscellaneous revenues	\$ 185,500	\$ 185,500	\$ 153,462	\$ (32,038)
Total revenues	185,500	185,500	153,462	(32,038)
Expenditures:				
Current:				
Culture and recreation	278,992	278,992	243,638	35,354
Total expenditures	278,992	278,992	243,638	35,354
Excess (deficiency) of revenues over (under) expenditures	(93,492)	(93,492)	(90,176)	3,316
Other financing sources (uses):				
Operating transfers in	85,000	85,000	85,000	--
Total other financing sources (uses)	85,000	85,000	85,000	--
Net change in fund balances	\$ (8,492)	\$ (8,492)	(5,176)	\$ 3,316
Fund balances, May 1, 2005			23,200	
Fund balances, April 30, 2006			\$ 18,024	

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ --	\$ --	\$ 30,720	\$ 30,720
Charges for services	1,008,124	1,008,124	--	(1,008,124)
Investment income	500	500	78	(422)
Contributions & miscellaneous revenues	14,000	14,000	53,684	39,684
Total revenues	1,022,624	1,022,624	84,482	(938,142)
Expenditures:				
Current:				
General government	962,746	962,746	234,343	728,403
Total expenditures	962,746	962,746	234,343	728,403
Excess (deficiency) of revenues over (under) expenditures	59,878	59,878	(149,861)	(209,739)
Other financing sources (uses):				
Operating transfers out	(218,513)	(218,513)	--	218,513
Total other financing sources (uses)	(218,513)	(218,513)	--	218,513
Net change in fund balances	\$ (158,635)	\$ (158,635)	(149,861)	\$ 8,774
Fund balances, May 1, 2005			779,058	
Fund balances, April 30, 2006			\$ 629,197	

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, 2006

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenues	\$ 210,000	\$ 210,000	\$ 206,436	\$ (3,564)
Total revenues	210,000	210,000	206,436	(3,564)
Expenditures:				
Current:				
Economic development	210,000	210,000	206,436	3,564
Total expenditures	210,000	210,000	206,436	3,564
Excess (deficiency) of revenues over (under) expenditures	\$ --	\$ --	--	\$ --
Fund balances, April 30, 2005			31	
Fund balances, April 30, 2006			\$ 31	

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 1,000	\$ 1,000	\$ 21,750	\$ 20,750
Contributions and miscellaneous revenues	34,052	34,052	--	(34,052)
Total revenues	<u>35,052</u>	<u>35,052</u>	<u>21,750</u>	<u>(13,302)</u>
Expenditures:				
Current:				
Economic development	332,816	332,816	3,609	329,207
Total expenditures	<u>332,816</u>	<u>332,816</u>	<u>3,609</u>	<u>329,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(297,764)</u>	<u>(297,764)</u>	<u>18,141</u>	<u>315,905</u>
Other financing sources (uses):				
Operating transfers in	15,467	15,467	--	(15,467)
Total other financing sources (uses)	<u>15,467</u>	<u>15,467</u>	<u>--</u>	<u>(15,467)</u>
Net change in fund balances	<u>\$ (282,297)</u>	<u>\$ (282,297)</u>	18,141	<u>\$ 300,438</u>
Fund balances, May 1, 2005			<u>973,063</u>	
Fund balances, April 30, 2006			<u>\$ 991,204</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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 30,000	\$ 30,000	\$ 85,955	\$ 55,955
Investment income	100	100	1,970	1,870
Contributions and miscellaneous revenues	5,000	5,000	--	(5,000)
Total revenues	35,100	35,100	87,925	52,825
Expenditures:				
Current:				
Economic development	244,789	244,789	108,819	135,970
Debt service:				
Principal	1,500	1,500	--	1,500
Total expenditures	246,289	246,289	108,819	137,470
Excess (deficiency) of revenues over (under) expenditures	(211,189)	(211,189)	(20,894)	190,295
Other financing sources (uses):				
Long-term debt proceeds	150,000	150,000	--	(150,000)
Total other financing sources (uses)	150,000	150,000	--	(150,000)
Net change in fund balances	\$ (61,189)	\$ (61,189)	(20,894)	\$ 40,295
Fund balances, May 1, 2005			13,367	
Fund balances (deficits), April 30, 2006			\$ (7,527)	

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, 2006

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 76,369	\$ 76,369	\$ --	\$ (76,369)
Investment income	20,000	20,000	29,343	9,343
Contributions & miscellaneous revenues	250,000	250,000	--	(250,000)
Total revenues	346,369	346,369	29,343	(317,026)
Expenditures:				
Current:				
General government	52,300	52,300	34,416	17,884
Public safety	865,000	865,000	7,484	857,516
Public works	1,736,000	1,736,000	182,758	1,553,242
Sanitation	208,370	208,370	--	208,370
Economic development	74,000	74,000	142,104	(68,104)
Capital outlay	--	--	455,106	(455,106)
Total expenditures	2,935,670	2,935,670	821,868	2,113,802
Excess (deficiency) of revenues over (under) expenditures	<u>(2,589,301)</u>	<u>(2,589,301)</u>	<u>(792,525)</u>	<u>1,796,776</u>
Other financing sources (uses):				
Transfers in	873,513	873,513	677,892	(195,621)
Transfers out	(62,000)	(62,000)	(62,000)	--
Sale of surplus property	--	--	1,500	1,500
Long-term debt proceeds	800,000	800,000	136,442	(663,558)
Total other financing sources (uses)	1,611,513	1,611,513	753,834	(857,679)
Net change in fund balances	\$ (977,788)	\$ (977,788)	(38,691)	\$ 939,097
Fund balances, May 1, 2005			<u>1,069,068</u>	
Fund balances, April 30, 2006			<u>\$ 1,030,377</u>	

CITY OF MATTOON, ILLINOIS

BALANCE SHEET
GOVERNMENTAL COMPONENT UNIT (MATTOON PUBLIC LIBRARY)

April 30, 2006

ASSETS

Cash and cash equivalents	\$ 107,433
Investments	5,000
Receivables	427,172
Restricted assets:	
Other investments	<u>25,000</u>
Total assets	<u>\$ 564,605</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 6,971
Unearned revenue	<u>387,393</u>
Total liabilities	<u>394,364</u>

Fund balances:

Reserved for security system	4,393
Reserved for endowment	25,000
Unreserved	<u>140,848</u>
Total fund balances	<u>170,241</u>
Total liabilities and fund balances	<u>\$ 564,605</u>

CITY OF MATTOON, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL COMPONENT UNIT (MATTOON PUBLIC LIBRARY)

For the year ended April 30, 2006

Revenues:	
Taxes	\$ 375,834
Intergovernmental revenues	164,571
Charges for services	6,941
Fines and forfeitures	10,392
Investment income	5,369
Miscellaneous revenues	<u>34,459</u>
Total revenues	<u>597,566</u>
Expenditures:	
Current:	
Culture and recreation	530,633
Capital outlay	<u>11,333</u>
Total expenditures	<u>541,966</u>
Excess (deficiency) of revenues over (under) expenditures	55,600
Fund balances, May 1, 2005	<u>114,641</u>
Fund balances, April 30, 2006	<u>\$ 170,241</u>

CITY OF MATTOON, ILLINOIS

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

April 30, 2006

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 246,373	\$ 1,392,380	\$ 1,638,753
Property taxes receivable, 2005 levy, estimated	734,000	873,000	1,607,000
Interest receivable	110,844	86,170	197,014
Due from primary government	80,580	129,597	210,177
Investments, at fair value	<u>13,089,396</u>	<u>14,029,207</u>	<u>27,118,603</u>
 Total assets	 <u>14,261,193</u>	 <u>16,510,354</u>	 <u>30,771,547</u>
LIABILITIES			
Pensions payable	96,861	127,604	224,465
Unearned revenue	<u>734,000</u>	<u>873,000</u>	<u>1,607,000</u>
 Total liabilities	 <u>830,861</u>	 <u>1,000,604</u>	 <u>1,831,465</u>
NET ASSETS			
Held in trust for pension benefits (a schedule of funding progress is presented on pages 85-86)	 <u>\$ 13,430,332</u>	 <u>\$ 15,509,750</u>	 <u>\$ 28,940,082</u>

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2006

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer - taxes	\$ 618,493	\$ 786,311	\$ 1,404,804
Employer - intergovernmental revenue	117,323	139,559	256,882
Plan members	<u>197,434</u>	<u>185,022</u>	<u>382,456</u>
 Total contributions	 <u>933,250</u>	 <u>1,110,892</u>	 <u>2,044,142</u>
Investment income:			
Interest income	352,876	506,999	859,875
Net increase in fair value of investments	<u>1,034,301</u>	<u>833,520</u>	<u>1,867,821</u>
	1,387,177	1,340,519	2,727,696
Less: investment agency fees	<u>--</u>	<u>(2,500)</u>	<u>(2,500)</u>
 Net investment income	 <u>1,387,177</u>	 <u>1,338,019</u>	 <u>2,725,196</u>
 Total additions	 <u>2,320,427</u>	 <u>2,448,911</u>	 <u>4,769,338</u>
Deductions:			
Benefits and refunds of contributions	1,127,013	1,421,579	2,548,592
Miscellaneous	<u>6,076</u>	<u>3,441</u>	<u>9,517</u>
 Total expenditures	 <u>1,133,089</u>	 <u>1,425,020</u>	 <u>2,558,109</u>
 Net increase	 1,187,338	 1,023,891	 2,211,229
Net assets held in trust for pension benefits:			
Beginning of year	<u>12,242,994</u>	<u>14,485,859</u>	<u>26,728,853</u>
End of year	<u>\$ 13,430,332</u>	<u>\$ 15,509,750</u>	<u>\$ 28,940,082</u>

ACCOMPANYING INFORMATION SECTION

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

April 30, 2006

	<u>2005</u> <u>Tax Year</u>
Assessed valuation	<u>\$ 171,621,770</u>
Statutory debt limitation: (8.625% of assessed valuation)	<u>\$ 14,802,378</u>

The general obligation bonds (alternative revenue source) shown in note 12 and the notes payable shown in note 13 are excluded from the statutory debt limitations as provided by the Illinois Compiled Statutes.

COMPLIANCE SECTION

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
KENNETH L. VOGT
BRIAN E. DANIELL
JANICE K. ROMACK
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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, 2006, which collectively comprise the City of Mattoon, Illinois' basic financial statements and have issued our report thereon dated October 5, 2006. 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, the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Went & Company, LLC

October 5, 2006

WEST & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

MEMBERS

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RICHARD C. WEST
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois

Compliance

We have audited the compliance of the City of Mattoon, Illinois with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2006. The City of Mattoon, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Mattoon, Illinois' management. Our responsibility is to express an opinion on the City of Mattoon, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mattoon, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Mattoon, Illinois' compliance with those requirements.

In our opinion, the City of Mattoon, Illinois complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2006.

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

Internal Control Over Compliance

The management of the City of Mattoon, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mattoon, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

Walt & Company, LLC

October 5, 2006

CITY OF MATTOON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended April 30, 2006

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
(m) HOME Investment Partnership Program	14.239	HO-2121	\$ 206,436
Total U.S. Department of Housing and Urban Development			<u>206,436</u>
U.S. Department of Justice			
<i>Passed through Illinois Criminal Justice Info Authority:</i>			
(m) Byrne Formula Grant Program	16.579	404003	100,427
(m) Byrne Formula Grant Program	16.579	402203	18,327
Total Byrne Formula Grant Program			<u>118,754</u>
Omega - sharing of federally forfeited property	16.UNKNOWN		<u>83,605</u>
Total U.S. Dept. of Justice			<u>202,359</u>
Museum and Library Services			
<i>Passed through Illinois State Library:</i>			
Library Services and Technology Grant Act	45.310	LSTA 06-4006	65,771
Library Services and Technology Grant Act	45.310	LSTA 06-2123	4,000
Total Illinois State Library			<u>69,771</u>
Total Museum and Library Services			<u>69,771</u>
U.S. Department of Homeland Security			
<i>Passed through Federal Emergency Management Agency:</i>			
Assistance to Firefighters Grant Program	97.044	EMW-2005- FG-08570	79,690
Total Federal Emergency Management Agency			<u>79,690</u>
Total U.S. Department of Homeland Security			<u>79,690</u>
TOTAL			<u><u>\$ 558,256</u></u>

(m) - Audited as a major program

CITY OF MATTOON, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended April 30, 2006

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mattoon, Illinois for the year ended April 30, 2006, presented on the modified accrual basis of accounting. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF MATTOON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended April 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

UNQUALIFIED

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs:

UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

 yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
14.239	HOME Investment Partnership Program
16.579	Byrne Formula Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 yes X no

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

For the year ended April 30, 2006

Section II - Financial Statement Findings

No findings were noted for the year ended April 30, 2006.

Section III - Federal Award Findings

No findings were noted for the year ended April 30, 2006.

CITY OF MATTOON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended April 30, 2006

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
---------------------------	------------------	---------------------------

No findings were noted for the year ended April 30, 2005