

CITY OF MATTOON, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2010
and
INDEPENDENT AUDITORS' REPORTS

CITY OF MATTOON, ILLINOIS

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FINANCIAL SECTION

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

613 BROADWAY AVENUE
P.O. BOX 945
MATTOON, ILLINOIS 61938

(217) 235-4747
www.westcpa.com

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INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Mattoon
Mattoon, Illinois 61938

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, 2010, 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, 2010, 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
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, 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 assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, budgetary comparison information on pages 100 through 102, pension plans' Schedules of Funding Progress on pages 96 through 98, and post-employment healthcare benefit program's Schedule of Funding Progress on page 99 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 major fund schedule, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The major fund schedule, combining and individual nonmajor fund financial statements and schedules, the combining and individual component unit statements, and the schedule of expenditures of federal awards 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 computation of legal debt margin 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.

Watt & Company, LLC

March 11, 2011

**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, 2010. Readers are encouraged to consider the information presented here in conjunction with additional information as furnished in the financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The City of Mattoon has total assets of \$93,931,955 and liabilities of \$43,823,799, resulting in net assets of \$50,108,156 as of April 30, 2010. Total assets increased from April 30, 2009 by \$566,197, total liabilities increased from April 30, 2009 by \$369,005 and net assets increased from April 30, 2009 by \$197,192. Of the net assets as of April 30, 2010, \$46,209,295 represents the City's investment in capital assets, net of related debt, \$2,001,831 is held for restricted purposes, and \$1,897,030 is unrestricted and available to meet the City's ongoing obligations to its citizens and creditors. The City's cash position in the governmental activities decreased by approximately \$650,000, from \$14.15 million to \$13.5 million. The City's cash position in the business-type activities decreased by approximately \$700,000, from \$4.0 million to \$3.3 million.

- The following table shows the changes in major revenue sources from 2009 to 2010.

**City of Mattoon, Illinois
Changes in Major Revenue Sources
April 30, 2010**

<u>Source</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Intergovernmental Shared Revenues	\$ 8,664,548	\$ 9,586,859	\$ (922,311)
Property Tax Revenues	\$ 3,821,484	\$ 3,660,332	\$ 161,152
Utility Tax Revenues	\$ 1,189,618	\$ 1,284,807	\$ (95,189)
Hotel Tax Revenues	\$ 238,048	\$ 259,715	\$ (21,667)
Water Fund Charges for Services	\$ 2,918,141	\$ 2,849,573	\$ 68,568
Sewer Fund Charges for Services	\$ 3,412,385	\$ 3,333,547	\$ 78,838
Cemetery Fund Charges for Services	\$ 105,023	\$ 115,722	\$ (10,699)
Table Totals	\$ 20,349,247	\$ 21,090,555	\$ (741,308)

- During FY 2010, due to budgetary concerns, the City of Mattoon did not resume its plan for the replacement of aging infrastructure and the continuous replacement of the City's aging vehicle fleet. The City has continued to upgrade the technology used in operations and the improvement of utility services. The City still has not put in place a long-term capital budget and a long term plan for the purchase of vehicles. In the past the City has funded capital improvements on a year-to-year basis with little planning for future fiscal years. The continued tightening of the City's budget has made the lack of a capital plan a significant issue. The City Council has made a capital plan a priority for the 2011 – 2012 fiscal year.

- Illinois statutes restrict municipality general obligation debt to less than 8.625% of equalized property value. As most 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.

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:

- government-wide statements,
- fund financial statements, and
- notes to the financial 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 16 through 18 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, health and welfare, culture and recreation, economic development, capital outlay, debt service 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 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 Account 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, Capital Projects Fund and Broadway East Business District Fund are shown as separate columns 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 24 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 internal service funds to account for its employee and retiree health and life insurance and to account for the City's general liability, casualty and workers compensation 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 account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City does not have any fiduciary funds, but it does include the Mattoon Police Pension Fund and the Mattoon Firefighters Pension Fund, both of which are fiduciary type discretely presented component units. 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 123 through 124 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 33 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 over \$50 million as of April 30, 2010. 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 and related debt. 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.

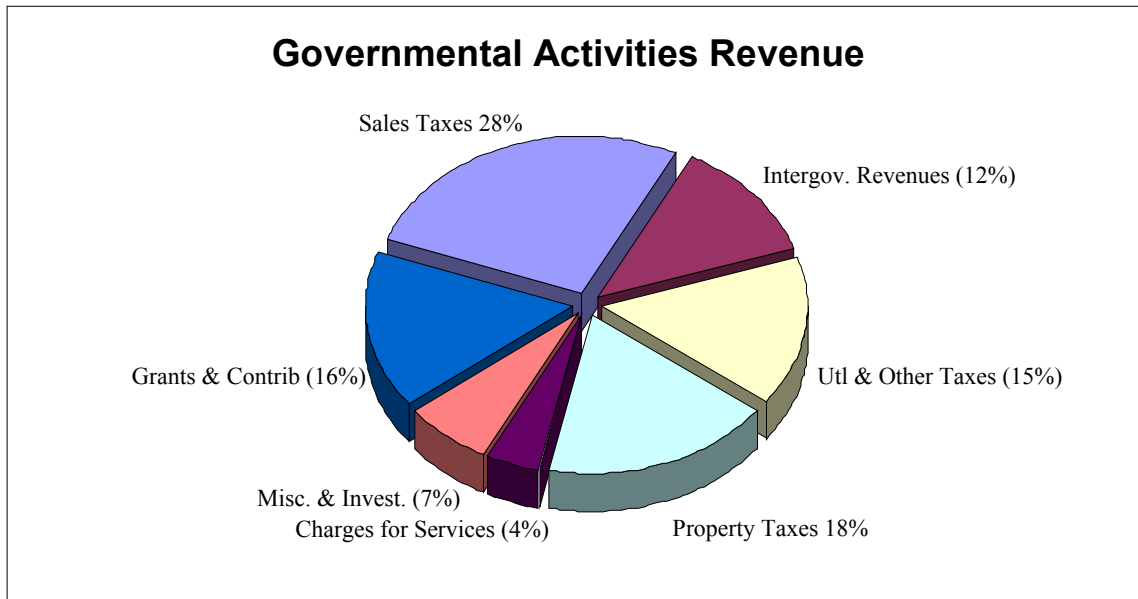
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current & Other Assets	\$24,315,428	\$24,139,787	\$3,587,341	\$4,140,018	\$27,902,769	\$28,279,805
Capital Assets (net)	\$25,333,411	\$23,079,684	\$40,695,775	\$42,006,269	\$66,029,186	\$65,085,953
Total Assets	\$49,648,839	\$47,219,471	\$44,283,116	\$46,146,287	\$93,931,955	\$93,365,758
Current Liabilities	\$8,518,804	\$7,361,438	\$952,611	\$573,674	\$9,471,415	\$7,935,112
Non-current Liabilities	\$16,028,364	\$15,808,262	\$18,324,020	\$19,711,420	\$34,352,384	\$35,519,682
Total Liabilities	\$24,547,168	\$23,169,700	\$19,276,631	\$20,285,094	\$43,823,799	\$43,454,794
Invested in Capital Assets, Net of Debt	\$23,048,081	\$20,489,568	\$23,161,214	\$23,004,805	\$46,209,295	\$43,494,373
Restricted	\$1,942,135	\$1,739,614	\$59,696	\$58,975	\$2,001,831	\$1,798,589
Unrestricted	\$111,455	\$1,820,589	\$1,785,575	\$2,797,413	\$1,897,030	\$4,618,002
Total Net Assets	\$25,101,671	\$24,049,771	\$25,006,485	\$25,861,193	\$50,108,156	\$49,910,964
Total Net Assets as a % of Total Liabilities	102%	104%	130%	127%	114%	115%
Unrestricted Net Assets as a % of Total Liabilities	0.5%	8%	9%	14%	4%	11%

A small portion of the City's net assets (4%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$1.9 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 \$1.8 million, or about ninety-four percent (94%), 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, 2010, the City is able to report positive balances in net assets for the governmental activities as well as business-type activities.

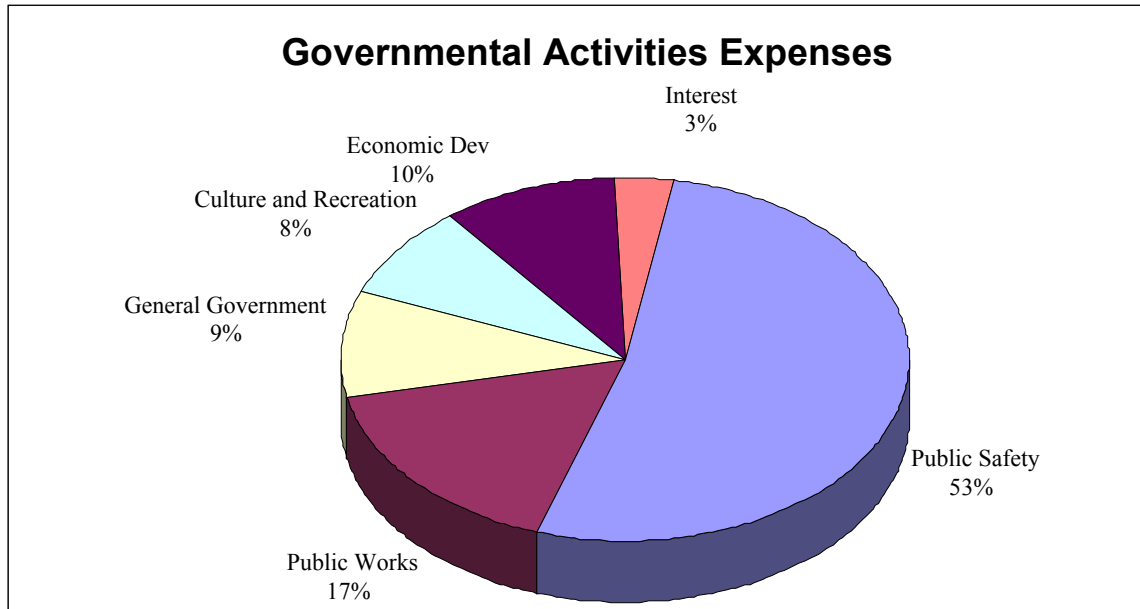
An examination of the *Statement of Activities* provides a concise picture of how the various activities of the City are funded. The following table summarizes the City's governmental and business-type activities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	\$872,011	\$764,224	\$6,435,549	\$6,298,842	\$7,307,560	\$7,063,066
Operating Grants & Contr.	\$387,777	\$679,370	\$14,890	\$0	\$402,667	\$679,370
Capital Grants & Contr.	\$2,907,646	\$705,125	\$0	\$41,638	\$2,907,646	\$746,763
General Revenues						
Property Taxes	\$3,681,530	\$3,530,875	\$0	\$0	\$3,681,530	\$3,530,875
Sales Taxes	\$5,527,716	\$5,972,861	\$0	\$0	\$5,527,716	\$5,972,861
Utility Taxes	\$1,189,618	\$1,284,807	\$0	\$0	\$1,189,618	\$1,284,807
Telecommunication Taxes	\$917,779	\$928,246	\$0	\$0	\$917,779	\$928,246
Other Taxes	\$1,058,813	\$630,937	\$0	\$0	\$1,058,813	\$630,937
Intergovernmental Rev.	\$2,568,198	\$2,913,973	\$0	\$0	\$2,568,198	\$2,913,973
Investments Income	\$67,494	\$128,601	\$58,012	\$97,221	\$125,506	\$225,822
Miscellaneous Income	\$728,643	\$774,995	\$0	\$0	\$728,643	\$774,995
Gain (Loss) on Sale of Assets	\$652,637	\$7,682	\$50,646	\$486,767	\$703,283	\$494,449
Total Revenue	<u>\$20,559,862</u>	<u>\$18,321,696</u>	<u>\$6,559,097</u>	<u>\$6,924,468</u>	<u>\$27,118,959</u>	<u>\$25,246,164</u>
Expenses						
Program Expenses						
General Government	\$1,806,456	\$2,002,435	\$0	\$0	\$1,806,456	\$2,002,435
Public Safety	\$10,268,697	\$10,246,377	\$0	\$0	\$10,268,697	\$10,246,377
Public Works	\$3,282,600	\$3,384,667	\$0	\$0	\$3,282,600	\$3,384,667
Health and Welfare	\$37,928	\$39,338	\$0	\$0	\$37,928	\$39,338
Culture and Recreation	\$1,609,875	\$1,608,933	\$0	\$0	\$1,609,875	\$1,608,933
Economic Development	\$1,963,581	\$1,002,296	\$0	\$0	\$1,963,581	\$1,002,296
Interest on Long-Term Debt	\$674,062	\$190,269	\$0	\$0	\$674,062	\$190,269
Water	\$0	\$0	\$3,199,543	\$3,159,394	\$3,199,543	\$3,159,394
Sewer	\$0	\$0	\$3,904,877	\$3,567,006	\$3,904,877	\$3,567,006
Cemetery	\$0	\$0	\$174,148	\$176,686	\$174,148	\$176,686
Total Expenses	<u>\$19,643,199</u>	<u>\$18,474,315</u>	<u>\$7,278,568</u>	<u>\$6,903,086</u>	<u>\$26,921,767</u>	<u>\$25,377,401</u>
Increase (decrease) in net assets before transfers	\$916,663	(\$152,619)	(\$719,471)	\$21,382	\$197,192	(\$131,237)
Transfers	\$135,237	\$93,012	(\$135,237)	(\$93,012)	\$0	\$0
Changes in Net Assets	\$1,051,900	(\$59,607)	(\$854,708)	(\$71,630)	\$197,192	(\$131,237)
Net Assets - May 1	\$24,049,771	\$24,109,378	\$25,861,193	\$25,932,823	\$49,910,964	\$50,042,201
Net Assets - April 30	\$25,101,671	\$24,049,771	\$25,006,485	\$25,861,193	\$50,108,156	\$49,910,964

The following chart illustrates how governmental activities are funded. Sales taxes provided twenty-eight percent (28%) of the revenue for governmental revenues. Intergovernmental revenues (state shared taxes) provided twelve percent (12%) of the revenue for governmental activities. Property taxes provided eighteen percent (18%) of the revenue for governmental activities. Utility taxes and other taxes provided fifteen percent (15%) of the revenue for governmental activities. Taxes, in one form or another, comprised seventy-three percent (73%) of the revenue for governmental activities. The remaining twenty-seven percent (27%) came from Charges for Services, four percent (4%), Miscellaneous and Investment Revenue, seven percent (7%), and Grants and Contributions, sixteen percent (16%).



The following chart illustrates the expenditures of the governmental activities. Public Safety (fire and police protection) comprised fifty-three percent (53%) of the total expenditures of the governmental activities. Public works comprised seventeen percent (17%) of the total expenditures of the governmental activities. General government comprised nine percent (9%) of the total expenditures of the governmental activities. The remaining twenty-one percent (21%) came from expenditures for culture and recreation, eight percent (8%), economic development, ten percent (10%) and interest, three percent (3%).



Business-type activities, water and sewer utilities and Dodge Grove cemetery, depend on charges for services as their primary revenue sources. Approximately ninety-eight percent (98%) of revenues are generated from user charges.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

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

As of April 30, 2010, the City of Mattoon's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$14,123,665, a decrease of \$1,260,195 from April 30, 2009. Of the ending fund balances total, \$782,415 is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$13,341,250 available for meeting future budget requirements. The \$13.3 million is broken down as follows: \$1.4 million in the general fund, a decrease of \$600,000 from April 30, 2009, \$5.6 million in special revenue funds, a decrease of \$300,000 from April 30, 2009, and \$6.3 million in the capital projects fund, a decrease of \$300,000 from April 30, 2009. The decreases in the special revenue funds and the capital projects fund are directly attributable to the expenditures of the funds provided by the bonds issued by the City in late April of 2009. Those expenditures include the redevelopment agreement with the owners of the Cross County Mall and the various capital projects such as the sidewalk replacement plan.

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 and intergovernmental revenues which account for ninety percent (90%) of revenues. Public safety and public works are the primary operations of the General fund. Approximately sixty-one percent (61%) of the General fund expenditures of \$15.6 million are allocated to the public safety sector. Another twelve percent (12%) of the General fund's 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 \$1,381,778, a decrease of \$628,299 over the balance as of April 30, 2009. The Capital Projects Fund has a fund balance of \$6,364,934, a decrease of \$299,813 over the balance as of April 30, 2009. The Broadway East Business District Fund ended the year with a balance of \$3,743,103, a decrease of \$472,613 over the balance at April 30, 2009. 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 infrastructure projects. The majority of the balance is due to the bond issuance for capital projects that have yet to be constructed. Those projects to be constructed include the YMCA Parking lot, south side detention basin and the Public Works building. The Broadway East Business District's fund balance is generally available to pay for eligible redevelopment costs and expenses related to projects within the district. The majority of the balance is due to the bond issuance for the redevelopment project at the Cross County Mall.

With regard to the Other Governmental Funds, the Motor Fuel Tax fund had a total fund balance of \$1,356,749, and the Revolving Loan fund had a total fund balance of \$1,062,474. 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 remaining special revenue funds included in the Other Governmental Funds column in the balance sheet are the Hotel and Motel Tax Fund, Festival Management Fund, Home Rehabilitation Grant Fund, Midtown TIF District Fund, I-57 East TIF District Fund, South Route 45 Business District Fund, I-57 East Business District Fund, Broadway East TIF District Fund and the South Route 45 TIF District Fund. These remaining funds have a total fund balance as of April 30, 2010 of \$214,627. The total accumulated fund balances of all the Other Governmental Funds increased by \$140,530 during 2009-2010.

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 24 to page 30. The net assets of the enterprise type proprietary funds at the end of 2010 totaled \$25,006,485, a decrease of \$854,708 from the previous year. The Water fund net assets decreased \$234,945, the Sewer fund net assets decreased \$553,363 and the Cemetery fund net assets decreased \$66,400.

For the year ended April 30, 2010, revenues in the Water fund totaled \$2,918,141 (an increase of \$68,568 from 2009), operating expenses totaled \$2,919,222 (an increase of \$70,993 from 2009) producing operating loss of \$1,081 (a decrease of \$2,425 from 2009). Non-operating revenues, expenses and transfers netted a decrease of \$233,864, leaving a loss of \$234,945 in the Net Assets of the Water fund. The City Council has implemented a series of water rate increases beginning May 1, 2010.

For the year ended April 30, 2010, revenues in the Sewer fund totaled \$3,427,275 (an increase of \$93,728 from 2009), operating expenses totaled \$3,581,258 (an increase of \$359,352 from 2009) producing an operating loss of \$153,983 (a decrease of \$265,624 from 2009). Non-operating revenues, expenses and transfers netted a decrease of \$399,380, leaving a loss of \$553,363 in the Net Assets of the Sewer fund. The Sewer Fund is in a better position than the Water Fund because the Sewer Fund has had a series of increases over the last five years.

For the year ended April 30, 2010, revenues in the Cemetery fund totaled \$105,023 (a decrease of \$10,699 from 2009), operating expenses totaled \$174,148 (a decrease of \$2,538 from 2009) producing an operating loss of \$69,125 (a decrease of \$8,161 from 2009). Non-operating revenues totaled \$2,725 leaving a loss of \$66,400 in the Net Assets of the Cemetery fund. Due to its inability to function without a continuing and substantial annual subsidy from the General Fund, beginning with the fiscal year ending April 30, 2011, the operations of Dodge Grove Cemetery will be included in 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 100 & 101. The original 2010 General fund budget authorized expenditures and other financing uses of \$15,831,512 funded by anticipated revenues and other financing sources of \$15,800,235 leaving the amount of revenues and other financing sources under expenditures and other financing uses of \$31,277. The actual amount of expenditures and other financing uses over revenues and other financing sources was \$628,299, a negative budget to actual variance of \$597,022.

This negative budget variance can be attributed to numerous factors. The first, and most significant, is a reduction in all categories of revenue with the majority of the reduction coming from state shared revenues/taxes collected. After removal of one time revenues, FutureGen contributions and police seizures, revenue was \$1,316,499 under budget. Taxes and state shared revenues were \$1,031,695 under budget for the year and \$632,415 less than the previous fiscal year. The only two categories that were over budget were the aforementioned “Fines and Forfeitures” and “Contributions and miscellaneous.” Both of those were over budget due to unbudgeted and unscheduled contributions from the FutureGen project (used to pay on the FutureGen debt) and forfeitures from law enforcement activities. With regard to expenditures, after accounting for the ERI and the significant payment on the FutureGen debt, the expenses for the fiscal year were \$25,292 over budget. To account for the Early Retirement Incentive (ERI), offered to employees who participate in the Illinois Municipal Retirement Fund (See note 21 on page 80), the General Fund recorded an expense of \$289,974. This is a one time charge for the three General Fund employees that retired during the 2009-2010 fiscal year. A large part of the positive variance for the expenditures is a reduction in the costs of health insurance not covered by premium charges. The City had budgeted \$800,000 for this expenditure, but only expended \$621,535 or a positive variance of \$178,465. With the reduction of revenues leaving a large hole on the City’s budget the City Council closed half of that deficit by selling off farm land that was no longer necessary for the operation of the City and with a one time payment from AmerenCIPS for the cleanup of the old town gas plant at the corner of 14th and Richmond. These two items generated \$672,585 of revenues to close the budget deficit to \$597,022. Even though the dollar amounts are large, the General Fund revenues were under budget by 4.9% and the expenditures were over budget by 4.8%.

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 109.

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 City infrastructure is reported in the financial statements for the period ending on April 30, 2010. As summarized in the table below, the City’s reported investment in capital assets for governmental and business-type activities as of April 30, 2010 totaled \$145.4 million. Forty-seven percent (47%) 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 approximately fifty-three percent (53%) 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 \$79.4 million, or approximately fifty-five percent (55%) of the historical asset cost. Net of accumulated depreciation, the City’s investment in capital assets is \$66 million.

City of Mattoon, Illinois
Capital Assets, Net of Accumulated Depreciation
April 30, 2010

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 3,359,287	\$ 588,555	\$ 3,947,842
Buildings and Improvements	\$ 6,208,496	\$ 12,920,940	\$ 19,129,436
Equipment, furniture and vehicles	\$ 5,839,502	\$ 3,242,136	\$ 9,081,638
Improvements other than buildings	\$ 745,448	\$ 213,861	\$ 959,309
Infrastructure	\$ 58,983,804	\$ -	\$ 58,983,804
Treat. collect. and distrib. systems	\$ -	\$ 50,695,734	\$ 50,695,734
Construction in Progress	\$ 2,574,162	\$ 97,509	\$ 2,671,671
Subtotal	<u>\$ 77,710,699</u>	<u>\$ 67,758,735</u>	<u>\$145,469,434</u>
Less Accumulated Depreciation	\$(52,377,288)	\$(27,062,960)	\$(79,440,248)
Total	<u><u>\$ 25,333,411</u></u>	<u><u>\$ 40,695,775</u></u>	<u><u>\$ 66,029,186</u></u>

Long-Term Liabilities

On April 30, 2010, the City of Mattoon had \$34,352,384 of long-term liabilities outstanding (a decrease of \$1,167,298 from April 30, 2009), as summarized in the following table:

City of Mattoon, Illinois
General Obligation Bonds, Notes Outstanding and Other Long-Term Liabilities
April 30, 2010

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 12,416,278	\$ 5,939,249	\$ 18,355,527
Notes Payable	\$ 270,589	\$ 11,605,729	\$ 11,876,318
Capital Leases	\$ 611,225	\$ 25,654	\$ 636,879
Compensated Absences	\$ 807,143	\$ 260,736	\$ 1,067,879
Post-Employment Healthcare	\$ 1,923,129	\$ 492,652	\$ 2,415,781
Total	<u><u>\$ 16,028,364</u></u>	<u><u>\$ 18,324,020</u></u>	<u><u>\$ 34,352,384</u></u>

During the year ended April 30, 2010 the City did not issue any new debt. The existing debts decreased by \$2,217,184 over April 30, 2009 and the Post-Employment Healthcare Benefits debt increased \$1,049,886 during this fiscal year. Detailed information regarding specific debt can be found in notes 11, 12, 13 14 and 15 beginning on page 67.

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 Financial Statements 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.

BASIC FINANCIAL STATEMENTS

CITY OF MATTOON, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2010

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Mattoon Public Library</u>
ASSETS:				
Cash and cash equivalents	\$ 13,339,125	\$ 1,885,959	\$ 15,225,084	\$ 21,189
Certificates of deposit	--	1,139,285	1,139,285	--
Investments, at fair value	108	458	566	3,036
Receivables	9,418,767	354,419	9,773,186	--
Internal balances	282,967	(282,967)	--	--
Due from primary government	--	--	--	37,027
Due from component units	19,021	--	19,021	--
Prepaid items	124,267	6,250	130,517	--
Long-term receivables	722,532	--	722,532	--
Restricted assets:				
Cash and cash equivalents	145,025	279,350	424,375	--
Certificates of deposit	--	8,270	8,270	--
Investments, at fair value	--	--	--	25,000
Deferred bond issue expense	263,616	135,665	399,281	--
Cemetery development	--	60,652	60,652	--
Capital assets (net of accumulated depreciation):				
Land	3,359,287	588,555	3,947,842	--
Buildings and building improvements	3,979,701	8,766,658	12,746,359	1,888,979
Improvements other than buildings	745,448	97,432	842,880	--
Treatment, collection and distribution systems	--	29,684,144	29,684,144	--
Infrastructure	13,874,828	--	13,874,828	--
Equipment, furniture and vehicles	799,985	1,461,477	2,261,462	8,829
Construction in progress	2,574,162	97,509	2,671,671	--
 Total assets	 <u>\$ 49,648,839</u>	 <u>\$ 44,283,116</u>	 <u>\$ 93,931,955</u>	 <u>\$ 1,984,060</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)
April 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
LIABILITIES:				
Accounts payable	\$ 705,981	\$ 132,854	\$ 838,835	\$ 13,071
Cash overdraft	26,725	--	26,725	--
Payroll liabilities payable	210,727	79,232	289,959	89
Early retirement incentive payable	289,974	439,825	729,799	35,269
Other accrued expenses	493,020	182,500	675,520	--
Due to primary government	--	--	--	19,021
Due to component units	37,027	--	37,027	--
Deferred revenue	4,055,620	--	4,055,620	--
Short-term note payable	1,998,084	--	1,998,084	--
Retainage payable	230,829	--	230,829	--
Liabilities payable from restricted assets:				
Other payables	--	118,200	118,200	--
Advances from component units	470,817	--	470,817	--
Non-current liabilities:				
Due within one year	926,091	1,818,500	2,744,591	3,685
Due in more than one year	15,102,273	16,505,520	31,607,793	14,739
Total liabilities	24,547,168	19,276,631	43,823,799	85,874
NET ASSETS:				
Invested in capital assets, net of related debt	23,048,081	23,161,214	46,209,295	1,897,808
Restricted for:				
Public safety	130,499	--	130,499	--
Highways and streets	1,356,749	--	1,356,749	--
Culture and recreation	156,273	--	156,273	--
Economic development	298,614	--	298,614	--
Other purposes	--	59,696	59,696	--
Permanent endowment:				
Nonexpendable	--	--	--	25,000
Unrestricted	111,455	1,785,575	1,897,030	(24,622)
Total net assets	\$ 25,101,671	\$ 25,006,485	\$ 50,108,156	\$ 1,898,186

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

STATEMENT OF ACTIVITIES For the year ended April 30, 2010

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				Mattoon Public Library
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 1,806,456	\$ 200,334	\$ -	\$ --	\$ (1,606,122)	\$ --	\$ (1,606,122)		
Public safety	10,268,697	333,472	130,492	70,300	(9,734,433)	--	(9,734,433)		
Public works	3,282,600	34,650	18,041	2,453,613	(776,296)	--	(776,296)		
Health and welfare	37,928	--	--	--	(37,928)	--	(37,928)		
Culture and recreation	1,609,875	303,555	29,244	383,733	(893,343)	--	(893,343)		
Economic development	1,963,581	--	210,000	--	(1,753,581)	--	(1,753,581)		
Interest on long-term debt	674,062	--	--	--	(674,062)	--	(674,062)		
Total governmental activities	<u>19,643,199</u>	<u>872,011</u>	<u>387,777</u>	<u>2,907,646</u>	<u>(15,475,765)</u>	<u>--</u>	<u>(15,475,765)</u>		
Business-type activities:									
Water	3,199,543	2,918,141	--	--	--	(281,402)	(281,402)		
Sewer	3,904,877	3,412,385	14,890	--	--	(477,602)	(477,602)		
Cemetery	174,148	105,023	--	--	--	(69,125)	(69,125)		
Total business-type activities	<u>7,278,568</u>	<u>6,435,549</u>	<u>14,890</u>	<u>--</u>	<u>--</u>	<u>(828,129)</u>	<u>(828,129)</u>		
Total primary government	<u>\$ 26,921,767</u>	<u>\$ 7,307,560</u>	<u>\$ 402,667</u>	<u>\$ 2,907,646</u>	<u>(15,475,765)</u>	<u>(828,129)</u>	<u>(16,303,894)</u>		
Component Unit:									
Mattoon Public Library	<u>\$ 591,053</u>	<u>\$ 21,916</u>	<u>\$ 32,344</u>	<u>\$ --</u>				<u>\$ (536,793)</u>	
General revenues:									
Property taxes					3,488,485	--	3,488,485	--	
TIF property tax increment					193,045	--	193,045	--	
Telecommunication taxes					917,779	--	917,779	--	
Utility taxes					1,189,618	--	1,189,618	--	
Business district taxes					387,669	--	387,669	--	
Other taxes					671,144	--	671,144	--	
Payments from primary government					--	--	--	455,925	
Sales taxes					5,527,716	--	5,527,716	--	
Income and use taxes					1,629,811	--	1,629,811	--	
Other intergovernmental revenues					938,387	--	938,387	--	
Investment income					67,494	58,012	125,506	6,713	
Miscellaneous income					728,643	--	728,643	490	
Gain on sale of capital assets					652,637	50,646	703,283	--	
Transfers					135,237	(135,237)	--	--	
Total general revenues and transfers					<u>16,527,665</u>	<u>(26,579)</u>	<u>16,501,086</u>	<u>463,128</u>	
Change in net assets					1,051,900	(854,708)	197,192	(73,665)	
Net assets, beginning of year					24,049,771	25,861,193	49,910,964	1,971,851	
Net assets, end of year					<u>\$ 25,101,671</u>	<u>\$ 25,006,485</u>	<u>\$ 50,108,156</u>	<u>\$ 1,898,186</u>	

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2010**

	General Fund	Capital Projects Fund	Broadway East Business District Fund	Other Governmental Funds	Totals
ASSETS:					
Cash and cash equivalents	\$ 1,180,246	\$ 6,002,836	\$ 4,030,317	\$ 2,047,190	\$ 13,260,589
Investments, at fair value	108	--	--	--	108
Receivables	7,944,536	740,939	83,490	527,521	9,296,486
Due from other funds	317,916	235,224	--	40,540	593,680
Due from component units	18,500	--	--	--	18,500
Prepaid items	--	--	--	39,261	39,261
Long-term receivables	--	--	--	722,532	722,532
Advances to other fund	--	--	--	20,622	20,622
Restricted assets:					
Cash and cash equivalents	144,084	--	--	--	144,084
Total assets	\$ 9,605,390	\$ 6,978,999	\$ 4,113,807	\$ 3,397,666	\$ 24,095,862
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 105,277	\$ 28,761	\$ 343,487	\$ 125,659	\$ 603,184
Payroll liabilities payable	209,024	--	--	1,703	210,727
Early retirement incentive payable	289,974	--	--	--	289,974
Due to other funds	527,345	70,948	--	1,676	599,969
Due to component units	33,902	--	--	--	33,902
Deferred revenue	4,898,567	283,527	27,217	299,109	5,508,420
Short-term note payable	1,668,084	--	--	330,000	1,998,084
Accrued interest expense	--	--	--	5,669	5,669
Retainage payable	--	230,829	--	--	230,829
Advances from other funds	20,622	--	--	--	20,622
Advances from component units	470,817	--	--	--	470,817
Total liabilities	8,223,612	614,065	370,704	763,816	9,972,197
Fund balances:					
Reserved for:					
Prepaid items	--	--	--	39,261	39,261
Advances	--	--	--	20,622	20,622
Long-term receivables	--	--	--	722,532	722,532
Unreserved, reported in:					
General fund	1,381,778	--	--	--	1,381,778
Special revenue funds:					
Undesignated	--	--	3,743,103	1,851,435	5,594,538
Capital projects fund	--	6,364,934	--	--	6,364,934
Total fund balances	1,381,778	6,364,934	3,743,103	2,633,850	14,123,665
Total liabilities and fund balances	\$ 9,605,390	\$ 6,978,999	\$ 4,113,807	\$ 3,397,666	\$ 24,095,862

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2010

Total fund balances, governmental funds	\$ 14,123,665
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.	25,333,411
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,452,800
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	443,894
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(16,252,099)</u>
Net assets of governmental activities	<u><u>\$ 25,101,671</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended April 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Broadway East Business District Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 6,018,665	\$ --	\$ 348,378	\$ 468,570	\$ 6,835,613
Licenses and permits	178,343	--	--	--	178,343
Intergovernmental revenues	7,504,124	2,511,190	--	671,611	10,686,925
Charges for services	424,798	--	--	--	424,798
Fines and forfeitures	233,196	--	--	--	233,196
Investment income	18,408	11,769	12,541	24,776	67,494
Contributions and miscellaneous revenues	585,163	49,674	--	165,678	800,515
Total revenues	<u>14,962,697</u>	<u>2,572,633</u>	<u>360,919</u>	<u>1,330,635</u>	<u>19,226,884</u>
Expenditures:					
Current:					
General government	1,638,929	6,313	--	--	1,645,242
Public safety	9,505,914	--	--	--	9,505,914
Public works	1,890,590	109,954	--	173,844	2,174,388
Health and welfare	37,928	--	--	--	37,928
Culture and recreation	1,182,533	--	--	340,088	1,522,621
Economic development	473,660	1,322	812,426	676,173	1,963,581
Capital outlay	104,030	3,490,379	--	--	3,594,409
Debt service:					
Principal	581,553	--	--	--	581,553
Interest and fiscal charges	227,053	1,106	1,106	--	229,265
Bond issuance costs	--	20,000	20,000	--	40,000
Total expenditures	<u>\$ 15,642,190</u>	<u>\$ 3,629,074</u>	<u>\$ 833,532</u>	<u>\$ 1,190,105</u>	<u>\$ 21,294,901</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

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

**GOVERNMENTAL FUNDS
For the year ended April 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Broadway East Business District Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (679,493)	\$ (1,056,441)	\$ (472,613)	\$ 140,530	\$ (2,068,017)
Other financing sources (uses):					
Transfers in	135,237	756,628	--	--	891,865
Transfers out	(756,628)	--	--	--	(756,628)
Proceeds from sale of assets	672,585	--	--	--	672,585
Total other financing sources	51,194	756,628	--	--	807,822
Net change in fund balances	(628,299)	(299,813)	(472,613)	140,530	(1,260,195)
Fund balances, beginning of year	2,010,077	6,664,747	4,215,716	2,493,320	15,383,860
Fund balances, end of year	\$ 1,381,778	\$ 6,364,934	\$ 3,743,103	\$ 2,633,850	\$ 14,123,665

The accompanying notes are an integral part of these 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, 2010**

Net changes in fund balances, governmental funds \$ (1,260,195)

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 outlay exceeded depreciation in the current period. 2,273,676

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets. (19,948)

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 net effect of these differences in revenue recognition. 680,341

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. 621,552

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. (1,243,526)

Changes in net assets of governmental activities \$ 1,051,900

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

April 30, 2010

	Business-type Activities - Enterprise Funds				Governmental
	Other -			Totals	Activities
	Water Fund	Sewer Fund	Cemetery Fund		Internal Service Funds
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 298,147	\$ 1,400,873	\$ 186,939	\$ 1,885,959	\$ 78,536
Certificates of deposit	718,499	420,786	--	1,139,285	--
Investments, at fair value	458	--	--	458	--
Receivables	147,570	202,197	4,652	354,419	122,281
Due from other funds	--	--	--	--	289,256
Due from component units	--	--	--	--	521
Prepaid items	--	6,250	--	6,250	85,006
Total current assets	<u>1,164,674</u>	<u>2,030,106</u>	<u>191,591</u>	<u>3,386,371</u>	<u>575,600</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	227,924	--	51,426	279,350	941
Certificates of deposit	--	--	8,270	8,270	--
Deferred bond issue expense	91,227	44,438	--	135,665	--
Cemetery development	--	--	60,652	60,652	--
Capital assets:					
Land	378,724	208,431	1,400	588,555	--
Buildings and building improvements	12,036,305	796,808	87,827	12,920,940	--
Improvements other than buildings	202,859	11,002	--	213,861	--
Treatment, collection and distribution systems	12,256,290	38,439,444	--	50,695,734	--
Equipment, furniture and vehicles	1,641,747	1,485,049	115,340	3,242,136	--
Construction in progress	97,509	--	--	97,509	--
Less accumulated depreciation	(9,213,788)	(17,723,375)	(125,797)	(27,062,960)	--
Total noncurrent assets	<u>17,718,797</u>	<u>23,261,797</u>	<u>199,118</u>	<u>41,179,712</u>	<u>941</u>
Total assets	<u>\$ 18,883,471</u>	<u>\$ 25,291,903</u>	<u>\$ 390,709</u>	<u>\$ 44,566,083</u>	<u>\$ 576,541</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET ASSETS
(CONTINUED)
PROPRIETARY FUNDS
April 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other - Cemetery	Totals	Internal Service Funds
			Fund		
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 39,135	\$ 92,753	\$ 966	\$ 132,854	\$ 102,797
Cash overdraft	--	--	--	--	26,725
Payroll liabilities payable	28,349	47,132	3,751	79,232	--
Early retirement incentive payable	236,441	203,384	--	439,825	--
Accrued interest	99,400	83,100	--	182,500	--
Due to other funds	16,708	19,027	247,232	282,967	--
Due to component units	--	--	--	--	3,125
Compensated absences payable	98,903	45,063	5,668	149,634	--
General obligation bonds - current	490,000	305,000	--	795,000	--
Capital lease obligation - current	6,243	6,243	--	12,486	--
Notes payable - current	403,731	457,649	--	861,380	--
Payable from restricted assets:					
Other payables	118,200	--	--	118,200	--
Total current liabilities	<u>1,537,110</u>	<u>1,259,351</u>	<u>257,617</u>	<u>3,054,078</u>	<u>132,647</u>
Noncurrent liabilities:					
Long-term debt payable:					
General obligation bonds payable (net of unamortized discounts and premiums and deferred amount on refunding)	2,685,929	2,458,320	--	5,144,249	--
Capital lease obligation	6,584	6,584	--	13,168	--
Notes payable	4,135,654	6,608,695	--	10,744,349	--
Compensated absences payable	61,334	27,098	22,670	111,102	--
Post-employment healthcare benefits obligation	255,107	237,545	--	492,652	--
Total noncurrent liabilities	<u>7,144,608</u>	<u>9,338,242</u>	<u>22,670</u>	<u>16,505,520</u>	<u>--</u>
Total liabilities	<u>8,681,718</u>	<u>10,597,593</u>	<u>280,287</u>	<u>19,559,598</u>	<u>132,647</u>
NET ASSETS:					
Invested in capital assets, net of related debt	9,707,576	13,374,868	78,770	23,161,214	--
Restricted for other purposes	--	--	59,696	59,696	--
Unrestricted	494,177	1,319,442	(28,044)	1,785,575	443,894
Total net assets	<u>\$ 10,201,753</u>	<u>\$ 14,694,310</u>	<u>\$ 110,422</u>	<u>\$ 25,006,485</u>	<u>\$ 443,894</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

	Business-type Activities - Enterprise Funds			Governmental	
				Activities	
	Water Fund	Sewer Fund	Other - Cemetery Fund	Totals	Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,918,141	\$ 3,412,385	\$ 105,023	\$ 6,435,549	\$ --
Fund charges and employee contributions	--	--	--	--	3,013,649
Insurance reimbursements	--	--	--	--	31,357
Miscellaneous operating revenues	--	14,890	--	14,890	80,747
Total operating revenue	2,918,141	3,427,275	105,023	6,450,439	3,125,753
Operating expenses:					
Reservoirs and sources of supply	80,014	--	--	80,014	--
Water treatment plant	956,026	--	--	956,026	--
Water distribution	594,403	--	--	594,403	--
Sewer collection system	--	637,929	--	637,929	--
Sewer lift stations	--	117,849	--	117,849	--
Wastewater treatment plant	--	1,084,048	--	1,084,048	--
Accounting and collection	234,726	239,617	--	474,343	--
Administrative and general	441,238	462,261	--	903,499	143,117
Insurance	--	--	--	--	971,523
Health claims and uninsured judgments	--	--	--	--	2,011,164
Personnel services	--	--	134,548	134,548	--
Repairs and maintenance	--	--	5,717	5,717	--
Supplies	--	--	3,743	3,743	--
Purchased services	--	--	6,769	6,769	--
Utilities	--	--	11,461	11,461	--
Depreciation	612,815	1,039,554	11,910	1,664,279	--
Total operating expenses	2,919,222	3,581,258	174,148	6,674,628	3,125,804
Operating loss	\$ (1,081)	\$ (153,983)	\$ (69,125)	\$ (224,189)	\$ (51)

The accompanying notes are an integral part of these 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, 2010**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Other - Cemetery</u>			<u>Totals</u>	<u>Internal Service Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Fund</u>		
Non-operating revenues (expenses):					
Investment income	\$ 30,226	\$ 25,061	\$ 2,725	\$ 58,012	\$ 51
Interest expense	(266,545)	(317,472)	--	(584,017)	--
Gain on sale of capital assets	63,142	(12,496)	--	50,646	--
Bond issuance costs	(13,776)	(6,147)	--	(19,923)	--
Total non-operating revenues (expenses)	<u>(186,953)</u>	<u>(311,054)</u>	<u>2,725</u>	<u>(495,282)</u>	<u>51</u>
Loss before contributions and transfers	(188,034)	(465,037)	(66,400)	(719,471)	--
Transfers out	<u>(46,911)</u>	<u>(88,326)</u>	<u>--</u>	<u>(135,237)</u>	<u>--</u>
Change in net assets	(234,945)	(553,363)	(66,400)	(854,708)	--
Net assets, beginning of year	<u>10,436,698</u>	<u>15,247,673</u>	<u>176,822</u>	<u>25,861,193</u>	<u>443,894</u>
Net assets, end of year	<u>\$ 10,201,753</u>	<u>\$ 14,694,310</u>	<u>\$ 110,422</u>	<u>\$ 25,006,485</u>	<u>\$ 443,894</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended April 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Other -</u>			<u>Totals</u>	<u>Internal</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Cemetery Fund</u>		<u>Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 2,836,040	\$ 3,323,745	\$ 104,537	\$ 6,264,322	\$ --
Receipts from interfund services provided	--	--	--	--	2,369,076
Receipts from component units	--	--	--	--	44,880
Receipts from employees and retirees	--	--	--	--	453,280
Payments to employees	(846,313)	(849,092)	(100,334)	(1,795,739)	--
Payments to suppliers	(930,552)	(1,072,575)	(41,669)	(2,044,796)	(1,226,461)
Payments to claimants	--	--	--	--	(2,057,482)
Payments for interfund services used	(255,151)	(290,723)	(20,142)	(566,016)	--
Other receipts	--	14,890	--	14,890	102,177
Net cash provided by (used for) operating activities	<u>804,024</u>	<u>1,126,245</u>	<u>(57,608)</u>	<u>1,872,661</u>	<u>(314,530)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers out	(46,911)	(88,326)	--	(135,237)	--
Loans from other funds	--	--	245,698	245,698	--
Repayment of loans from other funds	(78,209)	--	(186,709)	(264,918)	--
Net cash provided by (used for) noncapital financing activities	<u>(125,120)</u>	<u>(88,326)</u>	<u>58,989</u>	<u>(154,457)</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchases of capital assets	(297,154)	(69,126)	--	(366,280)	--
Proceeds from capital grants	42,549	--	--	42,549	--
Principal payments on debt	(873,292)	(741,488)	--	(1,614,780)	--
Interest and fiscal charges	(263,028)	(315,430)	--	(578,458)	--
Proceeds from sale of assets	63,142	--	--	63,142	--
Net cash used for capital and related financing activities	<u>\$ (1,327,783)</u>	<u>\$ (1,126,044)</u>	<u>\$ --</u>	<u>\$ (2,453,827)</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CASH FLOWS
(CONTINUED)**

PROPRIETARY FUNDS

For the year ended April 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
					<u>Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other - Cemetery Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income received (net of expense)	\$ 16,239	\$ 17,039	\$ 2,496	\$ 35,774	\$ 51
Net cash provided by investing activities	16,239	17,039	2,496	35,774	51
Net increase (decrease) in cash	(632,640)	(71,086)	3,877	(699,849)	(314,479)
Cash, restricted and unrestricted, beginning of year	1,158,711	1,471,959	234,488	2,865,158	367,231
Cash, restricted and unrestricted, end of year	<u>\$ 526,071</u>	<u>\$ 1,400,873</u>	<u>\$ 238,365</u>	<u>\$ 2,165,309</u>	<u>\$ 52,752</u>
PER STATEMENT OF NET ASSETS - PROPRIETARY FUNDS					
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 298,147	\$ 1,400,873	\$ 186,939	\$ 1,885,959	\$ 78,536
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	227,924	--	51,426	279,350	941
LIABILITIES:					
Current liabilities:					
Cash overdraft	--	--	--	--	(26,725)
	<u>\$ 526,071</u>	<u>\$ 1,400,873</u>	<u>\$ 238,365</u>	<u>\$ 2,165,309</u>	<u>\$ 52,752</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF CASH FLOWS
(CONTINUED)
PROPRIETARY FUNDS
For the year ended April 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Other -</u>			<u>Totals</u>	<u>Internal</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Cemetery Fund</u>		<u>Service Funds</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating loss	\$ (1,081)	\$ (153,983)	\$ (69,125)	\$ (224,189)	\$ (51)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	612,815	1,039,554	11,910	1,664,279	--
(Increase) decrease in receivables	(81,361)	(88,640)	(486)	(170,487)	(122,281)
(Increase) decrease in due from other funds	--	--	--	--	(146,547)
(Increase) decrease in due from component units	--	--	--	--	(101)
(Increase) decrease in prepaid items	--	500	--	500	7,307
Increase (decrease) in accounts payable	(24,947)	25,717	(1,409)	(639)	(49,620)
Increase (decrease) in payroll liabilities payable	(25,917)	(7,645)	(3,147)	(36,709)	--
Increase (decrease) in early retirement incentive payable	236,441	203,384	--	439,825	--
Increase (decrease) in due to other funds	1,477	1,638	195	3,310	--
Increase (decrease) in due to component units	--	--	--	--	235
Increase (decrease) in compensated absences payable	(20,088)	(3,680)	4,454	(19,314)	--
Increase (decrease) in meter deposits payable	(740)	--	--	(740)	--
Increase (decrease) in other post-employment benefits payable	107,425	109,400	--	216,825	--
Increase (decrease) in other payables	--	--	--	--	(3,472)
Net cash provided by (used for) operating activities	<u>\$ 804,024</u>	<u>\$ 1,126,245</u>	<u>\$ (57,608)</u>	<u>\$ 1,872,661</u>	<u>\$ (314,530)</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY COMPONENT UNITS
April 30, 2010

	Pension Component Units
ASSETS:	
Cash	\$ 2,079,076
Interest receivable	148,479
Due from primary government	470,817
Investments, at fair value:	
U.S. government obligations	12,305,769
Insurance contracts	13,170,305
Open end mutual fund	300,643
Corporate notes and bonds	210,220
Total investments	25,986,937
Total assets	28,685,309
LIABILITIES:	
Pensions payable	285,607
NET ASSETS:	
Held in trust for pension benefits (a schedule of funding progress is presented on pages 97-98)	\$ 28,399,702

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

	Pension Component Units
	<u> </u>
Additions:	
Contributions:	
Employer	\$ 2,240,801
Plan members	454,817
	<u> </u>
Total contributions	2,695,618
	<u> </u>
Investment income:	
Interest income	538,714
Net increase in fair value of investments	3,740,576
	<u> </u>
Net investment income	4,279,290
	<u> </u>
Total additions	6,974,908
	<u> </u>
Deductions:	
Benefits and refunds of contributions	3,263,186
Miscellaneous	13,071
	<u> </u>
Total deductions	3,276,257
	<u> </u>
Change in net assets	3,698,651
Net assets held in trust, beginning of year	24,701,051
	<u> </u>
Net assets held in trust, end of year	<u>\$ 28,399,702</u>

The accompanying notes are an integral part of these financial statements

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

Blended component unit – The Mattoon Foreign Fire Insurance Tax Account is governed by the 2% Foreign Fire Board. The Mattoon Foreign Fire Insurance Account 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 part of 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 component unit. 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.

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 net assets includes all of the government's assets and liabilities, including capital assets. 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Governmental Funds

The City of Mattoon reports the following major governmental funds:

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

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).

Broadway East Business District Fund – This Special Revenue Fund is used to account for the revenues and expenditures for implementation of the Broadway East Business District Plan and Project, including all sales and hotel/motel tax revenues received from the State of Illinois and City of Mattoon allocable to the operation of the Broadway East Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/1-74.3-1 et. seq.).

The City of Mattoon reports the following 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:

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Governmental funds (Continued)

Special Revenue Funds (Continued)

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 and 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.

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.

Midtown TIF District Fund – This fund is used to account for revenues and 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.).

I-57 East TIF District Fund – This fund is used to account for revenues and expenditures for implementation of the I-57 East Redevelopment Plan and Project, including all property tax increment revenues received from Coles County allocable to the operation of the I-57 East Tax Increment District as required by the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-3 et. seq.).

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

South Rt 45 Business District Fund – This fund is used to account for revenues and expenditures for implementation of the South Rt 45 Business District Plan, including all sales tax and hotel/motel tax revenues received from the State of Illinois and City of Mattoon allocable to the operation of the South Rt 45 Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/1-74.3-1 et. seq.).

I-57 East Business District Fund – This fund is used to account for the revenues and expenditures for implementation of the I-57 East Business District Plan and Project, including all sales and hotel/motel tax revenues received from the State of Illinois and City of Mattoon allocable to the operation of the I-57 East Business District Fund as required by the Business District Development and Redevelopment Act (65 ILCS 5/1-74.3-1 et. seq.).

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

South Rt 45 TIF District Fund – This fund is used to account for the revenues and expenditures for implementation of the South Rt. 45 Redevelopment Plan and Project, including all property tax increment revenues received from Coles County allocable to the operation of the South Rt. 45 Tax Increment District as required by the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-3 et. seq.).

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Proprietary Funds

The City of Mattoon reports the following major 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.

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.

The City of Mattoon reports the following nonmajor proprietary funds:

Enterprise Funds

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

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.

Health Insurance Fund – This fund is used to account for employee and retiree health insurance.

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

Other Fund Types

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.

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 2008 tax extension to the City on June 12, 2009, July 27, 2009, September 18, 2009, and November 20, 2009. The City Council adopted the 2009 tax levy (receivable in calendar year 2010) on December 28, 2009. For governmental fund financial statements, the 2009 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 2009 property tax levy is also deferred in the government-wide statements, since the levy is intended to finance fiscal year 2011 expenditures. Property tax revenues recorded in these financial statements are from the 2008 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 funds 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 noncurrent portion of interfund loans. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

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

3. Inventories and Prepaid Items

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

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

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 and in the proprietary fund 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 capital assets are valued at their estimated fair value on the date donated.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

The City has adopted an ordinance establishing capitalization thresholds for different classes of capital assets. The capitalization thresholds are as follows:

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

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

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

<u>Property</u>	<u>Years</u>
Buildings and building improvements	50
Improvements other than buildings	20
Infrastructure:	
Sidewalks and bike paths	15
Streets, curbs and gutters	20
Traffic signals	25
Bridges and storm sewers	50
Radio-read water meter equipment	10
Equipment and vehicles	5
Software	2

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Compensated Absences Payable

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

6. Long-Term Obligations

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

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 \$1,942,135 of restricted net assets, of which \$156,273 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 \$8,270.

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 \$51,426.

The discretely presented component unit, the Mattoon Public Library, has permanently restricted net assets with unrestricted investment earnings.

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.

F. 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 Net 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	\$ (12,377,000)
Less: Deferred charge on refunding (to be amortized as interest expense)	54,861
Plus: Deferred issuance premium (to be amortized as interest expense)	(94,139)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	263,616
Accrued interest payable	(487,351)
Capital leases payable	(611,225)
Notes payable	(270,589)
Compensated absences payable	(807,143)
Post-employment healthcare benefits obligation	<u>(1,923,129)</u>
 Net adjustment to reduce "total fund balances, governmental funds" to arrive at "net assets of governmental activities"	 <u><u>\$ (16,252,099)</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (CONTINUED)

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

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between “net changes in fund balances, governmental funds” and “changes in net assets of governmental activities.” One element of the reconciliation explains that “governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of the reconciling amount are as follows:

Capital outlay	\$ 3,594,409
Depreciation expense	<u>(1,320,733)</u>
 Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	 <u>\$ 2,273,676</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 amounts are as follows:

Gain from capital assets sold	\$ 652,637
Proceeds from sale of assets	<u>(672,585)</u>
 Net adjustment to reduce "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	 <u>\$ (19,948)</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 “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:

Issuance costs	\$	40,000
Principal repayments		
General obligation bonds		365,000
Capital leases		101,931
Notes payable		114,621
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"	\$	621,552

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	\$	34,331
Accrued interest		(425,385)
Amortization of deferred charge on refunding		(8,320)
Amortization of deferred bond premium		5,396
Amortization of deferred bond issuance costs		(16,487)
Post-employment healthcare benefits obligation		<u>(833,061)</u>
Net adjustment to decrease "net changes in fund balances, governmental funds" to arrive at "changes in net assets of governmental activities"		<u><u>\$ (1,243,526)</u></u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

At April 30, 2010, the carrying amount of the primary government’s deposits was \$6,243,256 and the bank balance was \$7,316,927. The governmental component unit (Mattoon Public Library) had deposits with a carrying amount of \$20,846 and bank balances totaling \$34,883. The fiduciary component units had deposits with a carrying amount of \$2,079,076 and bank balances totaling \$2,064,245. The primary government and governmental component unit (Mattoon Public Library) had cash on hand of \$630 and \$343, respectively.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2010, the government and its component units did not have any bank balances exposed to custodial credit risk.

B. Investments

At April 30, 2010, 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	500	N/A	N/A
Illinois Funds Money Market Fund	10,253,839	AAAm	Demand *
Money market accounts	<u>272,564</u>	AAAm/Aaa	0.11
Total	<u>\$ 10,526,969</u>		

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At April 30, 2010, the City's governmental component unit (Mattoon Public Library) had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
Investment pool - Southeastern Illinois Community Foundation	\$ <u>28,036</u>	N/A	N/A

Southeastern Illinois Community Foundation

In previous years, the Mattoon Public Library had received a donation from the Lumpkin Family which was used to establish a fund with the Mattoon Area Community Foundation (MACF) to benefit the library. When held by MACF the fund was held in a separate account and invested separately from the other funds of MACF. During the 2008-2009 fiscal year, MACF formed an alliance with the Effingham County Community Foundation. The resulting organization, the Southeastern Illinois Community Foundation (SICF), is an umbrella organization covering its two member foundations. As part of this alliance the individual foundations have pooled their administrative functions, including the investment of the different funds administered by each foundation. This pooling included an aggregation of the investments held by each fund into one investment account. While invested as a pool, the individual funds are accounted for by the foundation on an individual fund basis. The investment policy of the SICF is to keep all its assets invested seventy percent (70%) in equities and thirty percent (30%) in fixed assets and cash or cash equivalents. During the last fiscal year the value of the fund has fluctuated with the value of the market as a whole.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At April 30, 2010, 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.S. agencies	\$ 12,305,769	AAA	15.44
Corporate notes and bonds	210,220	BBB-/BAA2	18.73
Insurance contracts	5,878,225	A+/A1	N/A
Insurance contracts	7,292,080	AA-/A1	N/A
Open end mutual fund	<u>300,643</u>	N/A	N/A
Total	<u><u>\$ 25,986,937</u></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.

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. In addition to the limitations listed above, 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 A rated by Moody's and Standard and Poor's rating services.

As of April 30, 2010, the City of Mattoon Police Pension Fund and Fire Pension Fund had investments with AIG Annuity Company totaling \$5,878,225 in market value. AIG Annuity Insurance Company is a subsidiary of AIG, which received an \$80 billion bailout from the federal government on September 16, 2008. These investments are held in separate accounts for each pension fund and are the general assets of AIG Annuity Insurance Company. While not insured, they would not be available to the general creditors of AIG Annuity Insurance Company should the situation deteriorate any further.

The City considers these securities no riskier than securities held by any other brokerage service. With regard to the insurance components of the variable annuities, these policies are covered under the Illinois Insurance Guarantee Fund.

Over the last year, various investments held by both the Mattoon Firefighters Pension Fund and Mattoon Police Pension Fund have been downgraded by the national rating agencies. These downgrades have been part of the larger national crises facing the investment community and the country. Neither pension fund believes that the downgrades materially affect the ability of the borrower to repay these investments, and neither fund expects any losses from these downgrades. Both pension funds are long-term investors and both intend to hold these investments until maturity.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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.

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. The Mattoon Public Library component unit's only investment is in a pooled investment account with Southeastern Illinois Community Foundation.

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 Mortgage Corporation (24.74%), the Federal National Mortgage Association (18.16%), AIG Annuity Insurance Company annuities (22.62%), and ING Life Insurance annuities (28.06%).

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

C. Reconciliation Between the Deposits, Investments, and Cash on Hand as Shown in the Notes and the Cash, Certificates of Deposit, and Investments as Shown on the Financial Statements

	<u>Primary government</u>	<u>Governmental- Type Component Unit (Mattoon Public Library)</u>	<u>Fiduciary-Type Component Units (Pensions)</u>
Deposits, investments, and cash on hand per notes:			
Deposits	\$ 6,243,256	\$ 20,846	\$ 2,079,076
Investments	10,526,969	28,036	25,986,937
Cash on hand	<u>630</u>	<u>343</u>	<u>--</u>
Total deposits, investments, and cash on hand	<u>\$ 16,770,855</u>	<u>\$ 49,225</u>	<u>\$ 28,066,013</u>
Cash, certificates of deposit, and investments per statements:			
Cash and cash equivalents	\$ 15,225,084	\$ 21,189	\$ 2,079,076
Certificates of deposit	1,139,285	--	--
Investments	566	3,036	25,986,937
Restricted assets:			
Cash and cash equivalents	424,375	--	--
Certificates of deposit	8,270	--	--
Investments, at fair value	--	25,000	--
Cash overdraft	<u>(26,725)</u>	<u>--</u>	<u>--</u>
Total cash and cash equivalents, certificates of deposit and investments	<u>\$ 16,770,855</u>	<u>\$ 49,225</u>	<u>\$ 28,066,013</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

4. RECEIVABLES

Receivables balances as of April 30, 2010 for the primary government were as follows:

	Governmental Activities			
	General Fund	Capital Projects Fund	Broadway East Business District Fund	Other Governmental Funds
	Property taxes	\$ 3,749,124	\$ --	\$ --
TIF property tax increment	--	--	--	274,576
Utility taxes	87,714	--	--	--
Telecommunications taxes	226,570	--	--	--
Income and use taxes	721,959	--	--	--
Sales taxes	1,376,184	--	--	--
Personal property replacement taxes	62,268	--	--	--
Motor fuel taxes	--	--	--	39,676
Other taxes	--	--	83,490	65,884
Grants	407	740,939	--	15,611
Other receivables	52,226	--	--	131,774
Coles Together pledges	1,668,084	--	--	--
	<u>\$ 7,944,536</u>	<u>\$ 740,939</u>	<u>\$ 83,490</u>	<u>\$ 527,521</u>
	Business-type Activities			
	Water Fund	Sewer Fund	Other - Cemetery Fund	
Customer receivables	\$ 146,365	\$ 201,447	\$ --	
Other receivables	1,205	750	4,652	
	<u>\$ 147,570</u>	<u>\$ 202,197</u>	<u>\$ 4,652</u>	

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY

Payables and receivables between funds consisted of the following at April 30, 2010:

Due to/from other funds

	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ 317,916	\$ 527,345
Capital Projects Fund	<u>235,224</u>	<u>70,948</u>
Other Governmental Funds:		
Motor Fuel Tax Fund	25,073	--
Hotel and Motel Tax Fund	--	407
Revolving Loan Fund	15,467	--
I-57 East Business District Fund	<u>--</u>	<u>1,269</u>
Total other governmental funds	<u>40,540</u>	<u>1,676</u>
Total governmental funds	<u>593,680</u>	<u>599,969</u>
Proprietary Funds:		
Enterprise Funds:		
Water Fund	--	16,708
Sewer Fund	--	19,027
Other - Cemetery Fund	<u>--</u>	<u>247,232</u>
Total enterprise funds	<u>--</u>	<u>282,967</u>
Internal Service Funds:		
Health Insurance Fund	120,848	--
Insurance and Tort Judgment Fund	<u>168,408</u>	<u>--</u>
Total internal service funds	<u>289,256</u>	<u>--</u>
Total proprietary funds	<u>289,256</u>	<u>282,967</u>
Due to/from other funds	<u>\$ 882,936</u>	<u>\$ 882,936</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY
 (CONTINUED)

The amount receivable to the General Fund from the Capital Projects Fund, I-57 East Business District Fund, and Cemetery Fund is to cover negative cash balances within the pooled account. The amount receivable to the Capital Projects Fund consists of the transfer of one-half of the sales tax increase earmarked for capital projects. The amount receivable to the Motor Fuel Tax Fund consists of a reimbursement of street lighting and other expenditures 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 Health Insurance Fund consists of charges for services due from the General Fund, Hotel and Motel Tax Fund, Water Fund, Sewer Fund, and Cemetery Fund. The amount receivable to the Insurance and Tort Judgment 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	\$ --	\$ 20,622
Other Governmental Funds:		
Revolving Loan Fund	20,622	--
Advance to/from other funds	\$ 20,622	\$ 20,622

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY
 (CONTINUED)

Payables and receivables between funds and component units consisted of the following at April 30, 2010:

Due between primary government and component units

	Receivable	Payable
Primary Government:		
Governmental Fund:		
General Fund	\$ 18,500	\$ 33,902
Proprietary Funds:		
Internal Service Funds:		
Health Insurance Fund	--	3,125
Insurance and Tort Judgment Fund	521	--
Total internal service funds	521	3,125
Total primary government	19,021	37,027
Component Units:		
Governmental Component Unit:		
Mattoon Public Library	37,027	19,021
Due between primary government and component units	\$ 56,048	\$ 56,048

The amount receivable to the General Fund from the Library is to provide the Library with funds for operations until property tax revenue is received. The amount receivable to the Insurance and Tort Judgment Fund consists of charges for services due from the Mattoon Public Library component unit. The amount receivable to the Mattoon Public Library component unit consists of personal property replacement taxes from the General Fund and an overpayment of charges from the Health Insurance Fund.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

5. SCHEDULE OF PAYABLES AND RECEIVABLES WITHIN THE REPORTING ENTITY
 (CONTINUED)

Advance between primary government and component units

	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ --	\$ 470,817
Component Units:		
Fiduciary Component Units:		
Mattoon Firefighters Pension Fund	270,376	--
Mattoon Police Pension Fund	200,441	--
Total fiduciary component units	470,817	--
Advance between primary government and component units	\$ 470,817	\$ 470,817

The amounts receivable to the Fiduciary Component Units consist of the long-term portion of personal property taxes due from the General Fund.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Analysis of changes in primary government capital assets:

	<u>Balance</u> <u>April 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,359,287	\$ --	\$ --	\$ 3,359,287
Construction in progress	<u>71,684</u>	<u>3,252,991</u>	<u>750,513</u>	<u>2,574,162</u>
Total capital assets not being depreciated	<u>3,430,971</u>	<u>3,252,991</u>	<u>750,513</u>	<u>5,933,449</u>
Capital assets being depreciated:				
Buildings and improvements	6,169,808	74,000	35,312	6,208,496
Less: Accumulated depreciation	<u>(2,114,130)</u>	<u>(137,476)</u>	<u>(22,811)</u>	<u>(2,228,795)</u>
Buildings and improvements, net	<u>4,055,678</u>	<u>(63,476)</u>	<u>12,501</u>	<u>3,979,701</u>
Infrastructure	58,856,022	242,454	114,672	58,983,804
Less: Accumulated depreciation	<u>(44,446,568)</u>	<u>(777,080)</u>	<u>(114,672)</u>	<u>(45,108,976)</u>
Infrastructure, net	<u>14,409,454</u>	<u>(534,626)</u>	<u>--</u>	<u>13,874,828</u>
Improvements other than building	--	745,448	--	745,448
Less: Accumulated depreciation	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Improvements other than building, net	<u>--</u>	<u>745,448</u>	<u>--</u>	<u>745,448</u>
Equipment, furniture and vehicles	6,294,706	30,029	485,233	5,839,502
Less: Accumulated depreciation	<u>(5,111,125)</u>	<u>(406,177)</u>	<u>(477,785)</u>	<u>(5,039,517)</u>
Equipment, furniture and vehicles, net	<u>1,183,581</u>	<u>(376,148)</u>	<u>7,448</u>	<u>799,985</u>
Total capital assets being depreciated, net	<u>19,648,713</u>	<u>(228,802)</u>	<u>19,949</u>	<u>19,399,962</u>
Governmental activities, Capital assets, net	<u>\$ 23,079,684</u>	<u>\$ 3,024,189</u>	<u>\$ 770,462</u>	<u>\$ 25,333,411</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

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

	Balance <u>April 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2010</u>
Primary government (continued):				
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 588,555	\$ --	\$ --	\$ 588,555
Construction in progress	<u>901,712</u>	<u>259,928</u>	<u>1,064,131</u>	<u>97,509</u>
Total capital assets not being depreciated	<u>1,490,267</u>	<u>259,928</u>	<u>1,064,131</u>	<u>686,064</u>
Capital assets being depreciated:				
Buildings and building improvements	12,920,940	--	--	12,920,940
Less: Accumulated depreciation	<u>(3,871,314)</u>	<u>(282,968)</u>	<u>--</u>	<u>(4,154,282)</u>
Buildings and building improvements, net	<u>9,049,626</u>	<u>(282,968)</u>	<u>--</u>	<u>8,766,658</u>
Improvements other than building	213,861	--	--	213,861
Less: Accumulated depreciation	<u>(104,129)</u>	<u>(12,300)</u>	<u>--</u>	<u>(116,429)</u>
Improvements other than building, net	<u>109,732</u>	<u>(12,300)</u>	<u>--</u>	<u>97,432</u>
Treatment, collection and distribution systems	49,645,720	1,096,031	46,017	50,695,734
Less: Accumulated depreciation	<u>(19,937,960)</u>	<u>(1,119,647)</u>	<u>(46,017)</u>	<u>(21,011,590)</u>
Treatment, collection and distribution systems, net	<u>29,707,760</u>	<u>(23,616)</u>	<u>--</u>	<u>29,684,144</u>
Equipment, furniture and vehicles	3,432,763	74,452	265,079	3,242,136
Less: Accumulated depreciation	<u>(1,783,879)</u>	<u>(249,364)</u>	<u>(252,584)</u>	<u>(1,780,659)</u>
Equipment, furniture and vehicles, net	<u>1,648,884</u>	<u>(174,912)</u>	<u>12,495</u>	<u>1,461,477</u>
Total capital assets being depreciated, net	<u>40,516,002</u>	<u>(493,796)</u>	<u>12,495</u>	<u>40,009,711</u>
Business-type activities,				
Capital assets, net	<u>\$ 42,006,269</u>	<u>\$ (233,868)</u>	<u>\$ 1,076,626</u>	<u>\$ 40,695,775</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 75,339
Public safety	290,940
Public works	921,937
Culture and recreation	<u>32,517</u>

Governmental activities,
Depreciation expense

\$ 1,320,733

Business-type activities:

Water	\$ 612,815
Sewer	1,039,554
Cemetery	<u>11,910</u>

Business-type activities,
Depreciation expense

\$ 1,664,279

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

Analysis of changes in component unit capital assets:

	<u>Balance</u> <u>April 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
Component unit (Mattoon Public Library):				
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	2,665,224	--	5,340	2,659,884
Less: Accumulated depreciation	<u>(717,859)</u>	<u>(53,198)</u>	<u>(151)</u>	<u>(770,906)</u>
Buildings and improvements, net	<u>1,947,365</u>	<u>(53,198)</u>	<u>5,188</u>	<u>1,888,979</u>
Equipment, furniture and vehicles	69,344	--	--	69,344
Less: Accumulated depreciation	<u>(56,432)</u>	<u>(4,083)</u>	<u>--</u>	<u>(60,515)</u>
Equipment, furniture and vehicles, net	<u>12,912</u>	<u>(4,083)</u>	<u>--</u>	<u>8,829</u>
Governmental activities, Capital assets, net	<u>\$ 1,960,277</u>	<u>\$ (57,281)</u>	<u>\$ 5,188</u>	<u>\$ 1,897,808</u>

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

Governmental activities:	
Mattoon Public Library	<u>\$ 57,281</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

7. CONSTRUCTION IN PROGRESS

The City has active construction projects in progress as of April 30, 2010. The projects include the construction of a drainage project, a sewer system improvement, the replacement of sidewalks, the restoration of the train depot, and a water line interconnect. At April 30, 2010 the City's construction in progress is as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Primary government:		
Governmental activities:		
South Side Drainage	\$ 103,922	\$ 1,740,196
26th/27th/Charleston Sewer Project	49,069	2,320
10th Street Sidewalk Project	17,558	83,647
Depot Restoration	<u>2,403,613</u>	<u>340,419</u>
Total governmental activities	<u>\$ 2,574,162</u>	<u>\$ 2,166,582</u>
Business-type activities:		
Lake Paradise Pumphouse	<u>\$ 97,509</u>	<u>\$ 318,865</u>

8. 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, 2009	\$ 39,473
Less: cost of crypts sold	<u> --</u>
Mausoleum carrying value, April 30, 2010	39,473
Land held for future expansion, estimated carrying value, April 30, 2010	<u>21,179</u>
	<u>\$ 60,652</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

9. RESTRICTED ASSETS

The General Fund has restricted cash from the Department of Justice for certain public safety expenditures. The Water Fund has restricted cash accounts for customer meter deposits. The Cemetery Fund has restricted cash and investments for mausoleums. The Internal Service Fund has restricted cash for the employees' flexible spending account. The Mattoon Public Library has restricted investments for a \$25,000 endowment.

10. 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.

11. SHORT-TERM DEBT

The City received a short-term loan from First-Mid Illinois Bank & Trust to provide funding for the FutureGen project as follows:

	<u>Balance</u> <u>April 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
General Fund:				
Short-term loan from First Mid-Illinois Bank & Trust	\$ 2,068,084	\$ --	\$ 400,000	\$ 1,668,084

The note payable to First Mid-Illinois Bank & Trust has a stated interest rate of 3.25% and a stated maturity date of March 16, 2011.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. SHORT-TERM DEBT (CONTINUED)

The City had a line of credit with First-Mid Illinois Bank & Trust to provide funding for the development of the South Rt 45 TIF District Fund:

	Balance April 30, 2009	Additions	Deletions	Balance April 30, 2010
South Rt 45 TIF District Fund:				
Line of credit from First Mid-Illinois Bank & Trust	\$ --	\$ 330,000	\$ --	\$ 330,000

The City has an open line of credit with First Mid-Illinois Bank & Trust. As of April 30, 2010, \$330,000 of the available \$750,000 had been drawn. The City has the ability to draw on this line of credit until June 30, 2010, at which time a formal note will be finalized. At this date, interest, at a rate of 5.5%, on the line of credit will be payable.

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:

	Interest Rates	Amount
Governmental activities:		
Series 2003A	4.35%	\$ 710,000
Series 2009A	1.50% - 4.35%	6,000,000
Series 2009B (Taxable)	4.00% - 5.70%	4,000,000
Governmental activities - refunding:		
Series 2003	1.00% - 3.15%	222,000
Series 2005B	2.50% - 4.05%	1,445,000
Total governmental activities bonds		\$ 12,377,000

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. GENERAL OBLIGATION BONDS (CONTINUED)

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities - refunding:		
Series 2003	3.00% - 3.50%	\$ 3,295,000
Series 2005A	2.50% - 4.00%	2,830,000
Total business-type activities bonds		\$ 6,125,000

The General Fund services all of the general obligation bonds for governmental activities, except the Series 2009A and 2009B bonds. The Capital Projects Fund will service the Series 2009A general obligation bonds, while the Broadway East Business District Fund will service the Series 2009B bonds.

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

<u>Years Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 417,000	\$ 768,207	\$ 795,000	\$ 213,221
2012	754,000	492,804	830,000	187,846
2013	776,000	469,247	865,000	160,463
2014	730,000	440,948	905,000	130,968
2015	560,000	414,025	945,000	100,240
2016-2020	3,005,000	1,750,502	1,785,000	115,220
2021-2025	3,015,000	1,175,813	--	--
2026-2030	3,120,000	391,938	--	--
Total	\$ 12,377,000	\$ 5,903,484	\$ 6,125,000	\$ 907,958

13. CAPITAL LEASES

Previously, the City entered into lease agreements to finance the purchase of a fire truck and to purchase various vehicles used by such departments as public works, parks, and water and sewer. All of the lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of future minimum lease payments as of the inception date.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. CAPITAL LEASES (CONTINUED)

The assets acquired through current capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Various vehicles	\$ 119,283	\$ 64,533
Fire truck	748,078	--
Less: Accumulated depreciation	<u>(617,108)</u>	<u>(44,484)</u>
	<u><u>\$ 250,253</u></u>	<u><u>\$ 20,049</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2010, were as follows:

<u>Years Ending April 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 89,367	\$ 13,881
2012	89,376	13,881
2013	64,452	--
2014	64,452	--
2015	64,452	--
2016-2020	322,262	--
2021-2025	<u>128,905</u>	<u>--</u>
Total minimum lease payments	823,266	27,762
Less: amount representing interest	<u>(212,041)</u>	<u>(2,108)</u>
Present value of minimum lease payments	<u><u>\$ 611,225</u></u>	<u><u>\$ 25,654</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. NOTES PAYABLE

The City has issued various notes as follows:

	Interest Rates	Amount
Governmental activities:		
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase a tub grinder	4.375%	\$ 76,613
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase a street sweeper	4.690%	29,758
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to purchase various vehicles	4.540%	<u>164,218</u>
Total governmental activities notes		<u><u>\$ 270,589</u></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%	\$ 4,514,683
First Mid-Illinois Bank & Trust note, serviced by the Water Fund, proceeds used to purchase various vehicles	4.540%	24,702
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for sewer wastewater treatment plant rehabilitation	2.865%	250,375
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for expansion of the sewer wastewater treatment plant	2.675%	6,800,175
First Mid-Illinois Bank & Trust note, serviced by the Sewer Fund, proceeds used to purchase various vehicles	4.540%	<u>15,794</u>
Total business-type activities notes		<u><u>\$ 11,605,729</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. NOTES PAYABLE (CONTINUED)

Notes payable debt service requirements to maturity are as follows:

Years ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 119,746	\$ 12,579	\$ 861,444	\$ 314,506
2012	93,654	7,783	885,698	290,253
2013	57,189	2,928	910,639	265,312
2014	--	--	921,544	239,585
2015	--	--	947,250	213,879
2016-2020	--	--	5,075,667	659,491
2021-2025	--	--	2,003,487	108,610
Total	<u>\$ 270,589</u>	<u>\$ 23,290</u>	<u>\$ 11,605,729</u>	<u>\$ 2,091,636</u>

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, 2010 was as follows:

	<u>Balance</u> <u>April 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 12,742,000	\$ --	\$ 365,000	\$ 12,377,000	\$ 547,000
Add (less) deferred amounts:					
On refunding	(63,181)	--	(8,320)	(54,861)	--
For issuance premiums	<u>99,535</u>	<u>--</u>	<u>5,396</u>	<u>94,139</u>	<u>--</u>
Total general obligation bonds	12,778,354	--	362,076	12,416,278	547,000
Capital leases	713,156	--	101,931	611,225	57,624
Notes payable	385,210	--	114,621	270,589	119,746
Compensated absences	841,474	--	34,331	807,143	201,721
Post-employment healthcare benefits	<u>1,090,068</u>	<u>833,061</u>	<u>--</u>	<u>1,923,129</u>	<u>N/A</u>
Governmental activities, Long-term liabilities	<u>\$ 15,808,262</u>	<u>\$ 833,061</u>	<u>\$ 612,959</u>	<u>\$ 16,028,364</u>	<u>\$ 926,091</u>
Business-type Activities:					
General obligation bonds	\$ 6,890,000	\$ --	\$ 765,000	\$ 6,125,000	\$ 795,000
Add (less) deferred amounts:					
On refunding	(270,786)	--	(37,105)	(233,681)	--
For issuance premium	<u>55,165</u>	<u>--</u>	<u>7,235</u>	<u>47,930</u>	<u>--</u>
Total general obligation bonds	6,674,379	--	735,130	5,939,249	795,000
Capital leases	37,511	--	11,857	25,654	12,486
Notes payable	12,443,653	--	837,924	11,605,729	861,380
Compensated absences	280,050	--	19,314	260,736	149,634
Post-employment healthcare benefits	<u>275,827</u>	<u>216,825</u>	<u>--</u>	<u>492,652</u>	<u>N/A</u>
Business-type activities, Long-term liabilities	<u>\$ 19,711,420</u>	<u>\$ 216,825</u>	<u>\$ 1,604,225</u>	<u>\$ 18,324,020</u>	<u>\$ 1,818,500</u>

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, 2010 was as follows:

	<u>Balance</u> <u>April 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Component Unit (Mattoon Public Library):					
Governmental Activities:					
Compensated absences	\$ 35,910	\$ --	\$ 17,486	\$ 18,424	\$ 3,685

16. TAXES

Tax revenues during the year ended April 30, 2010 were as follows:

	<u>Governmental</u> <u>Activities</u>		
	<u>General Fund</u>	<u>Broadway East</u> <u>Business</u> <u>District Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>
Property taxes	\$ 3,488,485	\$ --	\$ --
TIF property tax increment	--	--	193,045
Telecommunication taxes	917,959	--	--
Utility taxes	1,189,618	--	--
Business district taxes	--	348,378	37,477
Road and bridge taxes	139,954	--	--
Hotel taxes	--	--	238,048
Cable TV franchise taxes	186,928	--	--
Gas and electric franchise taxes	95,721	--	--
Totals	<u>\$ 6,018,665</u>	<u>\$ 348,378</u>	<u>\$ 468,570</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues during the year ended April 30, 2010 were as follows:

	Governmental Activities		
	General Fund	Capital Projects Fund	Other Governmental Funds
Income and use taxes	\$ 1,301,984	\$ --	\$ --
Sales taxes	5,506,218	--	--
Personal property replacement taxes	440,742	--	--
Pull tabs and jar games tax	4,499	--	--
Motor fuel taxes	--	--	461,611
Foreign fire insurance taxes	31,535	--	--
Operating grants and contributions	148,846	--	--
Capital grants and contributions	70,300	2,511,190	--
HOME grant	--	--	210,000
	<u>\$ 7,504,124</u>	<u>\$ 2,511,190</u>	<u>\$ 671,611</u>
Totals	<u>\$ 7,504,124</u>	<u>\$ 2,511,190</u>	<u>\$ 671,611</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED

	For Tax Levy Year		
	2009	2008	2007
Assessed valuation	\$ 186,786,780	\$ 182,767,058	\$ 179,444,578
Rate per \$100, excluding road and bridge rate	1.9289	1.9106	1.8849
Taxes extended, excluding road and bridge taxes	3,602,950	\$ 3,491,983	3,382,279
Add: City's share of road and bridge taxes extended	141,702	139,909	129,581
Total taxes extended	<u>\$ 3,744,652</u>	<u>\$ 3,631,892</u>	<u>\$ 3,511,860</u>
Taxes available to City after abatements and losses in collection (2009 estimated)	<u>\$ 3,741,000</u>	<u>\$ 3,628,439</u>	<u>\$ 3,505,756</u>
Percentage of extension available to City (2009 estimated)	<u>99.90%</u>	<u>99.90%</u>	<u>99.83%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

18. COMPARATIVE SCHEDULE OF PROPERTY TAXES EXTENDED, COLLECTED, AND DISTRIBUTED (CONTINUED)

	For Tax Levy Year		
	2009	2008	2007
Distribution of taxes available (2009 estimated):			
General Fund:			
General government	\$ 466,000	\$ 456,460	\$ 521,529
Fire protection	220,000	273,875	263,890
Police protection	220,000	273,875	263,890
Street, including road & bridge	141,000	139,954	129,457
Park	139,000	136,938	134,345
Street lighting	--	91,183	--
Mattoon Public Library	429,000	419,943	404,631
Firefighters Pension Fund	1,164,000	1,008,722	947,584
Police Pension Fund	962,000	827,489	840,430
	<u>\$ 3,741,000</u>	<u>\$ 3,628,439</u>	<u>\$ 3,505,756</u>

The City Council has abated the 2007, 2008 and 2009 tax levies applicable to all outstanding general obligation bonds.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

19. SCHEDULE OF OPERATING TRANSFERS WITHIN THE REPORTING ENTITY

Operating transfers between funds during the year ended April 30, 2010 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water Fund	\$ 46,911
General Fund	Sewer Fund	88,326
Capital Projects Fund	General Fund	756,628
		\$ 891,865

The first and second transfers allocated debt service requirements to the Water Fund and Sewer Funds. The third transfer reclassified amounts of one-half sales tax increase earmarked for capital projects.

20. DEFINED BENEFIT PENSION PLAN

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

20. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy - As set by statute, the City Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2009 was 9.70 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost - For the fiscal year ending December 31, 2009, the City's annual pension cost of \$375,515 for the Regular plan was equal to the City's required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 375,515	100%	\$ --
12/31/08	412,170	100%	--
12/31/07	439,349	100%	--

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3 percent annually. The actuarial value of the City Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor between the actuarial and market value of assets. The City Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007, valuation was 23 years.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

20. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 64.77 percent funded. The actuarial accrued liability for benefits was \$11,563,277 and the actuarial value of assets was \$7,489,435, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,073,842. The covered payroll (annual payroll of active employees covered by the plan) was \$3,871,294 and the ratio of the UAAL to the covered payroll was 105 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis

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

21. ILLINOIS MUNICIPAL RETIREMENT FUND EARLY RETIREMENT INCENTIVE

During the fiscal year 2009-2010, the City of Mattoon offered an early retirement incentive (ERI) to its employees that participate in the Illinois Municipal Retirement Fund (IMRF). This incentive allowed employees with over 20 years of service and who were at least 50 years old to purchase 5 years of service and age to be eligible to retire. The ERI was available from June 19, 2009 to June 19, 2010. A total of fifteen individuals took advantage of the ERI. Those individuals were from the following funds: the Water Fund had five (5) individuals retire, the Sewer Fund had five (5) individuals retire, and the General Fund had four (4) individuals retire. The Mattoon Public Library discretely presented component unit had one (1) individual retire. The IMRF calculates the cost to the employee and employer based on the employee's final salary and their years of service. The amount that must be paid by December 31, 2010 is \$1,555,974. At its meeting on December 7, 2010, the City Council authorized the borrowing of this amount from the First Mid-Illinois Bank and Trust, N.A. at an interest rate of 2.49% to be paid back over a 10 year amortization. The interest portion of the payments to be made over the next ten years will be allocated to the fund from which the employee retired. At the time of the retirement, the City recognized the expense in each fund for the retired individual. Eight individuals retired in fiscal year 2009-2010 and seven individuals retired in fiscal year 2010-2011. For those employees that retired during fiscal year 2009-2010, a total of \$765,068 has been reported as the early retirement incentive payable, which is allocated between the General Fund, Water Fund, Sewer Fund, and the Mattoon Public Library component unit. So long as the employees are not replaced, the City expects to see substantial savings from this ERI over the next ten years. The first year salary saving has been calculated to be \$554,621 less the payment on the debt of \$177,692, meaning a total savings of \$376,929.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. DEFINED BENEFIT PENSION PLANS – POLICE AND FIREFIGHTERS

Plan Descriptions

The City of Mattoon contributes to two single-employer defined benefit pension plans: Mattoon Firefighters Pension Fund and Mattoon Police Pension Fund. 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 3 and 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 and Police Pension plans did not comply with the investment guidelines set forth at 40 ILCS 5/1-113. Both 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

22. DEFINED BENEFIT PENSION PLANS – POLICE AND FIREFIGHTERS (CONTINUED)

Membership

Membership of the plans consisted of the following at April 30, 2010:

	Police Pension	Firefighters Pension
Retirees and beneficiaries receiving benefits	41	54
Current employees:		
Vested	6	5
Nonvested	30	28
Total	77	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

22. 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%. These contribution rates may vary if members transfer service credit from a previous employer. 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, 2009 has been estimated at 44.511% and 54.094% 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

22. DEFINED BENEFIT PENSION PLANS – POLICE AND FIREFIGHTERS (CONTINUED)

Significant actuarial assumptions used in determining the pension benefit obligation as of April 30, 2009 include:

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

The pension benefit obligation as of April 30, 2009 was as follows:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
	April 30, 2009	April 30, 2009
Pension Benefit Obligation		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 19,041,823	\$ 22,738,215
Active participants	<u>9,662,349</u>	<u>8,998,442</u>
Total pension benefit obligation	28,704,172	31,736,657
Net assets available for benefits	<u>12,055,157</u>	<u>12,788,406</u>
Pension benefit obligation in excess of assets	<u><u>\$ 16,649,015</u></u>	<u><u>\$ 18,948,251</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. DEFINED BENEFIT PENSION PLANS – 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, 2009	April 30, 2009
Amount necessary to provide the employer normal costs	\$ 327,142	\$ 453,988
Amount necessary to amortize the unfunded actuarial accrued liability	818,825	931,906
	<u>\$ 1,145,967</u>	<u>\$ 1,385,894</u>
As a percentage of current covered payroll (at April 30, 2009):		
Employer normal costs	14.670%	21.650%
Amortization of unfunded actuarial accrued liability	36.730%	44.444%
	<u>51.400%</u>	<u>66.094%</u>
Contributions made as a dollar amount as of valuation date (April 30, 2009):		
Employer	\$ 992,277	\$ 1,134,259
Plan members	220,791	203,250
	<u>\$ 1,213,068</u>	<u>\$ 1,337,509</u>
As a percentage of current covered payroll (at April 30, 2009):		
Employer	44.511%	54.094%
Plan members	9.904%	9.693%
	<u>54.415%</u>	<u>63.787%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

22. DEFINED BENEFIT PENSION PLAN – POLICE AND FIREFIGHTERS (CONTINUED)

Mattoon Police Pension Fund

Schedule of Employer Contributions

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2009	\$ 1,145,967	\$ 992,277	86.59%
2008	938,318	913,188	97.32%
2007	841,915	862,335	102.43%
2006	778,439	735,816	94.52%
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%

Due to the timing of the receipt of the Department of Insurance calculations and of the receipt of taxes from the property tax levy, City contributions of property taxes are based on the prior year's annual required contribution as well as other factors associated with the property tax levy. Contributions of replacement taxes are based on the current year's receipts.

Schedule of Funding Progress

The Schedule of Funding Progress for the Mattoon 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

22. DEFINED BENEFIT PENSION PLAN – POLICE AND FIREFIGHTERS (CONTINUED)

Mattoon Firefighters Pension Fund

Schedule of Employer Contributions

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2009	\$ 1,385,894	\$ 1,134,259	81.84%
2008	1,154,741	1,044,189	90.43%
2007	949,325	1,020,381	107.48%
2006	892,249	925,870	103.77%
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%

Due to the timing of the receipt of the Department of Insurance calculations and of the receipt of taxes from the property tax levy, City contributions of property taxes are based on the prior year's annual required contribution as well as other factors associated with the property tax levy. Contributions of replacement taxes are based on the current year's receipts.

Schedule of Funding Progress

The Schedule of Funding Progress for the Mattoon 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

23. POST-EMPLOYMENT HEALTHCARE BENEFITS

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

Former employees, who are not retirees, are provided COBRA healthcare 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. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by the City and is the basis for the OPEB obligation accounted for under GASB 45.

Funding Policy

For fiscal year 2010, the City contributed \$781,559 for retiree healthcare benefits. The City required retirees with monthly pensions less than \$1,625 per month to contribute \$67 per month for those with no dependents or \$115 per month for those with dependents, approximately 15% of the total cost of their healthcare. Retirees with a monthly pension greater than \$1,625 per month were required to contribute \$133 per month for those with no dependents or \$230 per month for those with dependents, approximately 30% of the total cost of their healthcare. The municipality bears all cost above the amount contributed by retirees on a pay-as-you-go basis. For the fiscal year ending April 30, 2011, the total cost of healthcare is projected to be \$415 for single coverage and \$844 for family coverage. Retirees with monthly pensions less than \$1,625 per month will be required to contribute \$62 per month for those with no dependents and \$127 for those with dependents, approximately 15% of the total cost. Retirees with monthly pensions greater than \$1,625 per month will be required to contribute \$135 per month for those with no dependents and \$274 for those with dependents, approximately 32.5% of the total cost.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The ARC represents the normal cost each year and an amount to amortize the unfunded actuarial liability over thirty years. The following table shows the calculation of the net OPEB obligation. The Net OPEB Obligation is the amount entered as of year end as the net liability for post-employment benefits.

Item	Total
Annual required contribution	\$1,847,772
Interest on net OPEB obligation	68,295
Adjustment to annual required contribution	<u>(84,622)</u>
Annual OPEB cost (expense)	1,831,445
Contributions made	<u>(781,559)</u>
Increase in net OPEB obligation	1,049,886
Net OPEB obligation - beginning of year	<u>1,365,895</u>
Net OPEB obligation - end of year	<u><u>\$2,415,781</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2010	\$ 1,831,445	42.70%	\$2,415,781
4/30/2009	2,215,155	38.30%	1,365,895

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of April 30, 2010, the actuarial accrued liability for benefits was \$23,181,829. The covered payroll was approximately \$6,438,912, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 360%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

In the actuarial valuation for the fiscal year ended April 30, 2010, the entry age normal cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially, reduced to an ultimate rate of 5% after five years. Rates include a 2.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 30 years.

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

24. SELF-INSURANCE

The City has offered its employees and retirees a self-insured group health insurance plan managed by a third party administrator (TPA) since January 1, 1983. 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 Insurance 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.

The municipality requires active employee and retiree contributions to the health plan. Note 23 provides the funding information for retirees. The contribution for active employees is \$67 per month for those with no dependents or \$115 per month for those with dependents, approximately 15% of total costs. The municipality bears all cost above the amount contributed by employees on a pay-as-you-go basis. For the fiscal year ending April 30, 2011, the total cost of the health plan per employee is projected to be \$415 per month for employees with no dependents or \$844 per month for employees with dependents. Based on these estimated costs, the contribution for active employees will be \$62 per month for those with no dependents or \$127 per month for those with dependents, or 15% of total costs, for the fiscal year ending April 30, 2011.

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

24. SELF-INSURANCE (CONTINUED)

The specific stop loss insurance coverage presently attaches at costs in excess of \$150,000 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 263 employees, former employees, and retirees participating in the group health plan. Of this number, 129 were active employees and 134 were retirees. Seventy of the participants had single coverage, and 193 had family coverage.

The health plan is funded on a pay-as-you go basis. The City incurred health plan claims expenditures of \$2,011,164 in the fiscal year that ended April 30, 2010, which includes \$102,707 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

25. INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees for which the City carries commercial insurance. 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	TCICA ¹	Statutory Limits First dollar coverage	12/15/2010
Property & Equipment	SPGIC ²	Replacement Cost Blanket Building & Contents Limit Property - \$5,000 deductible Blanket Earnings - \$5,000 deductible	12/1/2010
Auto Physical Damage	SPGIC	Actual Cash Value \$500 deductible	12/1/2010
Inland Marine	Cincinnati	\$200,000 for Lake Paradise Dam \$400,000 for Lake Mattoon Dam \$1,000 deductible	5/12/2010
General Liability ³	SPGIC	\$1 million each occurrence \$3 million aggregate	12/1/2010
Automotive Liability	SPGIC	\$1 million	12/1/2010
Umbrella Liability ⁴	SPGIC	\$10 million \$10,000 deductible	12/1/2010

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

25. INSURANCE (CONTINUED)

¹ Travelers Casualty Insurance Company of America.

² St. Paul Guardian Insurance Company

³ 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.

⁴ The umbrella policy is excess liability coverage with limits that follow the general liability coverage form. The Public Officials Errors & Omissions excess coverage is a claims made form and is subject to a \$1 million sublimit.

26. CONTINGENCIES

At April 30, 2010, the City was a defendant in a pending lawsuit. Management believes that the liability insurance of the City is sufficient to cover the asserted claim.

27. FUTUREGEN PLEDGES AND NOTE PAYABLE

For the last three years, the City of Mattoon has been working closely with Coles Together to be named as the site for the FutureGen project. This project involves the construction of the world's first near-zero emissions coal fired power plant. After submitting a detailed proposal, Mattoon was named as the site for the project in December of 2007. As part of the winning proposal, Coles Together promised to provide FutureGen with three million dollars (\$3,000,000) to be used for the purchase of the plant site. After the City of Mattoon was named as the winner, Coles Together received pledges from the community totaling more than the amount necessary to be provided to FutureGen. Since these pledges are collectible over the coming years, the City of Mattoon agreed to help Coles Together provide FutureGen with the three million dollar pledge. In August of 2008, the City of Mattoon entered into an agreement with Coles Together, calling for the City to secure funding for the three million dollar pledge and Coles Together to assign all the pledges to the City for payment on the debt. Additionally, the agreement calls for Coles Together to indemnify the City and reimburse the City for any and all costs associated with the debt. In August of 2010, the Coles Together turned down a revamped FutureGen Project (FutureGen 2.0). Since that time Coles Together has secured title to the property and is working to refinance the current amount owed to the City. Coles Together has continued to reimburse the City for all interest costs and has made principal payments when funds are available. All agreements with Coles Together are still valid and are in full force. The amount outstanding as of April 30, 2010 was \$1,668,084.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

28. DEFICIT FUND BALANCES

The following individual funds carried the following deficit balances as of April 30, 2010:

I-57 East Business District Fund	\$ 1,269
South Rt 45 TIF District Fund	\$ 334,720

The City intends to reduce these deficits from increased business district and TIF revenues in future periods.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MATTOON, ILLINOIS

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

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]
12/31/09	\$ 7,489,435	\$ 11,563,277	\$ 4,073,842	64.77%	\$ 3,871,294	105.23%
12/31/08	8,610,169	12,060,875	3,450,706	71.39%	4,060,785	84.98%
12/31/07	10,805,966	11,773,599	967,633	91.78%	4,023,342	24.05%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$7,068,782. On a market basis, the funded ratio would be 61.13 percent.

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

POLICE PENSION FUND

SCHEDULE OF FUNDING PROGRESS

UNAUDITED

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)
4/30/09	\$ 12,055,157	\$ 28,704,172	\$ 16,649,015	42.00%	\$ 2,229,284	746.83%
4/30/08	14,390,466	27,532,025	13,141,559	52.27%	2,139,709	614.18%
4/30/07	14,514,232	26,108,574	11,594,342	55.59%	2,106,237	550.48%
4/30/06	13,714,306	24,651,931	10,937,625	55.63%	1,981,068	552.11%
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%

See accompanying notes to required supplementary information

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

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)
4/30/09	\$ 12,788,406	\$ 31,736,657	\$ 18,948,251	40.30%	\$ 2,096,818	903.67%
4/30/08	15,789,402	30,844,230	15,054,828	51.19%	2,027,483	742.54%
4/30/07	16,473,916	27,955,081	11,481,165	58.93%	1,909,726	601.19%
4/30/06	15,801,053	26,768,722	10,967,669	59.03%	1,833,262	598.26%
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%

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

**POST-EMPLOYMENT HEALTHCARE BENEFIT PROGRAM
SCHEDULE OF FUNDING PROGRESS
UNAUDITED**

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)
4/30/2010	\$ --	\$ 23,181,829	\$ 23,181,829	0.00%	\$ 6,438,912	360.03%
4/30/2009	--	26,631,983	26,631,983	0.00%	7,672,227	347.12%

See accompanying notes to required supplementary information

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, 2010**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,137,984	\$ 6,137,984	\$ 6,018,665	\$ (119,319)
Licenses and permits	189,575	189,575	178,343	(11,232)
Intergovernmental revenues	8,416,500	8,416,500	7,504,124	(912,376)
Charges for services	594,676	594,676	424,798	(169,878)
Fines and forfeitures	141,000	141,000	233,196	92,196
Investment income	73,000	73,000	18,408	(54,592)
Contributions & miscellaneous revenues	177,500	177,500	585,163	407,663
Total revenues	<u>15,730,235</u>	<u>15,730,235</u>	<u>14,962,697</u>	<u>(767,538)</u>
Expenditures:				
Current:				
General government	1,591,043	1,591,043	1,638,929	(47,886)
Public safety	9,546,310	9,546,310	9,505,914	40,396
Public works	1,906,306	1,906,306	1,890,590	15,716
Health and welfare	40,500	40,500	37,928	2,572
Culture and recreation	1,210,067	1,210,067	1,182,533	27,534
Economic development	97,000	97,000	473,660	(376,660)
Capital outlay	--	--	104,030	(104,030)
Debt service:				
Principal	534,198	534,198	581,553	(47,355)
Interest and fiscal charges	1,500	1,500	227,053	(225,553)
Total expenditures	<u>\$ 14,926,924</u>	<u>\$ 14,926,924</u>	<u>\$ 15,642,190</u>	<u>\$ (715,266)</u>

See accompanying notes to required supplementary information

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, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	\$ 803,311	\$ 803,311	\$ (679,493)	\$ (1,482,804)
Other financing sources (uses):				
Transfers in	70,000	70,000	135,237	65,237
Transfers out	(904,588)	(904,588)	(756,628)	147,960
Proceeds from sale of assets	--	--	672,585	672,585
Total other financing sources (uses)	<u>(834,588)</u>	<u>(834,588)</u>	<u>51,194</u>	<u>885,782</u>
Net change in fund balances	<u>\$ (31,277)</u>	<u>\$ (31,277)</u>	(628,299)	<u>\$ (597,022)</u>
Fund balance, beginning of year			<u>2,010,077</u>	
Fund balance, end of year			<u>\$ 1,381,778</u>	

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
BROADWAY EAST BUSINESS DISTRICT FUND
For the year ended April 30, 2010**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 360,000	\$ 360,000	\$ 348,378	\$ (11,622)
Investment income	1,000	1,000	12,541	11,541
Total revenues	<u>361,000</u>	<u>361,000</u>	<u>360,919</u>	<u>(81)</u>
Expenditures:				
Current:				
Economic development	--	--	812,426	(812,426)
Debt service:				
Interest and fiscal charges	--	--	1,106	(1,106)
Bond issuance costs	--	--	20,000	(20,000)
Total expenditures	<u>--</u>	<u>--</u>	<u>833,532</u>	<u>(833,532)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 361,000</u>	<u>\$ 361,000</u>	(472,613)	<u>\$ (833,613)</u>
Fund balance, beginning of year			<u>4,215,716</u>	
Fund balance, end of year			<u>\$ 3,743,103</u>	

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

NOTES 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.

2. EXCESS OF EXPENDITURES OVER BUDGET

For the year ended April 30, 2010, expenditures exceeded the budget for the General Fund by \$715,266 and for the Broadway East Business District Fund by \$833,532. These overexpenditures were funded by available fund balance in each fund.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
CAPITAL PROJECTS FUND
For the year ended April 30, 2010**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 2,987,600	\$ 2,987,600	\$ 2,511,190	\$ (476,410)
Investment income	5,000	5,000	11,769	6,769
Contributions & miscellaneous revenues	170,000	170,000	49,674	(120,326)
Total revenues	3,162,600	3,162,600	2,572,633	(589,967)
Expenditures:				
Current:				
General government	1,100	1,100	6,313	(5,213)
Public works	8,480,000	8,480,000	109,954	8,370,046
Culture and recreation	800,000	800,000	--	800,000
Economic development	500,000	500,000	1,322	498,678
Capital outlay	--	--	3,490,379	(3,490,379)
Debt service:				
Interest and fiscal charges	--	--	1,106	(1,106)
Bond issuance costs	--	--	20,000	(20,000)
Total expenditures	9,781,100	9,781,100	3,629,074	6,152,026
Excess (deficiency) of revenues over (under) expenditures	<u>(6,618,500)</u>	<u>(6,618,500)</u>	<u>(1,056,441)</u>	<u>5,562,059</u>
Other financing sources (uses):				
Transfers in	720,000	720,000	756,628	36,628
Transfers out	(70,000)	(70,000)	--	70,000
Total other financing sources (uses)	650,000	650,000	756,628	106,628
Net change in fund balances	<u>\$ (5,968,500)</u>	<u>\$ (5,968,500)</u>	(299,813)	<u>\$ 5,668,687</u>
Fund balance, beginning of year			<u>6,664,747</u>	
Fund balance, end of year			<u><u>\$ 6,364,934</u></u>	

CITY OF MATTOON, ILLINOIS

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

April 30, 2010

	<u>Motor Fuel Tax Fund</u>	<u>Hotel and Motel Tax Fund</u>	<u>Festival Management Fund</u>	<u>Home Rehabilitation Grant Fund</u>	<u>Revolving Loan Fund</u>	<u>Midtown TIF District Fund</u>
ASSETS:						
Cash and cash equivalents	\$ 1,349,938	\$ 74,523	\$ 117,158	\$ 1,998	\$ 172,079	\$ 250,417
Receivables	39,676	57,208	--	15,611	131,774	224,230
Due from other funds	25,073	--	--	--	15,467	--
Prepaid items	--	--	39,261	--	--	--
Long-term receivables	--	--	--	--	722,532	--
Advance to other fund	--	--	--	--	20,622	--
	<u>\$ 1,414,687</u>	<u>\$ 131,731</u>	<u>\$ 156,419</u>	<u>\$ 17,609</u>	<u>\$ 1,062,474</u>	<u>\$ 474,647</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 57,938	\$ 305	\$ 11,940	\$ 17,572	\$ --	\$ 37,280
Payroll liabilities payable	--	1,703	--	--	--	--
Due to other funds	--	407	--	--	--	--
Deferred revenue	--	21,793	--	--	--	224,230
Short-term note payable	--	--	--	--	--	--
Accrued interest expense	--	--	--	--	--	--
	<u>57,938</u>	<u>24,208</u>	<u>11,940</u>	<u>17,572</u>	<u>--</u>	<u>261,510</u>
Fund balances:						
Reserved for:						
Prepaid items	--	--	39,261	--	--	--
Advances	--	--	--	--	20,622	--
Long-term receivables	--	--	--	--	722,532	--
Unreserved:						
Undesignated	<u>1,356,749</u>	<u>107,523</u>	<u>105,218</u>	<u>37</u>	<u>319,320</u>	<u>213,137</u>
	<u>1,356,749</u>	<u>107,523</u>	<u>144,479</u>	<u>37</u>	<u>1,062,474</u>	<u>213,137</u>
Total liabilities and fund balances	<u><u>\$ 1,414,687</u></u>	<u><u>\$ 131,731</u></u>	<u><u>\$ 156,419</u></u>	<u><u>\$ 17,609</u></u>	<u><u>\$ 1,062,474</u></u>	<u><u>\$ 474,647</u></u>

CITY OF MATTOON, ILLINOIS

**COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2010**

	I-57 East TIF District Fund	South Rt 45 Business District Fund	I-57 East Business District Fund	Broadway East TIF District Fund	South Rt 45 TIF District Fund	Totals
ASSETS:						
Cash and cash equivalents	\$ 403	\$ 75,508	\$ --	\$ 3,980	\$ 1,186	\$ 2,047,190
Receivables	25,308	8,676	--	23,687	1,351	527,521
Due from other funds	--	--	--	--	--	40,540
Prepaid items	--	--	--	--	--	39,261
Long-term receivables	--	--	--	--	--	722,532
Advance to other fund	--	--	--	--	--	20,622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 25,711</u>	<u>\$ 84,184</u>	<u>\$ --</u>	<u>\$ 27,667</u>	<u>\$ 2,537</u>	<u>\$ 3,397,666</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 387	\$ --	\$ --	\$ --	\$ 237	\$ 125,659
Payroll liabilities payable	--	--	--	--	--	1,703
Due to other funds	--	--	1,269	--	--	1,676
Deferred revenue	25,308	2,740	--	23,687	1,351	299,109
Short-term note payable	--	--	--	--	330,000	330,000
Accrued interest expense	--	--	--	--	5,669	5,669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>25,695</u>	<u>2,740</u>	<u>1,269</u>	<u>23,687</u>	<u>337,257</u>	<u>763,816</u>
Fund balances:						
Reserved for:						
Prepaid items	--	--	--	--	--	39,261
Advances	--	--	--	--	--	20,622
Long-term receivables	--	--	--	--	--	722,532
Unreserved:						
Undesignated	16	81,444	(1,269)	3,980	(334,720)	1,851,435
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>16</u>	<u>81,444</u>	<u>(1,269)</u>	<u>3,980</u>	<u>(334,720)</u>	<u>2,633,850</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 25,711</u>	<u>\$ 84,184</u>	<u>\$ --</u>	<u>\$ 27,667</u>	<u>\$ 2,537</u>	<u>\$ 3,397,666</u>

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Festival Management Fund	Home Rehabilitation Grant Fund	Revolving Loan Fund	Midtown TIF District Fund
Revenues:						
Taxes	\$ --	\$ 238,048	\$ --	\$ --	\$ --	\$ 186,401
Intergovernmental revenues	461,611	--	--	210,000	--	--
Investment income	1,740	--	--	--	21,226	1,683
Contributions and miscellaneous revenues	--	23,244	142,434	--	--	--
Total revenues	463,351	261,292	142,434	210,000	21,226	188,084
Expenditures:						
Current:						
Public works	173,844	--	--	--	--	--
Culture and recreation	--	208,018	132,070	--	--	--
Economic development	--	--	--	209,989	1,910	127,593
Total expenditures	173,844	208,018	132,070	209,989	1,910	127,593
Excess (deficiency) of revenues over (under) expenditures	289,507	53,274	10,364	11	19,316	60,491
Other financing sources (uses):						
Operating transfers in	--	--	48,750	--	--	--
Operating transfers out	--	(48,750)	--	--	--	--
Total other financing sources (uses)	--	(48,750)	48,750	--	--	--
Net change in fund balances	289,507	4,524	59,114	11	19,316	60,491
Fund balances (deficits), beginning of year	1,067,242	102,999	85,365	26	1,043,158	152,646
Fund balances (deficits), end of year	\$ 1,356,749	\$ 107,523	\$ 144,479	\$ 37	\$ 1,062,474	\$ 213,137

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS**

For the year ended April 30, 2010

	I-57 East TIF District Fund	South Rt 45 Business District Fund	I-57 East Business District Fund	Broadway East TIF District Fund	South Rt 45 TIF District Fund	Eliminations	Totals
Revenues:							
Taxes	\$ 974	\$ 37,477	\$ --	\$ 4,485	\$ 1,185	\$ --	\$ 468,570
Intergovernmental revenues	--	-	--	--	--	--	671,611
Investment income	--	124	--	2	1	--	24,776
Contributions and miscellaneous revenues	--	--	--	--	--	--	165,678
Total revenues	<u>974</u>	<u>37,601</u>	<u>--</u>	<u>4,487</u>	<u>1,186</u>	<u>--</u>	<u>1,330,635</u>
Expenditures:							
Current:							
Public works	--	--	--	--	--	--	173,844
Culture and recreation	--	--	--	--	--	--	340,088
Economic development	775	--	--	--	335,906	--	676,173
Total expenditures	<u>775</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>335,906</u>	<u>--</u>	<u>1,190,105</u>
Excess (deficiency) of revenues over (under) expenditures	199	37,601	--	4,487	(334,720)	--	140,530
Other financing sources (uses):							
Operating transfers in	--	--	--	--	--	(48,750)	--
Operating transfers out	--	--	--	--	--	48,750	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	199	37,601	--	4,487	(334,720)	--	140,530
Fund balances (deficits), beginning of year	<u>(183)</u>	<u>43,843</u>	<u>(1,269)</u>	<u>(507)</u>	<u>--</u>	<u>--</u>	<u>2,493,320</u>
Fund balances (deficits), end of year	<u>\$ 16</u>	<u>\$ 81,444</u>	<u>\$ (1,269)</u>	<u>\$ 3,980</u>	<u>\$ (334,720)</u>	<u>\$ --</u>	<u>\$ 2,633,850</u>

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
MOTOR FUEL TAX FUND
For the year ended April 30, 2010**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 480,000	\$ 480,000	\$ 461,611	\$ (18,389)
Investment income	<u>15,000</u>	<u>15,000</u>	<u>1,740</u>	<u>(13,260)</u>
Total revenues	495,000	495,000	463,351	(31,649)
Expenditures:				
Current:				
Public works	<u>320,130</u>	<u>320,130</u>	<u>173,844</u>	<u>146,286</u>
Excess of revenues over expenditures	<u>\$ 174,870</u>	<u>\$ 174,870</u>	289,507	<u>\$ 114,637</u>
Fund balance, beginning of year			<u>1,067,242</u>	
Fund balance, end of year			<u>\$ 1,356,749</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
HOTEL AND MOTEL TAX FUND
For the year ended April 30, 2010**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 253,017	\$ 253,017	\$ 238,048	\$ (14,969)
Contributions and miscellaneous revenues	--	--	23,244	23,244
Total revenues	253,017	253,017	261,292	8,275
Expenditures:				
Current:				
Culture and recreation	204,267	204,267	208,018	(3,751)
Excess of revenues over expenditures	48,750	48,750	53,274	4,524
Other financing uses:				
Operating transfers out	(48,750)	(48,750)	(48,750)	--
Net change in fund balances	<u>\$ --</u>	<u>\$ --</u>	4,524	<u>\$ 4,524</u>
Fund balance, beginning of year			<u>102,999</u>	
Fund balance, end of year			<u>\$ 107,523</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
FESTIVAL MANAGEMENT FUND
For the year ended April 30, 2010**

	<u>Budget</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Contributions & miscellaneous revenues	\$ 105,750	\$ 105,750	\$ 142,434	\$ 36,684
Expenditures:				
Current:				
Culture and recreation	<u>154,400</u>	<u>154,400</u>	<u>132,070</u>	<u>22,330</u>
Excess (deficiency) of revenues over (under) expenditures	(48,650)	(48,650)	10,364	59,014
Other financing sources:				
Operating transfers in	<u>48,750</u>	<u>48,750</u>	<u>48,750</u>	<u>--</u>
Net change in fund balances	<u>\$ 100</u>	<u>\$ 100</u>	59,114	<u>\$ 59,014</u>
Fund balance, beginning of year			<u>85,365</u>	
Fund balance, end of year			<u>\$ 144,479</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
HOME REHABILITATION GRANT FUND
For the year ended April 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 210,000	\$ 210,000	\$ 210,000	\$ --
Expenditures:				
Current:				
Economic development	<u>210,000</u>	<u>210,000</u>	<u>209,989</u>	<u>11</u>
Excess of revenues over expenditures	<u>\$ --</u>	<u>\$ --</u>	11	<u>\$ 11</u>
Fund balance, beginning of year			<u>26</u>	
Fund balance, end of year			<u>\$ 37</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
REVOLVING LOAN FUND
For the year ended April 30, 2010**

	<u>Budget</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment income	\$ 500	\$ 500	\$ 21,226	\$ 20,726
Contributions and miscellaneous revenues	<u>135,000</u>	<u>135,000</u>	<u>--</u>	<u>(135,000)</u>
Total revenues	<u>135,500</u>	<u>135,500</u>	<u>21,226</u>	<u>(114,274)</u>
Expenditures:				
Current:				
Economic development	<u>135,500</u>	<u>135,500</u>	<u>1,910</u>	<u>133,590</u>
Excess of revenues over expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>19,316</u>	<u>\$ 19,316</u>
Fund balance, beginning of year			<u>1,043,158</u>	
Fund balance, end of year			<u>\$ 1,062,474</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
MIDTOWN TIF DISTRICT FUND
For the year ended April 30, 2010**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 186,401	\$ 36,401
Investment income	2,500	2,500	1,683	(817)
Total revenues	152,500	152,500	188,084	35,584
Expenditures:				
Current:				
Economic development	152,412	152,412	127,593	24,819
Excess of revenues over expenditures	<u>\$ 88</u>	<u>\$ 88</u>	60,491	<u>\$ 60,403</u>
Fund balance, beginning of year			<u>152,646</u>	
Fund balance, end of year			<u>\$ 213,137</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
I-57 EAST TIF DISTRICT FUND
For the year ended April 30, 2010**

	<u>Budget</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,000	\$ 1,000	\$ 974	\$ (26)
Expenditures:				
Current:				
Economic development	<u>400</u>	<u>400</u>	<u>775</u>	<u>(375)</u>
Excess of revenues over expenditures	<u>\$ 600</u>	<u>\$ 600</u>	199	<u>\$ (401)</u>
Fund balance (deficit), beginning of year			<u>(183)</u>	
Fund balance, end of year			<u>\$ 16</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
SOUTH RT 45 BUSINESS DISTRICT FUND
For the year ended April 30, 2010**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues:				
Taxes	\$ 35,000	\$ 35,000	\$ 37,477	\$ 2,477
Investment income	--	--	124	124
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>37,601</u>	<u>2,601</u>
Expenditures:				
Current:				
Economic development	--	--	--	--
Excess of revenues over expenditures	<u>\$ 35,000</u>	<u>\$ 35,000</u>	37,601	<u>\$ 2,601</u>
Fund balance, beginning of year			<u>43,843</u>	
Fund balance, end of year			<u>\$ 81,444</u>	

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

April 30, 2010

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ --	\$ 78,536	\$ 78,536
Accounts receivable	9,927	112,354	122,281
Due from other funds	120,848	168,408	289,256
Due from component units	--	521	521
Prepaid items	841	84,165	85,006
	<u> </u>	<u> </u>	<u> </u>
Total current assets	131,616	443,984	575,600
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	941	--	941
	<u> </u>	<u> </u>	<u> </u>
Total assets	132,557	443,984	576,541
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:			
Current liabilities:			
Accounts payable	102,707	90	102,797
Cash overdraft	26,725	--	26,725
Due to component units	3,125	--	3,125
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	132,557	90	132,647
	<u> </u>	<u> </u>	<u> </u>
NET ASSETS:			
Unrestricted	\$ -	\$ 443,894	\$ 443,894
	<u> </u>	<u> </u>	<u> </u>

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended April 30, 2010**

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Fund charges and employee contributions	\$ 2,276,263	\$ 737,386	\$ 3,013,649
Insurance reimbursements	31,357	--	31,357
Miscellaneous operating revenue	24,419	56,328	80,747
	<u>2,332,039</u>	<u>793,714</u>	<u>3,125,753</u>
Operating expenses:			
Administrative and general	134,128	8,989	143,117
Insurance	186,798	784,725	971,523
Health claims and uninsured judgments	2,011,164	--	2,011,164
	<u>2,332,090</u>	<u>793,714</u>	<u>3,125,804</u>
Operating loss	(51)	--	(51)
Non-operating revenues:			
Investment income	51	--	51
	<u>51</u>	<u>--</u>	<u>51</u>
Change in net assets	--	--	--
Net assets, beginning of year	--	443,894	443,894
	<u> </u>	<u> </u>	<u> </u>
Net assets, end of year	<u>\$ --</u>	<u>\$ 443,894</u>	<u>\$ 443,894</u>

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the year ended April 30, 2010**

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 1,782,773	\$ 586,303	\$ 2,369,076
Receipts from component units	31,958	12,922	44,880
Receipts from employees and retirees	453,280	--	453,280
Payments to suppliers	(321,767)	(904,694)	(1,226,461)
Payments to claimants	(2,057,482)	--	(2,057,482)
Other receipts	45,849	56,328	102,177
Net cash used for operating activities	(65,389)	(249,141)	(314,530)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received (net of expense)	51	--	51
Net decrease in cash	(65,338)	(249,141)	(314,479)
Cash, restricted and unrestricted, beginning of year	39,554	327,677	367,231
Cash, restricted and unrestricted, end of year	\$ (25,784)	\$ 78,536	\$ 52,752

PER COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

ASSETS:

Current assets:

Cash and cash equivalents	\$ --	\$ 78,536	\$ 78,536
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Noncurrent assets:

Restricted assets:

Cash and cash equivalents	941	--	941
---------------------------	-----	----	-----

LIABILITIES:

Current liabilities:

Cash overdraft	(26,725)	--	(26,725)
----------------	----------	----	----------

	\$ (25,784)	\$ 78,536	\$ 52,752
--	-------------	-----------	-----------

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF CASH FLOWS
(CONTINUED)**

**INTERNAL SERVICE FUNDS
For the year ended April 30, 2010**

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (51)	\$ --	\$ (51)
Adjustments to reconcile operating loss to net cash used for operating activities:			
(Increase) decrease in receivables	(9,927)	(112,354)	(122,281)
(Increase) decrease in due from other funds	(8,487)	(138,060)	(146,547)
(Increase) decrease in due from component units	--	(101)	(101)
(Increase) decrease in prepaid items	(841)	8,148	7,307
Increase (decrease) in accounts payable	(42,846)	(6,774)	(49,620)
Increase (decrease) in due to component units	235	--	235
Increase (decrease) in other payables	(3,472)	--	(3,472)
	<u>(3,472)</u>	<u>--</u>	<u>(3,472)</u>
Net cash used for operating activities	<u>\$ (65,389)</u>	<u>\$ (249,141)</u>	<u>\$ (314,530)</u>

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL COMPONENT UNIT (MATTOON PUBLIC LIBRARY)
April 30, 2010**

ASSETS:

Cash and cash equivalents	\$ 21,189
Investments, at fair value	3,036
Due from primary government	37,027
Restricted assets:	
Investments, at fair value	<u>25,000</u>
 Total assets	 <u>\$ 86,252</u>

LIABILITIES AND FUND BALANCE:

Liabilities:

Accounts payable	\$ 13,071
Payroll liabilities payable	89
Early retirement incentive payable	35,269
Due to primary government	<u>19,021</u>
 Total liabilities	 <u>67,450</u>

Fund balance:

Reserved for endowment	25,000
Unreserved	<u>(6,198)</u>
 Total fund balance	 <u>18,802</u>
 Total liabilities and fund balance	 <u>\$ 86,252</u>

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL COMPONENT UNIT (MATTOON PUBLIC LIBRARY)
For the year ended April 30, 2010**

Revenues:	
Payments from primary government	\$ 455,925
Intergovernmental revenues	22,128
Charges for services	8,169
Fines and forfeitures	13,747
Investment income	6,713
Miscellaneous revenues	<u>10,706</u>
Total revenues	517,388
Expenditures:	
Current:	
Culture and recreation	<u>546,070</u>
Deficiency of revenues under expenditures	(28,682)
Fund balance, beginning of year	<u>47,484</u>
Fund balance, end of year	<u>\$ 18,802</u>

CITY OF MATTOON, ILLINOIS

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

April 30, 2010

	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash	\$ 1,439,648	\$ 639,428	\$ 2,079,076
Interest receivable	68,662	79,817	148,479
Advances to primary government	200,441	270,376	470,817
Investments, at fair value:			
U.S. government obligations	5,866,972	6,438,797	12,305,769
Insurance contracts	6,481,529	6,688,776	13,170,305
Open end mutual fund	--	300,643	300,643
Corporate notes and bonds	--	210,220	210,220
Total investments	<u>12,348,501</u>	<u>13,638,436</u>	<u>25,986,937</u>
Total assets	14,057,252	14,628,057	28,685,309
LIABILITIES:			
Pensions payable	<u>121,873</u>	<u>163,734</u>	<u>285,607</u>
NET ASSETS:			
Held in trust for pension benefits (a schedule of funding progress is presented on pages 97-98)	<u>\$ 13,935,379</u>	<u>\$ 14,464,323</u>	<u>\$ 28,399,702</u>

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 1,010,614	\$ 1,230,187	\$ 2,240,801
Plan members	242,041	212,776	454,817
	<u> </u>	<u> </u>	<u> </u>
Total contributions	1,252,655	1,442,963	2,695,618
	<u> </u>	<u> </u>	<u> </u>
Investment income:			
Interest income	245,141	293,573	538,714
Net increase in fair value of investments	1,850,079	1,890,497	3,740,576
	<u> </u>	<u> </u>	<u> </u>
Net investment income	2,095,220	2,184,070	4,279,290
	<u> </u>	<u> </u>	<u> </u>
Total additions	3,347,875	3,627,033	6,974,908
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits and refunds of contributions	1,397,608	1,865,578	3,263,186
Miscellaneous	4,918	8,153	13,071
	<u> </u>	<u> </u>	<u> </u>
Total deductions	1,402,526	1,873,731	3,276,257
	<u> </u>	<u> </u>	<u> </u>
Change in net assets	1,945,349	1,753,302	3,698,651
	<u> </u>	<u> </u>	<u> </u>
Net assets held in trust, beginning of year	11,990,030	12,711,021	24,701,051
	<u> </u>	<u> </u>	<u> </u>
Net assets held in trust, end of year	\$ 13,935,379	\$ 14,464,323	\$ 28,399,702
	<u> </u>	<u> </u>	<u> </u>

ACCOMPANYING INFORMATION SECTION

CITY OF MATTOON, ILLINOIS

**LEGAL DEBT MARGIN
(UNAUDITED)
April 30, 2010**

Assessed valuation, 2009 levy		<u>\$ 186,786,780</u>
Statutory debt limitation: (8.625% of assessed valuation)		\$ 16,110,360
Total debt:		
General obligation bonds	(18,502,000)	
Capital leases	(636,879)	
Notes payable	<u>(13,874,402)</u>	
Total debt		(33,013,281)
Less debt exempt from statutory debt limitation computation:		
General obligation bonds	18,502,000	
Capital leases	25,654	
Notes payable-IEPA loans	<u>11,565,233</u>	
Total debt exempt from statutory debt limitation		<u>30,092,887</u>
Legal debt margin		<u>\$ 13,189,966</u>

COMPLIANCE SECTION

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

613 BROADWAY AVENUE
P.O. BOX 945
MATTOON, ILLINOIS 61938

(217) 235-4747
www.westcpa.com

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INDEPENDENT AUDITORS' 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, 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, 2010, which collectively comprise the City of Mattoon, Illinois' basic financial statements and have issued our report thereon dated March 11, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mattoon, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mattoon, Illinois' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 10-01 and 10-03 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 10-02 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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*.

We noted certain other matters that we reported to management of the City of Mattoon, Illinois, in a separate letter dated March 11, 2011.

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

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

Went + Company, LLC

March 11, 2011

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

CERTIFIED PUBLIC ACCOUNTANTS
&
CONSULTANTS

613 BROADWAY AVENUE
P.O. BOX 945
MATTOON, ILLINOIS 61938

(217) 235-4747
www.westcpa.com

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Commissioners
City of Mattoon, Illinois

Compliance

We have audited the compliance of the City of Mattoon, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Mattoon, Illinois' major federal programs for the year ended April 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2010.

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 the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mattoon, Illinois' internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-03 to be a material weakness.

The City of Mattoon, Illinois' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Mattoon, Illinois' response and, accordingly, we express no opinion on it.

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

Wart & Copy, LLC

March 11, 2011

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2010**

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			
HOME Investment Partnership Program	14.239	HO-50061	<u>\$ 209,989</u>
U.S. Department of Justice			
Omega - sharing of federally forfeited property	16.UNKNOWN		<u>65,850</u>
<i>Passed through Illinois Criminal Justice Info Authority:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	405856	6,997
Edward Byrne Memorial Justice Assistance Grant	16.738	406003	27,122
Edward Byrne Memorial Justice Assistance Grant	16.738	407003	79,280
Total Edward Byrne Memorial Justice Assistance			<u>113,399</u>
Total U.S. Department of Justice			<u>179,249</u>
U.S. Department of Transportation			
(m) Federal Transit - Capital Investment Grants	20.500	IL-04-0029-01	<u>1,108,286</u>
<i>Passed through Illinois Department of Transportation:</i>			
State and Community Highway Safety	20.600	AL9-3625-551	4,530
State and Community Highway Safety	20.600	TR9-3625-860	7,998
Total State and Community Highway Safety			<u>12,528</u>
(m) Highway Planning and Construction (Federal-Aid Highway Program)	20.205	C-97-003-07	<u>1,200,000</u>
Total U.S. Department of Transportation			<u>2,320,814</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2008-FO-02035	<u>70,300</u>
U.S. Department of Agriculture			
Rural Business Enterprise Grant	10.769		<u>14,890</u>
U.S. Department of the Treasury			
Treasury Forfeiture Fund	21.UNKNOWN		<u>1,401</u>
TOTAL			<u><u>\$ 2,796,643</u></u>

(m) - Audited as a major program

The accompanying notes are an integral part of this schedule

CITY OF MATTOON, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended April 30, 2010

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, 2010, 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, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: UNQUALIFIED

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) 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)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
20.500	Federal Transit - Capital Investment Grants
20.205	Highway Planning and Construction (Federal-Aid Highway 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, 2010

Section II - Financial Statement Findings

FINDING NO. 10-01 – Lack of Segregation of Duties and Inadequate Controls over Payroll

Criteria/Specific Requirement:

Internal controls should be in place that provide reasonable assurance that payroll is properly authorized, recorded, and paid.

Condition:

The payroll function is performed almost entirely by one individual without adequate oversight.

Effect:

Because of the lack of segregation of duties and internal controls, employees may be added to the payroll without the approval or knowledge of management; vacation time, sick time, and overtime may be erroneously recorded; employees' pay may be calculated incorrectly; and payroll taxes and other withholdings may not be accurately withheld and paid.

Cause:

According to City officials, they do not have adequate funding to hire another employee to provide appropriate segregation of duties. Also, there are no procedures in place to require management's approval before initiating various payroll functions.

Auditors' Recommendation:

Procedures should be implemented requiring payroll reports be reviewed by another individual prior to posting the payroll or preparing the ACH file with the direct deposit information for the bank. Once the ACH file is prepared, it should be sent to management for review, approval, and filing. Payroll taxes and other withholdings should be reviewed and approved by management before they are paid.

Management's Response:

Management intends to implement controls to ensure that proper oversight is maintained in the payroll process.

CITY OF MATTOON, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
For the year ended April 30, 2010

Section II - Financial Statement Findings (Continued)

FINDING NO. 10-02 – Inadequate Controls over Billed Receivables

Criteria/Specific Requirement:

Internal controls should be in place that provide reasonable assurance that receivables are properly authorized, recorded, and received.

Condition:

Various departments prepare their own billings and the related receivables may not be recorded in a timely fashion or at all.

Effect:

The financial statements could be misstated due to receivables that were not reported to the finance department.

Cause:

There are no procedures in place to report to the finance department when an invoice is prepared and sent from other departments.

Auditors' Recommendation:

The City should develop a centralized billing function for all receivables. The centralized billing function could receive billing information from the other departments, prepare invoices, and send the invoices back to the other departments for approval and mailing.

Management's Response:

The City intends to implement a centralized monitoring system for all City accounts receivable.

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

Section II - Financial Statement Findings (Continued)

FINDING NO. 10-03 – Inadequate Controls over Compliance Requirements for Grants

Federal Program Name: Highway Planning and Construction (Federal-Aid Highway Program)

Project #: C-97-003-07

CFDA #: 20.205

Passed Through: Illinois Department of Transportation

Federal Agency: U.S. Department of Transportation

Federal Program Name: Federal Transit – Capital Investment Grants

Project #: IL-04-0029-01

CDFA #: 20.500

Federal Agency: U.S. Department of Transportation

Criteria/Specific Requirement:

The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for federal programs are found in OMB Circular A-133.

Condition:

The City does not have a centralized system to ensure compliance with compliance requirements applicable to its Federal, State, and local grants. For example, auditors, in their review of the City's accounting records for grants, noted the following:

- The Highway Planning and Construction (Federal-Aid Highway Program) and Federal Transit – Capital Investment Grants, both funding the same project, have various compliance requirements that are to be followed. These include complying with the Davis-Bacon Act and providing matching funds. For the Davis-Bacon Act, the City had a statement in the contract about the contractor adhering to the Act, but there was no follow-up (review of certified payrolls) to determine if the requirement was actually being met. Regarding the matching funds, the City had prepared a spreadsheet at the onset of the grants to make sure each would be matched. However, the documentation for prior year expenditures allowed to match the grants was not kept and the individual who prepared the spreadsheet retired. When the City tried to recreate the amount, the invoice totals were approximately \$24,500 short of the amount on the spreadsheet.

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

FINDING NO. 10-03 – Inadequate Controls over Compliance Requirements for Grants
(Continued)

Condition (continued):

- While reported in the proper period in the general ledger, the City does not have controls in place to ensure expenditures included on expenditure reports meet the expenditure recognition criteria.
- The City does not have controls in place to ensure non-federal financial support is used to match grant funding.

Effect:

The City could inadvertently not comply with provisions of a grant, which could result in the granting agency requesting reimbursement or adjusting future grant awards.

Cause:

The City did not realize that its procedures do not meet the objectives for internal control over compliance requirements for grants.

Auditors' Recommendation:

The City should implement centralized internal control procedures to ensure that all grant transactions are properly recorded and accounted for and are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Management's Response:

Management intends to develop a system for tracking and monitoring federal and state grants and will implement the internal controls necessary to ensure that proper oversight of federal and state grants are maintained.

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2010

Section III - Federal Award Findings

MATERIAL WEAKNESSES:

Finding No. 10-03 – Inadequate Controls over Compliance Requirements for Grants
(finding details on page 135 through 136)

CITY OF MATTOON, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended April 30, 2010**

Corrective Action Plan

FINDING NO. 10-01 – Lack of Segregation of Duties and Inadequate Controls over Payroll

Condition:

The payroll function is performed almost entirely by one individual without adequate oversight.

Plan:

The City will adopt a policy requiring that before approval and posting of the payroll or ACH file, both will be reviewed and signed off by the City Attorney & Treasurer (or in his absence by the City Clerk).

Anticipated Date of Completion:

March 18, 2011

Name of Contact Person:

J. Preston Owen, City Attorney & Treasurer

CITY OF MATTOON, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
(CONTINUED)**

For the year ended April 30, 2010

Corrective Action Plan (Continued)

FINDING NO. 10-02 – Inadequate Controls over Billed Receivables

Condition:

Various departments prepare their own billings and the related receivables may not be recorded in a timely fashion or at all.

Plan:

The City will design and implement a system to centralize the accounts receivable functions across all City departments.

Anticipated Date of Completion:

July 31, 2011

Name of Contact Person:

J. Preston Owen, City Attorney & Treasurer

CITY OF MATTOON, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
(CONTINUED)**

For the year ended April 30, 2010

Corrective Action Plan (Continued)

FINDING NO. 10-03 – Inadequate Controls over Compliance Requirements for Grants

Condition:

The City does not have a centralized system to ensure compliance with compliance requirements applicable to its Federal, State, and local grants. For example, auditors, in their review of the City's accounting records for grants, noted the following:

- The Highway Planning and Construction (Federal-Aid Highway Program) and Federal Transit – Capital Investment Grants, both funding the same project, have various compliance requirements that are to be followed. These include complying with the Davis-Bacon Act and providing matching funds. For the Davis-Bacon Act, the City had a statement in the contract about the contractor adhering to the Act, but there was no follow-up (review of certified payrolls) to determine if the requirement was actually being met. Regarding the matching funds, the City had prepared a spreadsheet at the onset of the grants to make sure each would be matched. However, the documentation for prior year expenditures allowed to match the grants was not kept and the individual who prepared the spreadsheet retired. When the City tried to recreate the amount, the invoice totals were approximately \$24,500 short of the amount on the spreadsheet.
- While reported in the proper period in the general ledger, the City does not have controls in place to ensure expenditures included on expenditure reports meet the expenditure recognition criteria.
- The City does not have controls in place to ensure non-federal financial support is used to match grant funding.

Plan:

The City will develop a system for tracking and monitoring federal and state grants and will implement the internal controls necessary to ensure that proper oversight of federal and state grants are maintained.

CITY OF MATTOON, ILLINOIS
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
(CONTINUED)
For the year ended April 30, 2010

Corrective Action Plan (Continued)

FINDING NO. 10-03 – Inadequate Controls over Compliance Requirements for Grants
(Continued)

Anticipated Date of Completion:

July 31, 2011

Name of Contact Person:

J. Preston Owen, City Attorney & Treasurer

CITY OF MATTOON, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended April 30, 2010

Finding Number	Condition	Current Status
	No findings were noted for the year ended April 30, 2009.	