

CITY OF MATTOON, ILLINOIS

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

For the year ended April 30, 2013
and
INDEPENDENT AUDITORS' REPORTS

CITY OF MATTOON, ILLINOIS
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Mayor and City Commissioners
City of Mattoon, Illinois

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City of Mattoon, Illinois' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Mattoon, Illinois' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Member of Private Companies Practice Section

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, Illinois Municipal Retirement Fund Schedule of Funding Progress on page 94, pension plans' Schedules of Funding Progress and Employer Contributions on pages 95 through 96, post-employment healthcare benefit program's Schedule of Funding Progress on page 97, and budgetary comparison information on pages 98 through 99, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 major fund schedule, combining and individual nonmajor fund financial statements and schedules, and the combining and individual component unit statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the major fund schedule, combining and individual nonmajor fund financial statements and schedules, and the combining and individual component unit statements are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the City of Mattoon, Illinois' internal control over financial reporting and on 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* in considering City of Mattoon's internal control over financial reporting and compliance.

Went & Company, LLC

Mattoon, Illinois
December 30, 2013

**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, 2013. 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, excluding pension component units, has total assets of \$88,456,196 and liabilities of \$38,746,079, resulting in a net position of \$49,710,117 as of April 30, 2013. Total assets increased from April 30, 2012 by \$190,465, total liabilities decreased from April 30, 2012 by \$1,110,959, and the net position increased from April 30, 2012 by \$1,301,424. Of the net position as of April 30, 2013, \$49,810,814 represents the City's investment in capital assets, net of related debt, \$3,790,293 is held for restricted purposes, and (\$3,890,990) is unrestricted and available to meet the City's ongoing obligations to its citizens and creditors. The City's unrestricted cash position in the governmental activities increased by approximately \$2.8 million, from \$8.6 million to \$11.4 million. The City's unrestricted cash position in the business-type activities decreased by approximately \$1.2 million, from \$2.5 million to \$1.3 million. As of April 30, 2013, the governmental activities owe the business-type activities approximately \$2.2 million. These loans to the General Fund and the Capital Projects Fund are due to their share of the pooled cash account being negative at year end.

- The following table shows the changes in major revenue sources from 2012 to 2013.

**City of Mattoon, Illinois
Changes in Major Revenue Sources
April 30, 2013**

<u>Source</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Intergovernmental Shared Revenues	\$ 10,477,991	\$ 9,877,705	\$ 600,286
Property Tax Revenues	\$ 4,386,175	\$ 4,179,038	\$ 207,137
Utility Tax Revenues	\$ 1,252,058	\$ 1,216,242	\$ 35,816
Hotel Tax Revenues	\$ 342,427	\$ 297,270	\$ 45,157
Water Fund Charges for Services	\$ 3,685,889	\$ 3,264,266	\$ 421,623
Sewer Fund Charges for Services	\$ 4,159,097	\$ 3,728,979	\$ 430,118
Governmental Funds Charges for Services	\$ 944,546	\$ 916,891	\$ 27,655
Table Totals	\$ 25,248,183	\$ 23,480,391	\$ 1,767,792

- During FY 2012, the City implemented a Mobile Equipment Fund as the funding mechanism for the replacement of the City's aging vehicle fleet. In addition, the City has continued to upgrade the technology used in operations and for the improvement of utility services. However, the City still has not put in place a long-term capital budget for the replacement of aging infrastructure. The continued tightening of the City's budget has made the lack of a capital plan a significant issue.

- Illinois statute restricts 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 Position* presents information on all of the City of Mattoon's assets and liabilities, with the difference between the two reported as the net position. Over time, increases or decreases in the net position 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 position changed during the most recent fiscal year. All changes in net position 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, and other miscellaneous activities. The business-type activities of the City include the water and sewer utility services.

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 and Capital Projects 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 Position* 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. 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 statements showing these component units combined in a single column begin on page 31. Individual 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 130 through 131 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 funds and fiduciary component units.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The *Statement of Net Position* for the City of Mattoon is summarized in the table below. As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by nearly \$48 million as of April 30, 2013. The majority of the net amount reflects 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	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$18,125,930	\$17,815,175	\$4,078,375	\$3,086,895	\$22,204,177	\$20,902,070
Capital Assets (net)	\$26,750,011	\$26,558,069	\$37,467,813	\$38,766,279	\$64,217,824	\$65,324,348
Total Assets	\$44,875,941	\$44,373,244	\$41,546,188	\$41,853,174	\$86,422,001	\$86,226,418
Current Liabilities	\$5,358,527	\$5,293,483	\$557,959	\$449,798	\$5,916,486	\$5,743,281
Non-current Liabilities	\$17,868,836	\$17,564,996	\$14,741,360	\$16,379,729	\$32,610,196	\$33,944,725
Total Liabilities	\$23,227,363	\$22,858,479	\$15,299,319	\$16,829,527	\$38,526,682	\$39,688,006
Net Investment in Capital Assets	\$23,015,222	\$22,633,275	\$24,922,034	\$24,469,647	\$47,937,256	\$47,102,922
Restricted	\$3,765,293	\$1,964,150	\$0	\$0	\$3,765,293	\$1,964,150
Unrestricted	(\$5,131,937)	(\$3,082,660)	\$1,324,835	\$554,000	(\$3,807,102)	(\$2,528,660)
Total Net Position	\$21,648,578	\$21,514,765	\$26,246,869	\$25,023,647	\$47,895,447	\$46,538,412
Total Net Position as a % of Total Liabilities	93%	94%	172%	149%	124%	117%
Unrestricted Net Position as a % of Total Liabilities	(22.1 %)	(13.5%)	8.7%	3.3%	(9.9%)	(6.4%)

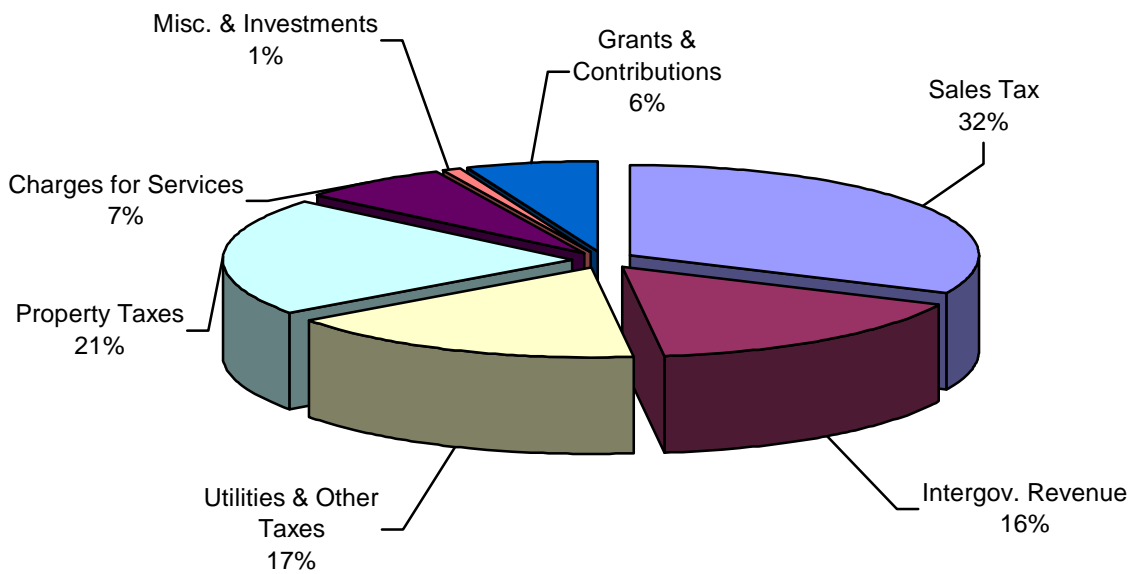
As of April 30, 2013, the Governmental Activities have a negative Unrestricted Net Position of \$5,131,937. The Business-Type Activities have an unrestricted net position of \$1,324,835. Overall the City is able to report positive balances in net position for the governmental activities as well as business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$1,329,697	\$1,279,817	\$7,844,986	\$6,993,245	\$9,174,683	\$8,273,062
Operating Grants & Contr.	\$692,421	\$461,437	\$0	\$0	\$692,421	\$461,437
Capital Grants & Contr.	\$620,092	\$693,872	\$20,083	\$19,851	\$640,175	\$713,723
General Revenues						
Property Taxes	\$4,244,970	\$4,034,733	\$0	\$0	\$4,244,970	\$4,034,733
Sales Taxes	\$6,290,036	\$5,980,133	\$0	\$0	\$6,290,036	\$5,980,133
Utility Taxes	\$1,275,474	\$1,216,242	\$0	\$0	\$1,275,474	\$1,216,242
Telecommunication Taxes	\$834,010	\$858,897	\$0	\$0	\$834,010	\$858,897
Other Taxes	\$1,236,255	\$1,172,453	\$0	\$0	\$1,236,255	\$1,172,453
Intergovernmental Rev.	\$3,183,306	\$2,897,976	\$0	\$0	\$3,183,306	\$2,897,976
Investments Income	\$24,691	\$25,642	\$7,941	\$8,534	\$32,632	\$34,176
Miscellaneous Income	\$132,582	\$324,661	\$203,643	\$0	\$336,225	\$324,661
Gain (Loss) on Sale of Assets	(\$24,521)	\$24,007	(\$5,412)	\$809	(\$29,933)	\$24,816
Total Revenue	\$19,839,013	\$18,969,870	\$8,071,241	\$7,022,439	\$27,910,254	\$25,992,309
Expenses						
Program Expenses						
General Government	\$2,315,049	\$2,194,150	\$0	\$0	\$2,315,049	\$2,194,150
Public Safety	\$10,854,972	\$9,899,969	\$0	\$0	\$10,854,972	\$9,899,969
Public Works	\$3,386,698	\$3,415,823	\$0	\$0	\$3,386,698	\$3,415,823
Health and Welfare	\$212,058	\$184,241	\$0	\$0	\$212,058	\$184,241
Culture and Recreation	\$1,882,711	\$1,904,984	\$0	\$0	\$1,882,711	\$1,904,984
Economic Development	\$630,099	\$1,058,898	\$0	\$0	\$630,099	\$1,058,898
Interest on Long-Term Debt	\$561,284	\$604,583	\$0	\$0	\$561,284	\$604,583
Water	\$0	\$0	\$3,001,826	\$2,876,024	\$3,001,826	\$2,876,024
Sewer	\$0	\$0	\$3,708,522	\$3,649,240	\$3,708,522	\$3,649,240
Total Expenses	\$19,842,871	\$19,262,648	\$6,710,348	\$6,525,264	\$26,553,219	\$25,787,912
Increase (decrease) in net position						
before transfers	(\$3,858)	(\$292,778)	\$1,360,893	\$497,175	\$1,357,035	\$204,397
Transfers	\$137,671	\$139,504	(\$137,671)	(\$139,504)	\$0	\$0
Changes in Net Position	\$133,813	(\$153,274)	\$1,223,222	\$357,671	\$1,357,035	\$204,397
Net Position - May 1 (Restated)	\$21,514,765	\$21,668,039	\$25,023,647	\$24,665,976	\$46,538,412	\$46,334,015
Net Position - April 30	\$21,648,578	\$21,514,765	\$26,246,869	\$25,023,647	\$47,895,447	\$46,538,412

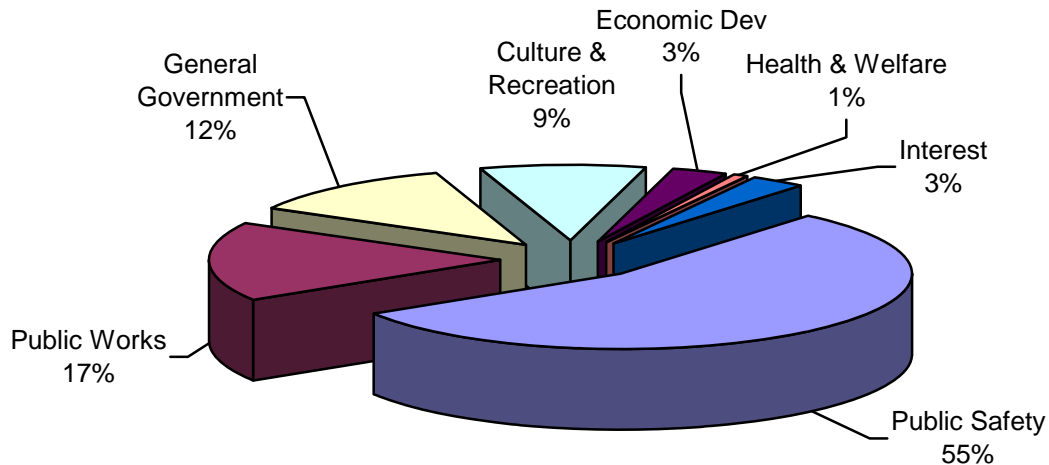
The following chart illustrates how governmental activities are funded. Sales taxes provided thirty-two percent (32%) of the governmental activities revenue. Intergovernmental revenues (state shared taxes) provided sixteen percent (16%) of the governmental activities revenue. Property taxes provided twenty-one percent (21%) of the governmental activities revenue. Utility taxes and other taxes provided seventeen percent (17%) of the governmental activities revenue. Taxes, in one form or another, comprised eighty-six percent (86%) of the governmental activities revenue. The remaining fourteen percent (14%) came from Charges for Services, seven percent (7%), Miscellaneous and Investment Revenue, one percent (1%), and Grants and Contributions, six percent (6%).

Governmental Activities Revenue



The following chart illustrates the expenses of the governmental activities. Public safety (fire and police protection) comprised fifty-five percent (55%) of the total expenses of the governmental activities. Public works comprised seventeen percent (17%) of the total expenses of the governmental activities. General government comprised twelve percent (12%) of the total expenses of the governmental activities. The remaining seventeen percent (16%) came from expenses for culture and recreation, nine percent (9%), economic development, three percent (3%), interest, three percent (3%), and health & welfare, one percent (1%).

Government Activities Expenses



Business-type activities, water and sewer utilities, depend on charges for services as their primary revenue sources. Approximately ninety-seven percent (97%) 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, 2013, the City of Mattoon's *Balance Sheet - Governmental Funds* reported combined ending fund balances of \$11,263,422, an increase of \$286,562 from April 30, 2012. Of the ending fund balances total, \$508,190 is considered nonspendable, \$2,916,866 is restricted, \$4,223,936 is committed, \$254,887 is assigned, and \$3,359,543 is unassigned.

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 percent (60%) of the General Fund expenditures of \$16 million are allocated to the public safety sector. Another thirteen percent (13%) of the General Fund costs are derived from the general governmental expenditures. Approximately ten percent (10%) of the General Fund's costs are derived from the public works operations.

The General Fund has a fund balance of \$3,822,014, an increase of \$954,554 over the balance as of April 30, 2012. The Capital Projects Fund has a fund balance of \$4,169,943, a decrease of \$554,548 from the balance as of April 30, 2012. The General Fund's unassigned 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 a previous bond issuance for capital projects that have yet to be constructed. Those projects to be constructed include a new Public Works building.

With regard to the Other Governmental Funds, the Motor Fuel Tax Fund had a total fund balance of \$1,139,536, the Revolving Loan Fund had a total fund balance of \$998,163 and the Broadway East Business district had a fund balance of \$569,581. The Motor Fuel Tax Fund fund balance primarily reflects the amounts designated to pay for maintenance of existing streets, resurfacing and construction of new streets. The Revolving Loan Fund fund balance is primarily monies to be pledged for expenditure on loans to assist in the economic development of Mattoon. 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 remaining special revenue funds included in the Other Governmental Funds column in the balance sheet are the Hotel and Motel Tax 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, 2013 of \$564,185. The total accumulated fund balances of all of the Other Governmental Funds decreased by \$113,444 during 2012-2013.

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 position of the enterprise type proprietary funds at the end of 2013 was \$26,246,869, an increase of \$1,223,222 from the previous year. The Water Fund net position increased \$882,869 and the Sewer Fund net position increased \$340,353.

For the year ended April 30, 2013, operating revenues in the Water Fund totaled \$3,889,532 (an increase of \$625,266 from 2012), operating expenses totaled \$2,808,256 (an increase of \$170,023 from 2012) producing operating income of \$1,081,276 (an increase of \$455,243 from 2012). Non-operating revenues, expenses and transfers netted a decrease of \$198,407, leaving a profit of \$882,869 or increase in the Net Position of the Water Fund. The City Council began implementing a series of water rate increases May 1, 2010. In addition, the City received \$203,643 during the fiscal year in settlement of a class action law suit.

For the year ended April 30, 2013, revenues in the Sewer Fund totaled \$4,159,097 (an increase of \$430,118 from 2012), operating expenses totaled \$3,444,935 (an increase of \$85,714 from 2012) producing operating income of \$714,162 (an increase of \$344,404 from 2012). Non-operating revenues, expenses and transfers netted a decrease of \$373,809, leaving a profit of \$340,353 or increase in the Net Position of the Sewer Fund. The Sewer Fund has had series of increases over the last eight years and will continue to have annual increases for the next two years.

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 98 and 99. The final 2013 General Fund budget authorized expenditures and other financing uses of \$16,800,350 funded by anticipated revenues and other financing sources of \$16,838,812 leaving the amount of revenues and other financing sources over expenditures and other financing uses of \$38,462. The actual amount of expenditures and other financing uses under revenues and other financing sources was \$954,554, a positive budget to actual variance of \$916,092.

The largest variance in General Fund revenues was from Intergovernmental revenue. Intergovernmental revenues exceeded the budgeted amount by \$634,412. The total variance is largely made up of variances of \$3,101 from Personal Property Replacement Taxes, \$344,649 from Income Tax, \$1,023 from Use Tax, \$140,775 from Sales Taxes, \$79,682 from federal and state grants, and \$67,491 from Video Gaming Tax. The variance in Income Taxes is the result of the State of Illinois catching up on its fiscal responsibilities to Illinois' municipalities. The variances in Use Tax and Sales Taxes are the result of the improving economy and the conservative estimates used to formulate the budget. The Video Gaming Tax is new and was not budgeted. Contributions and miscellaneous revenues exceeded the budgeted amount by \$154,061 largely due to contributions of \$166,177 to the Arts Council. General Fund expenditures had an overall variance of \$3,433. The total variance is made up of a negative variance in General Government of \$119,712, which is mainly due to higher health care costs, a positive variance in Public Safety of \$329,108 and a positive variance in Public Works of \$113,759.

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 112.

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, 2013. As summarized in the table below, the City’s reported investment in capital assets for governmental and business-type activities as of April 30, 2013 totaled \$151.8 million. Forty-six percent (46%) 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-four percent (54%) 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 approximately \$87.6 million, or fifty-eight percent (58%) of the historical asset cost. Net of accumulated depreciation, the City’s investment in capital assets is \$64.2 million.

City of Mattoon, Illinois Capital Assets, Net of Accumulated Depreciation April 30, 2013

Classification	Governmental Activities	Business-type Activities	Total
Land	\$ 3,199,747	\$ 587,155	\$ 3,786,902
Buildings and Improvements	\$ 10,009,660	\$ 12,903,657	\$ 22,913,317
Equipment, furniture and vehicles	\$ 6,229,966	\$ 3,446,057	\$ 9,676,023
Improvements other than buildings	\$ 3,526,797	\$ 215,027	\$ 3,741,824
Infrastructure	\$ 59,588,280	\$ -	\$ 59,588,280
Treat. collect. and distrib. systems	\$ -	\$ 51,601,276	\$ 51,601,276
Construction in Progress	\$ 144,059	\$ 395,353	\$ 539,412
Subtotal	<u>\$ 82,698,509</u>	<u>\$ 69,148,525</u>	<u>\$151,847,034</u>
Less Accumulated Depreciation	<u>\$(55,948,498)</u>	<u>\$ (31,680,712)</u>	<u>\$ (87,629,210)</u>
Total	<u><u>\$ 26,750,011</u></u>	<u><u>\$ 37,467,813</u></u>	<u><u>\$ 64,217,824</u></u>

Long-Term Liabilities

On April 30, 2013, the City of Mattoon had \$32,610,196 of long-term liabilities outstanding (a decrease of \$1,334,529 from April 30, 2012), as summarized in the following table:

City of Mattoon, Illinois
General Obligation Bonds, Notes Outstanding and Other Long-Term Liabilities
April 30, 2013

Classification	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 10,477,321	\$ 3,540,044	\$ 14,017,365
Notes Payable	\$ 1,322,866	\$ 9,916,151	\$ 11,239,017
Capital Leases	\$ 454,279	\$ 0	\$ 454,279
Compensated Absences	\$ 965,770	\$ 195,678	\$ 1,161,448
Net Pension Obligation	\$ 293,292	\$ 0	\$ 293,292
Post-Employment Healthcare	\$ 4,355,308	\$ 1,089,487	\$ 5,444,795
Total	<u>\$ 17,868,836</u>	<u>\$ 14,741,360</u>	<u>\$ 32,610,196</u>

The liability for Compensated Absences increased \$388,837, the Net Pension Obligation increased \$85,404, and the Post-Employment Healthcare Benefits liabilities increased \$1,021,475 during this fiscal year. The other existing liabilities decreased by \$2,830,245 over April 30, 2012. Detailed information regarding specific debt can be found in notes 11, 12, 13, 14, and 15 beginning on page 66.

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 POSITION
April 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Mattoon Public Library
ASSETS:				
Cash and cash equivalents	\$ 11,435,588	\$ 1,271,154	\$ 12,706,742	\$ 55,038
Investments, at fair value	--	--	--	8,581
Receivables	7,529,111	407,154	7,936,265	9,329
Internal balances	(2,189,722)	2,189,722	--	--
Due from primary government	--	--	--	2,246
Due from component units	196,740	--	196,740	--
Prepaid items	150,123	6,250	156,373	--
Long-term receivables	352,332	--	352,332	--
Advances to component units	77,814	--	77,814	--
Restricted assets:				
Cash and cash equivalents	290,423	119,700	410,123	--
Certificates of deposit	8,719	--	8,719	--
Investments, at fair value	--	--	--	25,000
Deferred bond issue expense	214,150	84,395	298,545	--
Cemetery development	60,652	--	60,652	--
Capital assets (net of accumulated depreciation):				
Land	3,199,747	587,155	3,786,902	--
Buildings and building improvements	7,319,131	7,928,170	15,247,301	1,875,357
Improvements other than buildings	3,356,169	71,589	3,427,758	--
Treatment, collection and distribution systems	--	27,199,484	27,199,484	--
Infrastructure	12,086,340	--	12,086,340	--
Equipment, furniture and vehicles	644,565	1,286,062	1,930,627	58,516
Construction in progress	144,059	395,353	539,412	--
Total assets	\$ 44,875,941	\$ 41,546,188	\$ 86,422,129	\$ 2,034,067

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF NET POSITION
(CONTINUED)
April 30, 2013

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	Mattoon Public Library
LIABILITIES:				
Accounts payable	\$ 445,971	\$ 211,319	\$ 657,290	\$ 12,207
Payroll liabilities payable	227,848	77,390	305,238	790
Other accrued expenses	223,477	124,600	348,077	3,253
Due to primary government	--	--	--	106,859
Due to component units	23,656	--	23,656	--
Deferred revenue	4,432,897	24,950	4,457,847	--
Liabilities payable from restricted assets:				
Other payables	4,678	119,700	124,378	--
Advances from primary government	--	--	--	77,814
Non-current liabilities:				
Due within one year	1,065,575	1,986,554	3,052,129	3,695
Due in more than one year	16,803,261	12,754,806	29,558,067	14,779
Total liabilities	<u>23,227,363</u>	<u>15,299,319</u>	<u>38,526,682</u>	<u>219,397</u>
NET POSITION:				
Net investment in capital assets	23,015,222	24,922,034	47,937,256	1,873,558
Restricted for:				
Public safety	49,279	--	49,279	--
Highways and streets	1,139,536	--	1,139,536	--
Culture and recreation	69,755	--	69,755	--
Economic development	1,472,144	--	1,472,144	--
Cemetery maintenance	244,700	--	244,700	--
Capital assets	789,879	--	789,879	--
Permanent endowment:				
Nonexpendable	--	--	--	25,000
Unrestricted	<u>(5,131,937)</u>	<u>1,324,835</u>	<u>(3,807,102)</u>	<u>(83,888)</u>
Total net position	<u>\$ 21,648,578</u>	<u>\$ 26,246,869</u>	<u>\$ 47,895,447</u>	<u>\$ 1,814,670</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

STATEMENT OF ACTIVITIES For the year ended April 30, 2013

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Unit
					Governmental Activities	Business-type Activities	Total	Mattoon Public Library
Primary government:								
Governmental activities:								
General government	\$ 2,315,049	\$ 308,871	\$ --	\$ --	\$ (2,006,178)	\$ --	\$ (2,006,178)	
Public safety	10,854,972	563,672	182,649	24,675	(10,083,976)	--	(10,083,976)	
Public works	3,386,698	77,508	13,916	541,244	(2,754,030)	--	(2,754,030)	
Health and welfare	212,058	105,563	--	--	(106,495)	--	(106,495)	
Culture and recreation	1,882,711	274,083	299,334	54,173	(1,255,121)	--	(1,255,121)	
Economic development	630,099	-	196,522	--	(433,577)	--	(433,577)	
Interest on long-term debt	561,284	-	--	--	(561,284)	--	(561,284)	
Total governmental activities	<u>19,842,871</u>	<u>1,329,697</u>	<u>692,421</u>	<u>620,092</u>	<u>(17,200,661)</u>	<u>--</u>	<u>(17,200,661)</u>	
Business-type activities:								
Water	3,001,826	3,685,889	-	20,083	-	704,146	704,146	
Sewer	3,708,522	4,159,097	-	-	-	450,575	450,575	
Total business-type activities	<u>6,710,348</u>	<u>7,844,986</u>	<u>-</u>	<u>20,083</u>	<u>-</u>	<u>1,154,721</u>	<u>1,154,721</u>	
Total primary government	<u>\$ 26,553,219</u>	<u>\$ 9,174,683</u>	<u>\$ 692,421</u>	<u>\$ 640,175</u>	<u>(17,200,661)</u>	<u>1,154,721</u>	<u>(16,045,940)</u>	
Component Unit:								
Mattoon Public Library	<u>\$ 610,964</u>	<u>\$ 17,945</u>	<u>\$ 25,335</u>	<u>\$ 35,000</u>				<u>\$ (532,684)</u>
General revenues:								
Property taxes					3,825,739	--	3,825,739	--
TIF property tax increment					419,231	--	419,231	--
Telecommunication taxes					834,010	--	834,010	--
Utility taxes					1,275,474	--	1,275,474	--
Business district taxes					390,426	--	390,426	--
Other taxes					845,829	--	845,829	--
Payments from primary government					--	--	--	473,109
Sales taxes					6,290,036	--	6,290,036	--
Income and use taxes					2,049,819	--	2,049,819	--
Other intergovernmental revenues					1,133,487	--	1,133,487	--
Investment income					24,691	7,941	32,632	3,075
Miscellaneous income					132,582	203,643	336,225	889
Loss on sale of capital assets					(24,521)	(5,412)	(29,933)	--
Transfers					137,671	(137,671)	--	--
Total general revenues and transfers					<u>17,334,474</u>	<u>68,501</u>	<u>17,402,975</u>	<u>477,073</u>
Change in net position					133,813	1,223,222	1,357,035	(55,611)
Net position, beginning of year					21,722,653	25,023,647	46,746,300	1,870,281
Prior period adjustment					(207,888)	--	(207,888)	--
Net position, end of year					<u>\$ 21,648,578</u>	<u>\$ 26,246,869</u>	<u>\$ 47,895,447</u>	<u>\$ 1,814,670</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2013**

	General Fund	Capital Projects Fund	Other Governmental Funds	Totals
ASSETS:				
Cash and cash equivalents	\$ 4,648,517	\$ 4,268,229	\$ 2,454,045	\$ 11,370,791
Receivables (net of allowance for uncollectibles)	6,814,039	10,000	677,686	7,501,725
Due from other funds	3,883	119,318	307,014	430,215
Due from component units	196,740	--	--	196,740
Prepaid items	15,125	--	2,267	17,392
Long-term receivables	--	--	352,332	352,332
Advances to component unit	77,814	--	--	77,814
Cemetery development	60,652	--	--	60,652
Restricted assets:				
Cash and cash equivalents	285,259	--	--	285,259
Certificates of deposit	8,719	--	--	8,719
Total assets	\$ 12,110,748	\$ 4,397,547	\$ 3,793,344	\$ 20,301,639
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 159,773	\$ 16,958	\$ 71,025	\$ 247,756
Payroll liabilities payable	225,367	--	2,481	227,848
Due to other funds	2,823,929	210,646	4,317	3,038,892
Due to component units	21,410	--	--	21,410
Deferred revenue	5,058,255	--	444,056	5,502,311
Total liabilities	8,288,734	227,604	521,879	9,038,217
Fund balances:				
Nonspendable	153,591	--	354,599	508,190
Restricted	--	--	2,916,866	2,916,866
Committed	53,993	4,169,943	--	4,223,936
Assigned	254,887	--	--	254,887
Unassigned	3,359,543	--	--	3,359,543
Total fund balances	3,822,014	4,169,943	3,271,465	11,263,422
Total liabilities and fund balances	\$ 12,110,748	\$ 4,397,547	\$ 3,793,344	\$ 20,301,639

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

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

April 30, 2013

Total fund balances, governmental funds	\$ 11,263,422
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	26,750,011
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,069,414
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 position.	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>(17,878,163)</u>
Net position of governmental activities	<u><u>\$ 21,648,578</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, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 6,429,680	\$ --	\$ 1,145,449	\$ 7,575,129
Licenses and permits	227,713	--	--	227,713
Intergovernmental revenues	9,219,622	526,657	731,712	10,477,991
Charges for services	944,546	--	--	944,546
Fines and forfeitures	136,876	--	--	136,876
Investment income	7,045	4,378	13,199	24,622
Contributions and miscellaneous revenues	431,061	41,175	--	472,236
	<u>17,396,543</u>	<u>572,210</u>	<u>1,890,360</u>	<u>19,859,113</u>
Total revenues				
Expenditures:				
Current:				
General government	2,113,951	1,749	--	2,115,700
Public safety	9,639,002	76,873	--	9,715,875
Public works	1,612,608	100,564	633,356	2,346,528
Health and welfare	186,718	--	--	186,718
Culture and recreation	1,434,970	21,863	280,379	1,737,212
Economic development	50,000	--	580,099	630,099
Capital outlay	297,900	1,133,977	39,816	1,471,693
Debt service:				
Principal	576,090	235,000	158,230	969,320
Interest and fiscal charges	110,678	213,298	230,928	554,904
	<u>\$ 16,021,917</u>	<u>\$ 1,783,324</u>	<u>\$ 1,922,808</u>	<u>\$ 19,728,049</u>
Total expenditures				

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, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 1,374,626	\$ (1,211,114)	\$ (32,448)	\$ 131,064
Other financing sources (uses):				
Transfers in	218,667	656,566	--	875,233
Transfers out	(656,566)	--	(80,996)	(737,562)
Proceeds from sale of assets	17,827	--	--	17,827
Total other financing sources (uses)	<u>(420,072)</u>	<u>656,566</u>	<u>(80,996)</u>	<u>155,498</u>
Net change in fund balances	954,554	(554,548)	(113,444)	286,562
Fund balances, beginning of year	<u>2,867,460</u>	<u>4,724,491</u>	<u>3,384,909</u>	<u>10,976,860</u>
Fund balances, end of year	<u>\$ 3,822,014</u>	<u>\$ 4,169,943</u>	<u>\$ 3,271,465</u>	<u>\$ 11,263,422</u>

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, 2013**

Net change in fund balances, governmental funds	\$ 286,562
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.	190,116
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.	1,825
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.	(36,665)
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 position. 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.	950,637
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.	<u>(1,258,662)</u>
Change in net position of governmental activities	<u>\$ 133,813</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

April 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
	ASSETS:			
Current assets:				
Cash and cash equivalents	\$ 64,924	\$ 1,206,230	\$ 1,271,154	\$ 64,797
Receivables	174,027	233,127	407,154	27,386
Due from other funds	1,009,726	1,205,407	2,215,133	436,133
Prepaid items	--	6,250	6,250	132,731
Total current assets	<u>1,248,677</u>	<u>2,651,014</u>	<u>3,899,691</u>	<u>661,047</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	119,700	--	119,700	5,164
Deferred bond issue expense	57,333	27,062	84,395	--
Capital assets:				
Land	378,724	208,431	587,155	--
Buildings and building improvements	12,059,614	844,043	12,903,657	--
Improvements other than buildings	204,025	11,002	215,027	--
Treatment, collection and distribution systems	12,905,648	38,695,628	51,601,276	--
Equipment, furniture and vehicles	1,788,883	1,657,174	3,446,057	--
Construction in progress	94,494	300,859	395,353	--
Less accumulated depreciation	<u>(10,983,334)</u>	<u>(20,697,378)</u>	<u>(31,680,712)</u>	<u>--</u>
Total noncurrent assets	<u>16,625,087</u>	<u>21,046,821</u>	<u>37,671,908</u>	<u>5,164</u>
Total assets	<u>\$ 17,873,764</u>	<u>\$ 23,697,835</u>	<u>\$ 41,571,599</u>	<u>\$ 666,211</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

STATEMENT OF NET POSITION

(CONTINUED)

PROPRIETARY FUNDS

April 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 71,346	\$ 139,973	\$ 211,319	\$ 198,215
Payroll liabilities payable	33,879	43,511	77,390	--
Accrued interest	59,000	65,600	124,600	--
Due to other funds	11,797	13,614	25,411	17,178
Due to component units	--	--	--	2,246
Deferred revenue	24,950	--	24,950	--
Compensated absences payable - current	24,791	14,345	39,136	--
General obligation bonds - current	570,000	345,000	915,000	--
Notes payable - current	493,015	539,403	1,032,418	--
Payable from restricted assets:				
Other payables	119,700	--	119,700	4,678
Total current liabilities	<u>1,408,478</u>	<u>1,161,446</u>	<u>2,569,924</u>	<u>222,317</u>
Noncurrent liabilities:				
Long-term debt payable:				
General obligation bonds payable (net of unamortized discounts and premiums and deferred amount on refunding)	1,130,632	1,494,412	2,625,044	--
Notes payable	3,339,441	5,544,292	8,883,733	--
Compensated absences payable	99,163	57,379	156,542	--
Post-employment healthcare benefits obligation	528,382	561,105	1,089,487	--
Total noncurrent liabilities	<u>5,097,618</u>	<u>7,657,188</u>	<u>12,754,806</u>	<u>--</u>
Total liabilities	<u>6,506,096</u>	<u>8,818,634</u>	<u>15,324,730</u>	<u>222,317</u>
NET POSITION:				
Net investment in capital assets	11,435,943	13,486,091	24,922,034	--
Unrestricted	(68,275)	1,393,110	1,324,835	443,894
Total net position	<u>\$ 11,367,668</u>	<u>\$ 14,879,201</u>	<u>\$ 26,246,869</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 POSITION
PROPRIETARY FUNDS**

For the year ended April 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Operating revenues:				
Charges for services	\$ 3,685,889	\$ 4,159,097	\$ 7,844,986	\$ --
Fund charges and employee contributions	--	--	--	3,922,445
Miscellaneous operating revenues	203,643	--	203,643	117,230
Total operating revenue	3,889,532	4,159,097	8,048,629	4,039,675
Operating expenses:				
Reservoirs and sources of supply	34,936	--	34,936	--
Water treatment plant	890,314	--	890,314	--
Water distribution	392,987	--	392,987	--
Sewer collection system	--	448,946	448,946	--
Sewer lift stations	--	65,348	65,348	--
Wastewater treatment plant	--	944,418	944,418	--
Accounting and collection	323,343	320,219	643,562	--
Administrative and general	503,547	608,350	1,111,897	175,451
Insurance	--	--	--	963,002
Health claims and uninsured judgments	--	--	--	2,901,226
Depreciation	663,129	1,057,654	1,720,783	--
Total operating expenses	2,808,256	3,444,935	6,253,191	4,039,679
Operating income (loss)	\$ 1,081,276	\$ 714,162	\$ 1,795,438	\$ (4)

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
(CONTINUED)**

**PROPRIETARY FUNDS
For the year ended April 30, 2013**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Non-operating revenues (expenses):				
Investment income	\$ 6,133	\$ 1,808	\$ 7,941	\$ 4
Capital grant revenue	20,083	--	20,083	--
Interest expense	(176,054)	(257,689)	(433,743)	--
Gain (loss) on sale of capital assets	16,702	(22,114)	(5,412)	--
Bond issuance costs	(17,516)	(5,898)	(23,414)	--
	<u>(150,652)</u>	<u>(283,893)</u>	<u>(434,545)</u>	<u>4</u>
Total non-operating revenues (expenses)				
Income before transfers	930,624	430,269	1,360,893	--
Transfers out	(47,755)	(89,916)	(137,671)	--
Change in net position	882,869	340,353	1,223,222	--
Net position, beginning of year	<u>10,484,799</u>	<u>14,538,848</u>	<u>25,023,647</u>	<u>443,894</u>
Net position, end of year	<u>\$ 11,367,668</u>	<u>\$ 14,879,201</u>	<u>\$ 26,246,869</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal Service</u> <u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 3,665,433	\$ 4,110,202	\$ 7,775,635	\$ --
Receipts from interfund services provided	--	--	--	3,303,413
Receipts from component units	--	--	--	52,936
Receipts from employees and retirees	--	--	--	557,397
Payments to employees	(802,043)	(906,229)	(1,708,272)	--
Payments to suppliers	(893,416)	(854,291)	(1,747,707)	(1,106,790)
Payments to claimants	--	--	--	(2,896,805)
Payments for interfund services used	(327,035)	(419,177)	(746,212)	--
Other receipts	203,643	--	203,643	120,118
Net cash provided by operating activities	1,846,582	1,930,505	3,777,087	30,269
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(47,755)	(89,916)	(137,671)	--
Loans to other funds, net	(1,003,232)	(1,194,813)	(2,198,045)	(258,844)
Net cash used for noncapital financing activities	(1,050,987)	(1,284,729)	(2,335,716)	(258,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	(218,156)	(240,835)	(458,991)	--
Proceeds from capital grants	36,118	--	36,118	--
Principal payments on debt	(1,032,870)	(860,694)	(1,893,564)	--
Interest and fiscal charges	(168,965)	(257,096)	(426,061)	--
Proceeds from sale of assets	31,262	--	31,262	--
Net cash used for capital and related financing activities	\$ (1,352,611)	\$ (1,358,625)	\$ (2,711,236)	\$ --

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, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Totals	Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received (net of expense)	\$ 6,133	\$ 1,808	\$ 7,941	\$ 4
Net cash provided by investing activities	6,133	1,808	7,941	4
Net decrease in cash	(550,883)	(711,041)	(1,261,924)	(228,571)
Cash, restricted and unrestricted, beginning of year	735,507	1,917,271	2,652,778	298,532
Cash, restricted and unrestricted, end of year	<u>\$ 184,624</u>	<u>\$ 1,206,230</u>	<u>\$ 1,390,854</u>	<u>\$ 69,961</u>
 PER STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 64,924	\$ 1,206,230	\$ 1,271,154	\$ 64,797
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	119,700	--	119,700	5,164
	<u>\$ 184,624</u>	<u>\$ 1,206,230</u>	<u>\$ 1,390,854</u>	<u>\$ 69,961</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	<u>Internal</u> <u>Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,081,276	\$ 714,162	\$ 1,795,438	\$ (4)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	663,129	1,057,654	1,720,783	--
(Increase) decrease in receivables	(45,406)	(48,896)	(94,302)	2,888
(Increase) decrease in due from other funds	(6,494)	(10,594)	(17,088)	(26,203)
(Increase) decrease in prepaid items	--	--	--	13,475
Increase (decrease) in accounts payable	20,787	93,801	114,588	24,010
Increase (decrease) in payroll liabilities payable	(4,567)	(4,810)	(9,377)	--
Increase (decrease) in due to other funds	8,073	9,271	17,344	17,178
Increase (decrease) in due to component units	--	--	--	326
Increase (decrease) in deferred revenue	24,950	--	24,950	--
Increase (decrease) in compensated absences payable	11,283	6,120	17,403	--
Increase (decrease) in other post-employment benefits payable	93,551	113,797	207,348	--
Increase (decrease) in other payables	--	--	--	(1,401)
Net cash provided by operating activities	<u>\$ 1,846,582</u>	<u>\$ 1,930,505</u>	<u>\$ 3,777,087</u>	<u>\$ 30,269</u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY COMPONENT UNITS
April 30, 2013

	Pension Component Units
ASSETS:	
Cash	\$ 2,113,017
Interest receivable	129,097
Due from primary government	21,410
Investments, at fair value:	
U.S. government obligations	10,706,458
Insurance contracts	18,239,798
Total investments	<u>28,946,256</u>
Total assets	<u>31,209,780</u>
LIABILITIES:	
Accounts payable	940
Pensions payable	165,902
Due to primary government	<u>89,881</u>
Total liabilities	<u>256,723</u>
NET POSITION:	
Held in trust for pension benefits (a schedule of funding progress is presented on pages 95-96)	<u><u>\$ 30,953,057</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF MATTOON, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY COMPONENT UNITS
For the year ended April 30, 2013**

	Pension Component Units
Additions:	
Contributions:	
Employer	\$ 2,494,471
Plan members	417,614
	<hr/>
Total contributions	2,912,085
	<hr/>
Investment income:	
Interest income	523,059
Net increase in fair value of investments	1,658,244
	<hr/>
Net investment income	2,181,303
	<hr/>
Total additions	5,093,388
	<hr/>
Deductions:	
Benefits and refunds of contributions	3,726,638
Administrative expenses	41,489
	<hr/>
Total deductions	3,768,127
	<hr/>
Change in net position	1,325,261
Net position held in trust, beginning of year	29,627,796
	<hr/>
Net position held in trust, end of year	\$ 30,953,057
	<hr/> <hr/>

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, 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 position. 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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 and a note issued for construction and improvements of the Library and for an early retirement incentive for a Library employee. 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 position statements.

B. Joint Venture

The Mattoon Police Department, which is a department within the City of Mattoon, is a participant with the Illinois State Police, the Charleston Police Department, the Arcola Police Department, the Eastern Illinois University Police Department, the Coles County Sheriff’s Department, and the Douglas County Sheriff’s Department in a joint venture known as the East Central Illinois Task Force (Task Force). This authority was created to provide citizens of each jurisdiction the most effective drug law enforcement protection against those who engage in actions detrimental to the public safety. In the event of dissolution of the Task Force, all Task Force property obtained through grants from the Illinois Criminal Justice Information Authority shall be disposed of consistent with the current property management or disposition guidelines issued by the Authority’s Office of Federal Assistance Programs. All non-grant Task Force property, inventory, and all existing or currently pending forfeited assets will be distributed between the current participants. The East Central Illinois Task Force is governed by a Board of Directors which consists of the Sheriff or Chief (as the case may be) of each participating agency and the Zone Commander of the Illinois State Police. Each agency assigns, commissions, or funds a full-time police officer to the Task Force except the Arcola Police Department, which commissions a peace officer for employment by the Task Force. The officers remain employees of the agencies from which they were appointed for payroll purposes with the exception of the personnel from the Arcola Police Department. The City of Mattoon is the fiduciary agency for the Task Force, passing a federal grant through to the Task Force and providing oversight. Complete financial statements for the East Central Illinois Task Force can be obtained from the Mattoon Police Department at 1710 Wabash Avenue, Mattoon, Illinois 61938.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position 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 position 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)

D. 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 position, 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).

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:

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.

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Presentation (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

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.).

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.).

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.).

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Presentation (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

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.).

Broadway East Business District Fund – This 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.).

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.).

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Presentation (Continued)

Proprietary Funds (Continued)

Enterprise Funds (Continued)

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:

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.

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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 from exchange transactions are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Revenues from taxes or assessments on exchange transactions (sales taxes, utility taxes) are recognized when the underlying exchange transaction occurs. Revenues from shared nonexchange transactions (state income taxes, motor fuel taxes, replacement taxes) are also recognized in the period when the underlying transaction occurs, provided the state is required to share the revenues under act of law. Property taxes are recognized as revenues in the year in which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 recognized when the related fund liability is incurred, with the exception of principal and interest payments on general long-term debt which are recognized as liabilities when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

Property taxes are levied no later than the last Tuesday of December. These taxes attach as an enforceable lien on property as of January 1 of the calendar year that the levy ordinance was enacted. The taxes are payable by property owners in two equal installments. The first installment is due 30 days after the bills are mailed, while the second payment is due around September 1. The Coles County Treasurer distributed the 2011 tax extension to the City on June 29, 2012, August 23, 2012, October 5, 2012, and April 23, 2013. The City Council adopted the 2012 tax levy (receivable in calendar year 2013) on December 18, 2012. For governmental fund financial statements, the 2012 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 2012 property tax levy is also deferred in the government-wide statements, since the levy is intended to finance fiscal year 2013 expenditures. Property tax revenues recorded in these financial statements are from the 2011 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, 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)

F. Assets, Liabilities, and Net Position or Fund Balance

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 Mattoon Firefighters Pension Fund and Mattoon 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)

F. Assets, Liabilities, and Net Position or Fund Balance (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 nonspendable fund balance in applicable governmental funds.

Property taxes receivable and water and sewer customer receivables have been adjusted for estimated uncollectible accounts. No allowance for uncollectibles is considered necessary at year-end. Ambulance billing receivables are shown net of the allowance for uncollectible accounts. The allowance for uncollectible accounts is based on historical collection experience. Balances that remain a year after they are billed are written off through a charge to the allowance account and a credit to ambulance billing receivable. If actual defaults are higher than the historical experience, management’s estimates of the recoverability of amounts due the City could be adversely affected.

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. Prepaid items, as reported in the fund financial statements, are offset by a nonspendable fund balance in the applicable governmental funds.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position or Fund Balance (Continued)

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements 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.

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:

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position or Fund Balance (Continued)

4. Capital Assets (Continued)

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

5. Compensated Absences Payable

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

6. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental or business-type activities columns or proprietary fund statement of net position. Bond premiums and discounts, issuance costs, and refunding charges, if applicable, 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 and refunding charges, if applicable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position or Fund Balance (Continued)

6. Long Term Obligations (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, bond issuance costs, and refunding charges 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. Charges related to refunding bonds are reported as other financing uses.

7. Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is the difference between assets and liabilities in a governmental fund. The following types of fund balances may be presented in the Balance Sheet – Governmental Funds, Combining Balance Sheet – Nonmajor Special Revenue Funds, and Balance Sheet – Governmental Component Unit (Mattoon Public Library):

Nonspendable Fund Balance – The portion of a governmental fund’s fund balance that is not available to be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The General Fund, Revolving Loan Fund, and Broadway East TIF District Fund present nonspendable fund balances because the amounts are not in spendable form. The Governmental Component Unit (Mattoon Public Library) presents a nonspendable fund balance because it is required to be maintained intact.

Restricted Fund Balance – The portion of a governmental fund’s fund balance that is subject to constraints either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. The following funds present restricted fund balances: Motor Fuel Tax Fund – restricted for public works, Hotel and Motel Tax Fund – restricted for culture and recreation, Home Rehabilitation Grant Fund, Revolving Loan Fund, Midtown TIF District Fund, I-57 East TIF District Fund, South Rt 45 TIF District Fund, South Rt 45 Business District Fund, Broadway East TIF District Fund, Broadway East Business District Fund, and I-57 East Business District Fund – restricted for economic development.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position or Fund Balance (Continued)

7. Fund Balances (Continued)

Committed Fund Balance – The portion of a governmental fund’s fund balance with self-imposed constraints or limitations that have been imposed by action of the government’s highest level of decision-making. The Mattoon City Council can establish committed fund balances by adopting ordinances for such purposes. The General Fund and Capital Projects Fund present committed fund balances for capital outlay, public works, public safety, and a reserve.

Assigned Fund Balance – The portion of a governmental fund’s fund balance denoting a government’s intended use of resources. The Mattoon City Council is authorized to assign amounts to a specific purpose. The General Fund presents an assigned fund balance for culture and recreation.

Unassigned Fund Balance – The portion of a governmental fund’s fund balance that is not designated for a specific purpose. The General Fund presents an unassigned fund balance.

When an expenditure is incurred for which resources are available from multiple types of fund balance, it is the City’s policy to first apply restricted resources, then committed fund balances, followed by assigned fund balances, and finally unassigned fund balances.

8. Net Position

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position or Fund Balance (Continued)

8. Net Position (Continued)

Unrestricted net position – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The governmental activities column on the statement of net position reports a restricted amount of \$3,765,293 of which \$859,634 is restricted by enabling legislation.

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 expense is incurred for which both restricted and unrestricted resources are available.

G. 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.

H. New Accounting Pronouncement

In 2013, the City of Mattoon implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The implementation of GASB Statement No. 63 changed how the statement of financial position is presented. The City will now report *net position* instead of *net assets* in the Statement of Net Position and the Statement of Activities.

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 Position

The reconciliation of total governmental fund balances to net position of governmental activities includes a reconciliation between “total fund balances, governmental funds” and “net position 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	\$	(10,430,000)
Less: Deferred charge on refunding (to be amortized as interest expense)		30,630
Plus: Deferred issuance premium (to be amortized as interest expense)		(77,951)
Less: Deferred charge for issuance costs (to be amortized over life of debt)		214,150
Accrued interest payable		(223,477)
Capital leases payable		(454,279)
Notes payable		(1,322,866)
Compensated absences payable		(965,770)
Net pension obligation		(293,292)
Post-employment healthcare benefits obligation		<u>(4,355,308)</u>
 Net adjustment to reduce "total fund balances, governmental funds" to arrive at "net position of governmental activities"	 \$	 <u><u>(17,878,163)</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 position 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	\$	1,471,693
Depreciation expense		<u>(1,281,577)</u>
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$	<u>190,116</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 position.” The details of the reconciling amounts are as follows:

Loss from capital assets sold	\$	(24,521)
Proceeds from sale of assets		(17,827)
Capital assets provided by grants		<u>44,173</u>
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$	<u>1,825</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 position. 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:

Principal repayments		
General obligation bonds	\$	776,000
Capital leases		38,819
Notes payable		154,501
Amortization of deferred charge on refunding		(7,591)
Amortization of deferred bond premium		5,396
Amortization of deferred bond issuance costs		<u>(16,488)</u>
Net adjustment to increase "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$	<u><u>950,637</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 (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	\$	(371,434)
Accrued interest		12,303
Net pension obligation		(85,404)
Post-employment healthcare benefits obligation		<u>(814,127)</u>
Net adjustment to reduce "net changes in fund balances, governmental funds" to arrive at "changes in net position of governmental activities"	\$	<u><u>(1,258,662)</u></u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

At April 30, 2013, the carrying amount of the primary government’s deposits was \$4,336,745 and the bank balance was \$4,285,724. The governmental component unit (Mattoon Public Library) had deposits with a carrying amount of \$54,823 and bank balances totaling \$82,104. The fiduciary component units had deposits with a carrying amount of \$2,113,017 and bank balances totaling \$2,103,313. The primary government and governmental component unit (Mattoon Public Library) had cash on hand of \$730 and \$215, respectively.

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, 2013, the government and its component units did not have any bank balances exposed to custodial credit risk.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At April 30, 2013, 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>
Illinois Funds Money Market Fund	<u>\$ 8,788,109</u>	AAAm	Demand *

* These accounts are subject to immediate withdrawal and are reflected as cash equivalents in the financial statements.

At April 30, 2013, 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>\$ 33,581</u>	N/A	N/A

At April 30, 2013, 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	\$ 10,706,458	AA+/AAA	22.76
Insurance contracts	<u>18,239,798</u>	A/A3	N/A
Total	<u>\$ 28,946,256</u>		

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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.

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.

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.

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's only investment is in a pooled investment account with Southeastern Illinois Community Foundation.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk (Continued)

State statutes limit the fiduciary component units' investments in separate accounts managed by life insurance companies and mutual funds to a maximum of sixty-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 (10.92%), the Federal National Mortgage Association (21.41%), and AIG Annuity Insurance Company annuities (22.53%), and ING Life Insurance annuities (40.49%).

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

	Primary government	Governmental- Type Component Unit (Mattoon Public Library)	Fiduciary-Type Component Units (Pensions)
Deposits, investments, and cash on hand per notes:			
Deposits	\$ 4,336,745	\$ 54,823	\$ 2,113,017
Investments	8,788,109	33,581	28,946,256
Cash on hand	730	215	--
 Total deposits, investments, and cash on hand	 \$ 13,125,584	 \$ 88,619	 \$ 31,059,273
 Cash, certificates of deposit, and investments per statements:			
Cash and cash equivalents	\$ 12,706,742	\$ 55,038	\$ 2,113,017
Investments	--	8,581	28,946,256
Restricted assets:			
Cash and cash equivalents	410,123	--	--
Certificates of deposit	8,719	--	--
Investments, at fair value	--	25,000	--
 Total cash and cash equivalents, certificates of deposit and investments	 \$ 13,125,584	 \$ 88,619	 \$ 31,059,273

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

4. RECEIVABLES

Receivables balances as of April 30, 2013 for the primary government were as follows:

	Governmental Activities				
	Governmental Funds			Proprietary Funds	
	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Totals
	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Totals
Property taxes	\$ 4,038,000	\$ --	\$ --	\$ --	\$ 4,038,000
TIF property tax increment	--	--	394,897	--	394,897
Business district taxes	--	--	89,995	--	89,995
Utility taxes	109,595	--	--	--	109,595
Telecommunications taxes	208,098	--	--	--	208,098
Income and use taxes	629,006	--	--	--	629,006
Sales taxes	1,519,360	--	--	--	1,519,360
Personal property replacement taxes	101,705	--	--	--	101,705
Motor fuel taxes	--	--	31,910	--	31,910
Other taxes	25,885	--	49,080	--	74,965
Grants	5,574	--	--	--	5,574
Ambulance billing	78,100	--	--	--	78,100
Other receivables	98,716	10,000	111,804	27,386	247,906
Totals	\$ 6,814,039	\$ 10,000	\$ 677,686	\$ 27,386	\$ 7,529,111

The ambulance billing receivable has been reduced by an allowance for uncollectible accounts of \$114,063.

	Business-Type Activities	
	Proprietary Funds	
	Water Fund	Sewer Fund
Customer receivables	\$ 173,052	\$ 231,727
Other receivables	975	1,400
Totals	\$ 174,027	\$ 233,127

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, 2013:

Due to/from other funds

	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ 3,883	\$ 2,823,929
Capital Projects Fund	<u>119,318</u>	<u>210,646</u>
Other Governmental Funds:		
Hotel and Motel Tax Fund	93,150	434
Revolving Loan Fund	--	3,883
I-57 East TIF District Fund	1,270	--
Broadway East Business District Fund	213,864	--
I-57 East Business District Fund	<u>--</u>	<u>1,270</u>
Total other governmental funds	308,284	5,587
Eliminations for other governmental funds	<u>(1,270)</u>	<u>(1,270)</u>
Adjusted total other governmental funds	<u>307,014</u>	<u>4,317</u>
Total governmental funds	<u>430,215</u>	<u>3,038,892</u>
Proprietary Funds:		
Enterprise Funds:		
Water Fund	1,009,726	11,797
Sewer Fund	<u>1,205,407</u>	<u>13,614</u>
Total enterprise funds	<u>2,215,133</u>	<u>25,411</u>
Internal Service Funds:		
Health Insurance Fund	104,296	--
Insurance and Tort Judgment Fund	<u>331,837</u>	<u>17,178</u>
Total internal service funds	<u>436,133</u>	<u>17,178</u>
Total proprietary funds	<u>2,651,266</u>	<u>42,589</u>
Due to/from other funds	<u>\$ 3,081,481</u>	<u>\$ 3,081,481</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 Revolving Loan Fund is the reimbursement of an expenditure of the Revolving Loan Fund paid by the General Fund. 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 amounts receivable to the Hotel and Motel Tax Fund and the Broadway East Business District Fund from the General Fund are to cover negative cash balances within the pooled account. The amount receivable to the I-57 East TIF District Fund from the I-57 East Business District Fund is to cover a negative cash balance within the pooled cash account. The amounts receivable to the Water Fund and Sewer Fund from the General Fund and Capital Projects Fund are to cover negative cash balances in the pooled account. Part of the receivables also include amounts due from the Insurance and Tort Judgment Fund for overpayments of charges for services. The amount receivable to the Health Insurance Fund consist of charges for services due from the General Fund, Hotel and Motel Tax Fund, Water Fund, and Sewer Fund. The amount receivable to the Insurance and Tort Judgment Fund from the General Fund is to cover a negative cash balance in the pooled account and for charges for services.

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, 2013:

Due between primary government and component units

	Receivable	Payable
Primary Government:		
Governmental Fund:		
General Fund	\$ 196,740	\$ 21,410
Proprietary Funds:		
Internal Service Funds:		
Health Insurance Fund	--	704
Insurance and Tort Judgment Fund	--	1,542
Total internal service funds	--	2,246
Total primary government	196,740	23,656
Component Units:		
Governmental Component Unit:		
Mattoon Public Library	2,246	106,859
Fiduciary Component Units:		
Mattoon Firefighters Pension Fund	21,410	--
Mattoon Police Pension Fund	--	89,881
Total fiduciary component units	21,410	89,881
Total component units	23,656	196,740
Due between primary government and component units	\$ 220,396	\$ 220,396

The amount receivable to the General Fund from the Library is the reimbursement of expenditures of the Library paid by the General Fund, and the reimbursement of debt service payments paid by the General Fund. It also includes a refund of excess transfers to the Mattoon Police Pension Fund. The amount receivable to the Mattoon Public Library component unit consists of overpayments of charges from the Health Insurance Fund and the Insurance and Tort Judgment Fund. The amount receivable to the Mattoon Firefighters Pension Fund is for the transfer of replacement and video gaming taxes from the General 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

	Receivable	Payable
Primary Government:		
Governmental Funds:		
General Fund	\$ 77,814	\$ --
Component Units:		
Governmental Component Unit:		
Mattoon Public Library	--	77,814
Advance between primary government and component units	\$ 77,814	\$ 77,814

The amounts receivable to the General Fund consist of the long-term portion of debt paid by the General Fund on behalf of the Mattoon Public Library.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2013 was as follows:

	Balance <u>April 30, 2012</u>	Additions	Deletions	Balance <u>April 30, 2013</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,199,747	\$ --	\$ --	\$ 3,199,747
Construction in progress	<u>4,446,159</u>	<u>144,359</u>	<u>4,446,459</u>	<u>144,059</u>
Total capital assets not being depreciated	<u>7,645,906</u>	<u>144,359</u>	<u>4,446,459</u>	<u>3,343,806</u>
Capital assets being depreciated:				
Buildings and improvements	7,203,086	2,806,574	--	10,009,660
Less: Accumulated depreciation	<u>(2,520,569)</u>	<u>(169,960)</u>	--	<u>(2,690,529)</u>
Buildings and improvements, net	<u>4,682,517</u>	<u>2,636,614</u>	--	<u>7,319,131</u>
Infrastructure	59,476,423	111,857	--	59,588,280
Less: Accumulated depreciation	<u>(46,681,519)</u>	<u>(820,421)</u>	--	<u>(47,501,940)</u>
Infrastructure, net	<u>12,794,904</u>	<u>(708,564)</u>	--	<u>12,086,340</u>
Improvements other than building	921,474	2,605,323	--	3,526,797
Less: Accumulated depreciation	<u>(74,545)</u>	<u>(96,083)</u>	--	<u>(170,628)</u>
Improvements other than building, net	<u>846,929</u>	<u>2,509,240</u>	--	<u>3,356,169</u>
Equipment, furniture and vehicles	6,054,272	269,389	93,695	6,229,966
Less: Accumulated depreciation	<u>(5,466,459)</u>	<u>(195,113)</u>	<u>(76,171)</u>	<u>(5,585,401)</u>
Equipment, furniture and vehicles, net	<u>587,813</u>	<u>74,276</u>	<u>17,524</u>	<u>644,565</u>
Total capital assets being depreciated, net	<u>18,912,163</u>	<u>4,511,566</u>	<u>17,524</u>	<u>23,406,205</u>
Governmental activities, Capital assets, net	<u>\$ 26,558,069</u>	<u>\$ 4,655,925</u>	<u>\$ 4,463,983</u>	<u>\$ 26,750,011</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended April 30, 2013 was as follows: (continued)

	Balance April 30, 2012	Additions	Deletions	Balance April 30, 2013
Primary government (continued):				
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 587,155	\$ --	\$ --	\$ 587,155
Construction in progress	506,783	144,753	256,183	395,353
Total capital assets not being depreciated	<u>1,093,938</u>	<u>144,753</u>	<u>256,183</u>	<u>982,508</u>
Capital assets being depreciated:				
Buildings and building improvements	12,903,657	--	--	12,903,657
Less: Accumulated depreciation	(4,695,564)	(279,923)	--	(4,975,487)
Buildings and building improvements, net	<u>8,208,093</u>	<u>(279,923)</u>	<u>--</u>	<u>7,928,170</u>
Improvements other than building	213,861	1,166	--	215,027
Less: Accumulated depreciation	(137,177)	(6,261)	--	(143,438)
Improvements other than building, net	<u>76,684</u>	<u>(5,095)</u>	<u>--</u>	<u>71,589</u>
Treatment, collection and distribution systems	51,250,794	350,482	--	51,601,276
Less: Accumulated depreciation	(23,258,045)	(1,143,747)	--	(24,401,792)
Treatment, collection and distribution systems, net	<u>27,992,749</u>	<u>(793,265)</u>	<u>--</u>	<u>27,199,484</u>
Equipment, furniture and vehicles	3,393,747	218,773	166,463	3,446,057
Less: Accumulated depreciation	(1,998,932)	(290,852)	(129,789)	(2,159,995)
Equipment, furniture and vehicles, net	<u>1,394,815</u>	<u>(72,079)</u>	<u>36,674</u>	<u>1,286,062</u>
Total capital assets being depreciated, net	<u>37,672,341</u>	<u>(1,150,362)</u>	<u>36,674</u>	<u>36,485,305</u>
Business-type activities, Capital assets, net	<u>\$ 38,766,279</u>	<u>\$ (1,005,609)</u>	<u>\$ 292,857</u>	<u>\$ 37,467,813</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	\$ 129,081
Public safety	146,012
Public works	914,267
Culture and recreation	86,641
Health and welfare	<u>5,576</u>
Governmental activities, Depreciation expense	<u><u>\$ 1,281,577</u></u>
Business-type activities:	
Water	\$ 663,129
Sewer	<u>1,057,654</u>
Business-type activities, Depreciation expense	<u><u>\$ 1,720,783</u></u>

Analysis of changes in component unit capital assets:

	Balance <u>April 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2013</u>
Component unit (Mattoon Public Library):				
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 2,810,962	\$ --	\$ --	\$ 2,810,962
Less: Accumulated depreciation	<u>(879,386)</u>	<u>(56,219)</u>	<u>--</u>	<u>(935,605)</u>
Buildings and improvements, net	<u>1,931,576</u>	<u>(56,219)</u>	<u>--</u>	<u>1,875,357</u>
Equipment, furniture and vehicles	69,344	57,608	--	126,952
Less: Accumulated depreciation	<u>(64,740)</u>	<u>(3,696)</u>	<u>--</u>	<u>(68,436)</u>
Equipment, furniture and vehicles, net	<u>4,604</u>	<u>53,912</u>	<u>--</u>	<u>58,516</u>
Governmental activities, Capital assets, net	<u><u>\$ 1,936,180</u></u>	<u><u>\$ (2,307)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 1,933,873</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

Mattoon Public Library	\$	<u>59,915</u>
------------------------	----	---------------

7. CONSTRUCTION IN PROGRESS

The City has active construction projects in progress as of April 30, 2013. The projects include the construction of a drainage project, the additions of offices and performance areas at the train depot, construction of the public works building, new playground equipment at Peterson Park, a storm runoff control project, improvements to water service lines, and rehabilitation of wastewater treatment equipment. The renovation of the lake dam has been delayed until fiscal year 2016 due to budgetary constraints. However, amounts that have been spent to date will be applicable when construction resumes. At April 30, 2013, the City's construction in progress is as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Project:		
Primary government:		
Governmental activities:		
Arts Council Offices & Performance Space	\$ 21,528	\$ 78,472
Broadway Ave. East Sidewalks - Phase II	--	74,164
Peterson Park Playground	92,771	3,402
Public Works Building	9,679	2,990,321
South Side Drainage Project - Phase III	--	455,000
Tourism Office Improvements	<u>20,081</u>	<u>63,919</u>
 Total governmental activities	 <u>\$ 144,059</u>	 <u>\$ 3,665,278</u>
 Business-type activities:		
CSO/Long Term Control Plan	\$ 241,301	\$ 19,758,699
Elm Ridge Water Main	5,869	266,131
Lake Paradise Dam Renovation	88,625	86,375
Secondary Clarifier Rehab	<u>59,558</u>	<u>125,442</u>
 Total business-type activities	 <u>\$ 395,353</u>	 <u>\$ 20,236,647</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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, 2012	\$ 39,473
Less: cost of crypts sold	_____ --
Mausoleum carrying value, April 30, 2013	39,473
Land held for future expansion, estimated carrying value, April 30, 2013	_____ 21,179
	<u>\$ 60,652</u>

9. RESTRICTED ASSETS

The General Fund has restricted cash and investments for mausoleums and cemetery perpetual care. The Water Fund has restricted cash accounts for customer meter deposits. 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 issued a short-term loan to the Mattoon Public Library, a component unit, to provide funding for operating expenses. The Library reports this amount as part of the due to primary government balance.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

11. SHORT-TERM DEBT (CONTINUED)

	Balance April 30, 2012	Additions	Deletions	Balance April 30, 2013
Component Unit (Mattoon Public Library):				
Governmental Activities:				
Short-term loan from the City of Mattoon	\$ --	\$ 80,000	\$ --	\$ 80,000

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%	\$ 190,000
Series 2009A	1.50% - 4.35%	5,495,000
Series 2009B (Taxable)	4.00% - 5.70%	3,735,000
Governmental activities - refunding:		
Series 2005B	2.50% - 4.05%	1,010,000
Total governmental activities bonds		\$ 10,430,000
	Interest Rates	Amount
Business-type activities - refunding:		
Series 2005A	2.50% - 4.00%	\$ 1,880,000
Series 2011	2.00%	1,755,000
Total business-type activities bonds		\$ 3,635,000

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

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

12. GENERAL OBLIGATION BONDS (CONTINUED)

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

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>
2014	\$ 730,000	\$ 440,948	\$ 915,000	\$ 106,348
2015	560,000	414,025	945,000	82,700
2016	580,000	394,686	975,000	57,860
2017	610,000	373,845	390,000	31,610
2018	640,000	351,891	410,000	16,400
2019-2023	2,880,000	1,411,724	--	--
2024-2028	3,580,000	744,273	--	--
2029-2033	850,000	41,832	--	--
Total	<u>\$ 10,430,000</u>	<u>\$ 4,173,224</u>	<u>\$ 3,635,000</u>	<u>\$ 294,918</u>

13. CAPITAL LEASES

Previously, the City entered into a lease agreement to finance the purchase of a fire truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of future minimum lease payments as of the inception date.

The asset acquired through the current capital lease is as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Fire truck	\$ 748,078
Less: Accumulated depreciation	<u>(748,078)</u>
	<u>\$ -</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

13. CAPITAL LEASES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2013, were as follows:

<u>Years Ending April 30,</u>	<u>Governmental Activities</u>
2014	\$ 64,452
2015	64,452
2016	64,452
2017	64,452
2018	64,452
2019-2023	<u>257,200</u>
Total minimum lease payments	579,460
Less: amount representing interest	<u>(125,181)</u>
Present value of minimum lease payments	<u><u>\$ 454,279</u></u>

14. NOTES PAYABLE

The City has issued various notes as follows:

	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
First Mid-Illinois Bank & Trust note, serviced by the General Fund, proceeds used to fund early retirement incentives, energy efficient improvements, and future needs in the General Fund	2.490%	\$ 670,123
First Mid-Illinois Bank & Trust note, serviced by the South Rt 45 TIF Fund, proceeds used to fund business development along South Rt 45	5.500%	<u>652,743</u>
Total governmental activities notes		<u><u>\$ 1,322,866</u></u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

14. NOTES PAYABLE (CONTINUED)

	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
Illinois Environmental Protection Agency note, serviced by the Water Fund, proceeds used for construction of a new water treatment plant	2.865%	\$ 3,292,386
First Mid-Illinois Bank & Trust note, serviced by the Water Fund, proceeds used to fund early retirement incentives and energy efficient improvements	2.490%	540,071
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for sewer wastewater treatment plant rehabilitation	2.865%	163,091
Illinois Environmental Protection Agency note, serviced by the Sewer Fund, proceeds used for expansion of the sewer wastewater treatment plant	2.675%	5,492,472
First Mid-Illinois Bank & Trust note, serviced by the Water Fund, proceeds used to fund early retirement incentives and energy efficient improvements	2.490%	<u>428,131</u>
Total business-type activities notes		<u><u>\$ 9,916,151</u></u>

Notes payable debt service requirements to maturity are as follows:

<u>Years ending April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 101,455	\$ 52,587	\$ 1,032,417	\$ 263,693
2015	104,725	49,317	1,060,884	235,226
2016	108,118	45,924	1,090,137	205,973
2017	111,608	42,434	1,120,157	175,954
2018	115,290	38,751	1,151,091	145,020
2019-2023	781,670	68,256	4,163,719	303,367
2024-2028	--	--	<u>297,746</u>	<u>3,981</u>
Total	<u><u>\$ 1,322,866</u></u>	<u><u>\$ 297,269</u></u>	<u><u>\$ 9,916,151</u></u>	<u><u>\$ 1,333,214</u></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, 2013 was as follows:

	Balance April 30, 2012	Additions	Reductions	Balance April 30, 2013	Due Within One Year
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 11,206,000	\$ --	\$ 776,000	\$ 10,430,000	\$ 730,000
Add (less) deferred amounts:					
On refunding	(38,221)	--	(7,591)	(30,630)	--
For issuance premiums	83,347	--	5,396	77,951	--
Total general obligation bonds	11,251,126	--	773,805	10,477,321	730,000
Capital leases	493,098	--	38,819	454,279	40,966
Notes payable	1,477,367	--	154,501	1,322,866	101,455
Compensated absences	594,336	371,434	--	965,770	193,154
Net pension obligation	207,888	85,404	--	293,292	N/A
Post-employment healthcare benefits	3,541,181	814,127	--	4,355,308	N/A
Governmental activities, Long-term liabilities	<u>\$ 17,564,996</u>	<u>\$ 1,270,965</u>	<u>\$ 967,125</u>	<u>\$ 17,868,836</u>	<u>\$ 1,065,575</u>
Business-type Activities:					
General obligation bonds	\$ 4,510,000	\$ --	\$ 875,000	\$ 3,635,000	\$ 915,000
Add (less) deferred amounts:					
On refunding	(173,192)	--	(42,916)	(130,276)	--
For issuance premium	47,792	--	12,472	35,320	--
Total general obligation bonds	4,384,600	--	844,556	3,540,044	915,000
Notes payable	10,934,715	--	1,018,564	9,916,151	1,032,418
Compensated absences	178,275	17,403	--	195,678	39,136
Post-employment healthcare benefits	882,139	207,348	--	1,089,487	N/A
Business-type activities, Long-term liabilities	<u>\$ 16,379,729</u>	<u>\$ 224,751</u>	<u>\$ 1,863,120</u>	<u>\$ 14,741,360</u>	<u>\$ 1,986,554</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, 2013 was as follows:

	<u>Balance</u> <u>April 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Component Unit (Mattoon Public Library):					
Governmental Activities:					
Compensated absences	\$ 46,248	\$ --	\$ 27,774	\$ 18,474	\$ 3,695
Component unit, Long-term liabilities	<u>\$ 46,248</u>	<u>\$ --</u>	<u>\$ 27,774</u>	<u>\$ 18,474</u>	<u>\$ 3,695</u>

16. TAXES

Tax revenues during the year ended April 30, 2013 were as follows:

	<u>Governmental</u> <u>Funds</u>	
	<u>General Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>
Property taxes	\$ 3,825,739	\$ --
TIF property tax increment	--	419,231
Telecommunication taxes	834,497	--
Utility taxes	1,252,058	--
Business district taxes	--	383,791
Road and bridge taxes	141,205	--
Hotel taxes	--	342,427
Cable TV franchise taxes	185,300	--
Gas and electric franchise taxes	190,881	--
Totals	<u>\$ 6,429,680</u>	<u>\$ 1,145,449</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

17. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues during the year ended April 30, 2013 were as follows:

	Governmental Funds		
	General Fund	Capital Projects Fund	Other Governmental Funds
	Income and use taxes	\$ 2,126,952	\$ --
Sales taxes	6,290,775	--	--
Personal property replacement taxes	507,531	--	--
Video gaming tax	67,491	--	--
Pull tabs and jar games tax	4,020	--	--
Motor fuel taxes	--	--	521,274
Foreign fire insurance taxes	33,171	--	--
Operating grants and contributions	189,682	--	210,438
Capital grants and contributions	--	526,657	--
Totals	\$ 9,219,622	\$ 526,657	\$ 731,712

18. PROCEEDS FROM CLASS ACTION LAWSUIT

The City of Mattoon was a member of the class action lawsuit *City of Greenville, et al., vs. Syngenta Crop Protection, Inc. et al.* As a result of the settlement of the class action lawsuit, the City received \$203,643 as reimbursement for costs associated with removing the weed killer atrazine from its water system. These proceeds are reported as other miscellaneous revenues in the Water Fund. The City intends to use these proceeds to improve the Water Fund's cash position.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2012	2011	2010
Assessed valuation	\$ 190,700,874	\$ 190,483,603	\$ 189,479,868
Rate per \$100, excluding road and bridge rate	<u>2.0493</u>	<u>2.0023</u>	<u>1.9687</u>
Taxes extended, excluding road and bridge taxes	3,908,109	3,814,129	3,730,215
Add: City's share of road and bridge taxes extended	<u>146,934</u>	<u>141,702</u>	<u>144,502</u>
Total taxes extended	<u>\$ 4,055,043</u>	<u>\$ 3,955,831</u>	<u>\$ 3,874,717</u>
Taxes available to City after abatements and losses in collection (2012 estimated)	<u>\$ 4,038,000</u>	<u>\$ 3,943,490</u>	<u>\$ 3,863,119</u>
Percentage of extension available to City (2012 estimated)	<u>99.58%</u>	<u>99.69%</u>	<u>99.70%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

	For Tax Levy Year		
	2012	2011	2010
Distribution of taxes available (2012 estimated):			
General Fund:			
General government	\$ 597,000	\$ 559,750	\$ 559,553
Fire protection	285,000	284,837	283,366
Police protection	285,000	284,837	283,366
Street, including road & bridge	146,000	141,205	144,114
Park	142,000	142,418	141,683
Mattoon Public Library	437,000	436,753	434,494
Firefighters Pension Fund	1,123,000	1,148,807	1,106,335
Police Pension Fund	1,023,000	944,883	910,208
	\$ 4,038,000	\$ 3,943,490	\$ 3,863,119

The City Council has abated the 2010, 2011 and 2012 tax levies applicable to all outstanding general obligation bonds.

20. SCHEDULE OF OPERATING TRANSFERS WITHIN THE REPORTING ENTITY

Operating transfers between funds during the year ended April 30, 2013 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Water Fund	\$ 47,755
General Fund	Sewer Fund	89,916
General Fund	Motor Fuel Tax Fund	33,496
General Fund	Hotel and Motel Tax Fund	47,500
Capital Projects Fund	General Fund	656,566
		\$ 875,233

CITY OF MATTOON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

20. SCHEDULE OF OPERATING TRANSFERS WITHIN THE REPORTING ENTITY (CONTINUED)

The first and second transfers allocated debt service requirements to the Water Fund and Sewer Funds. The third transfer refunded amounts to the General Fund per Motor Fuel Tax audit findings for 2011. The fourth transfer transferred hotel taxes received to the General Fund for culture and recreation. The fifth transfer reclassified amounts of one-half sales tax increase earmarked for capital projects.

21. 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.

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 City's annual required contribution rate for calendar year 2012 was 14.98 percent. The City's annual required contribution rate for calendar year 2011 was 13.27 percent. (The City's contribution rate of 13.27 percent consists of the required rate of 15.12 percent, adjusted for the results of the prior year ERI.) 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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

21. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost – The required contribution for calendar year 2012 was \$545,024.

Three-Year Trend Information for the Regular Plan

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 545,024	100%	\$ --
12/31/11	542,290	88%	--
12/31/10	488,986	100%	--

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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 20 percent corridor between the actuarial and market value of assets. The City Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 71.36 percent funded. The actuarial accrued liability for benefits was \$11,851,724 and the actuarial value of assets was \$8,456,984, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,394,740. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$3,638,342 and the ratio of the UAAL to the covered payroll was 93 percent.

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.

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 Statues, Chapter 40, Article 3 and 4, and may be amended only by the Illinois legislature. Separate financial statements are not issued for these pension plans.

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.

Membership

Membership of the plans consisted of the following at April 30, 2013:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Retirees and beneficiaries receiving benefits	44	50
Current employees:		
Vested	2	6
Nonvested	<u>35</u>	<u>26</u>
 Total	 <u>81</u>	 <u>82</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Benefit Provisions

Retirement – Police officers 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 on the last day of service or for one year prior to the last day, whichever is greater. 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 officers with at least 8 years but less than 20 years may retire at or after age 60 and receive a reduced retirement benefit. Firefighters age 50 or more with 20 years of creditable service are entitled to receive a monthly pension of ½ the monthly salary attached to the rank held at the date of retirement. The monthly pension shall be increased by 1/12 of 2.5% of such monthly salary for each month of over 20 years of service through 30 years to a maximum of 75% of such monthly salary. Firefighters with at least 10 but less than 20 years of creditable service may retire at or after age 60 and receive a reduced retirement benefit. Subject to certain restrictions, the monthly pension for both police officers and firefighters are increased by 3% of the originally granted pension in January of each year.

Disability – Police officers and firefighters physically or mentally disabled in the performance of an act of duty are entitled to a pension equal to the greatest of 65% of the salary attached to their rank held at the date of suspension of duty or retirement or the retirement pension that the police officer or firefighter would be eligible to receive if he or she retired. If the disability occurs while not in performance of an act of duty, the police officers or firefighters are entitled to a pension of 50% of the salary attached to their rank at the date of suspension of duty or retirement.

Survivors – Subject to certain requirements, surviving spouses of police officers and firefighters may receive up to 100% of the monthly retirement pension to which the police officers or firefighters were entitled.

Projection of Benefits

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Contributions

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

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 required contributions for the fiscal year ended April 30, 2012 were \$1,069,435 and \$1,156,102 for the Police and Firefighters Pension plans, respectively. The annual contribution requirements are equal to the normal cost of the pension fund for the year involved, plus an amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040.

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 projected unit credit normal cost actuarial funding method. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 28 year period.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Actuarially Determined Contribution Requirements and Contribution Made (Continued)

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Actuarial Valuation Date (for the year ended April 30, 2013)	May 1, 2012	May 1, 2012
Total Statutorily Required Contribution:		
As a dollar amount as of April 30, 2013:		
Projected unit credit normal cost	\$ 676,960	\$ 534,967
Minimum payment to amortize 90% of the projected unit credit unfunded actuarial accrued liability over 28 years	614,015	846,616
Interest	87,147	36,110
	<u>\$ 1,378,122</u>	<u>\$ 1,417,693</u>
As a percentage of current covered payroll (projected for the year ended April 30, 2013):		
Projected unit credit normal cost	32.04%	28.37%
Minimum payment to amortize 90% of the projected unit credit unfunded actuarial accrued liability over 28 years	29.06%	44.89%
Interest	4.12%	1.91%
	<u>65.22%</u>	<u>75.17%</u>
Contributions Made:		
As a dollar amount as of April 30, 2013:		
Employer	\$ 1,139,516	\$ 1,354,955
Plan members	221,799	195,815
	<u>\$ 1,361,315</u>	<u>\$ 1,550,770</u>
As a percentage of current covered payroll (projected for the year ended April 30, 2013):		
Employer	53.93%	71.85%
Plan members	10.50%	10.38%
	<u>64.43%</u>	<u>82.23%</u>

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions

Significant actuarial methods and assumptions used in valuations on which reported information about the ARC, annual pension cost, and the funded status and funding progress of pension plans is based as of April 30, 2013 include:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Funding Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level percentage of payroll-closed amortization period	Level percentage of payroll-closed amortization period
Remaining Amortization Period	25 years	25 years
Asset Valuation Method	Investment gains and losses are recognized over a 5 year period	Investment gains and losses are recognized over a 5 year period
<u>Actuarial Assumptions</u>	<u>Police Pension</u>	<u>Firefighters Pension</u>
Interest Rate	6.75%	6.75%
Mortality Rate	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment
Payroll Growth	4.5%	3.5%
Salary Increases	Age-related table with rates grading from 4.8611% to 1.122% and an additional inflation allowance of 2%	Age-related table with rates grading from 4.8611% to 1.122% and an additional inflation allowance of 2%
Rate of Service-Related Deaths	5%	5%
Rate of Service-Related Disabilities	15%	15%
Marital Status	85% of officers are assumed to be married	85% of firefighters are assumed to be married
Spouse's Age	Wives are assumed to be 3 years younger than their husbands	Wives are assumed to be 3 years younger than their husbands

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

	<u>Police Pension</u>	<u>Firefighters Pension</u>
Annual required contribution (ARC)	\$ 1,284,797	\$ 1,438,452
Interest on net pension obligation	(12,975)	14,032
Adjustment to ARC	<u>9,669</u>	<u>(12,125)</u>
Annual pension cost	1,281,491	1,440,359
Contributions made	<u>1,139,516</u>	<u>1,354,955</u>
Increase in net pension obligation	141,975	85,404
Net pension obligation - beginning of year	<u>(185,362)</u>	<u>207,888</u>
Net pension obligation - end of year	<u><u>\$ (43,387)</u></u>	<u><u>\$ 293,292</u></u>

Mattoon Police Pension Fund

Three-Year Trend Information

<u>Year Ended April 30,</u>	<u>Annual Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contribution</u>	<u>Net Pension Obligation</u>
2013	\$ 1,281,491	\$ 1,139,516	88.92%	\$ (43,387)
2012	1,220,185	1,082,520	88.72%	(185,362)
2011	1,146,725	1,142,947	99.67%	(323,027)

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

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

Mattoon Fire Pension Fund

Three-Year Trend Information

Year Ended April 30,	Annual Pension Cost	Employer Contribution	Percentage Contribution	Net Pension Obligation
2013	\$ 1,440,359	\$ 1,354,955	94.07%	\$ 293,292
2012	1,403,703	1,292,792	92.10%	207,888
2011	1,352,663	1,375,069	101.66%	96,977

Funding Status and Progress

As of May 1, 2012, the most recent actuarial valuation date, the Police Pension was 44.70% funded. For the Police Pension Fund, the actuarial accrued liability for benefits was \$32,880,106, and the actuarial value of assets was \$14,698,221, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,181,885. The covered payroll for fiscal year 2012 was \$2,112,905 and the ratio of UAAL to the covered payroll was 860.52%.

As of May 1, 2012, the most recent actuarial valuation date, the Firefighters Pension was 43.72% funded. The actuarial accrued liability for benefits was \$33,341,735, and the actuarial value of assets was \$14,576,771, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,764,964. The covered payroll for fiscal year 2012 was \$1,885,888 and the ratio of UAAL to the covered payroll was 995.02%.

Schedule of Funding Progress

The Schedules of Funding Progress for the Mattoon Police Pension Fund and Mattoon Firefighters Pension Fund present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits. The Schedules of Funding Progress for the past six years are reported as required supplementary information immediately following the notes.

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. Separate financial statements are not issued for the post-employment healthcare benefits program.

Funding Policy

For fiscal year 2013, the City contributed \$1,117,836 for retiree healthcare benefits. The City required retirees with monthly pensions less than \$1,625 per month to contribute \$64 per month for those with no dependents or \$139 per month for those with dependents, 15% of the total cost of their healthcare. Retirees with a monthly pension greater than \$1,625 per month were required to contribute \$139 per month for those with no dependents or \$301 per month for those with dependents, 32.5% 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, 2014, the total cost of healthcare is projected to be \$646 for single coverage and \$1,030 for family coverage. Retirees with monthly pensions less than \$1,625 per month will be required to contribute \$97 per month for those with no dependents and \$155 for those with dependents, 15% of the total cost. Retirees with monthly pensions greater than \$1,625 per month will be required to contribute \$210 per month for those with no dependents and \$335 for those with dependents, 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	\$2,192,187
Interest on net OPEB obligation	221,166
Adjustment to annual required contribution	(274,041)
Annual OPEB cost (expense)	2,139,312
Contributions made	(1,117,836)
Increase in net OPEB obligation	1,021,476
Net OPEB obligation - beginning of year	4,423,320
Net OPEB obligation - end of year	\$5,444,796

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
4/30/2013	\$ 2,139,312	52.30%	\$ 5,444,796
4/30/2012	2,152,787	47.60%	4,423,320
4/30/2011	1,707,794	48.50%	3,296,071
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, 2013, the actuarial accrued liability for benefits was \$30,084,328. The covered payroll was approximately \$7,387,512, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 407%. 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.

Actuarial Methods	Post-Employment Health Care Benefits
Funding Method	Entry Age Normal Cost
Amortization Method	Level percentage of pay

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

23. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

<u>Actuarial Assumptions</u>	<u>Post-Employment Health Care Benefits</u>	
Interest Rate	5%	
Salary Progression	3.50%	
Claim Costs		
Single Coverage	\$427	
Family Coverage	\$928	
Employee Contributions		
Hired prior to May 1, 2007		
Pension amount less than \$1,625/month	15% of cost	
Pension amount more than \$1,625/month	32.5% of cost	
Hired after April 30, 2007	100% of cost	
Mortality Rate	1994 Group Annuity Mortality Table for Males and Females	
Retirement, Withdrawal, and Disability Rates	Age-related tables with varying rates	
Participation	90% of employees hired prior to May 1, 2007 that are currently enrolled	
	50% of employees hired after April 30, 2007 that are currently enrolled	
Spouse Information	50% of employees are assumed to be married, females assumed to be 3 years younger than	
Health Care Cost Inflation Rates	<u>Period</u>	<u>Rate</u>
	2012	9%
	2013	8%
	2014	7%
	2015	6%
	2016 and after	5%

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 Coventry Health Care 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. For the fiscal year ended April 30, 2013, the contribution for active employees was \$64 per month for those with no dependents or \$139 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, 2014, the total cost of the health plan per employee is projected to be \$646 per month for employees with no dependents or \$1,030 per month for employees with dependents. Based on these estimated costs, the contribution for active employees will be \$97 per month for those with no dependents or \$155 per month for those with dependents, or 15% of total costs, for the fiscal year ending April 30, 2014.

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 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 \$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.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

24. SELF-INSURANCE (CONTINUED)

At the end of the fiscal year, the City had 269 employees, former employees, and retirees participating in the group health plan. Of this number, 136 were active employees, and 133 were retirees. Seventy-seven of the participants had single coverage, and 192 had family coverage.

The health plan is funded on a pay-as-you go basis. The City incurred health plan claims expenditures of \$2,901,226 in the fiscal year that ended April 30, 2013, which includes \$171,621 of claims incurred, but not paid. An actuarial estimate of claims incurred, but not reported, was not determined.

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	IPRF ¹	\$2.5 million each accident \$2.5 million each employee \$2.5 million policy limit	1/1/2014
Property & Casualty	Argonaut ²	Replacement Cost \$68,501,280 Blanket Building and Contents Limit \$1,000,000 Extra Expense and Business Income Property - \$5,000 deductible Extra Expense and Business Income - \$5,000 deductible	12/1/2013
General Liability ³	Argonaut	\$1 million each occurrence \$3 million aggregate	12/1/2013

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

25. INSURANCE (CONTINUED)

<u>Exposure</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Expiration</u>
Flood	American ⁴	\$405,000 Blower Building Structure \$360,000 Blower Building Contents \$132,500 Pump Station Building \$221,400 Pump Station Contents \$25,000 deductible	12/9/2013
Volunteers	National ⁵	\$2 million each occurrence	12/1/2013
Employed Lawyer's Liability	Philadelphia ⁶	\$1 million aggregate	12/1/2013
Fiduciary Liability	Federal ⁷	\$1 million aggregate	12/1/2013
Public Officials Liability	Argonaut	\$1 million each occurrence \$3 million aggregate \$5,000 deductible	12/1/2013
Employment Practices Liability	Argonaut	\$1 million each occurrence \$3 million aggregate \$50,000 limit for back wages \$5,000 deductible for each wrongful act \$10,000 deductible for back wages	12/1/2013
Automobile Physical Damage	Argonaut	Actual cash value \$500 deductible	12/1/2013
Automobile Liability	Argonaut	\$1 million	12/1/2013
Law Enforcement Liability	Argonaut	\$1 million each occurrence \$3 million aggregate \$5,000 deductible	12/1/2013
Crime	Federal	Limit - \$500,000	12/1/2013
Inland Marine	Argonaut	\$4,977,296 \$1,000 deductible	12/1/2013
Umbrella Liability ⁸	Argonaut	\$10 million each occurrence \$10 million aggregate	12/1/2013

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

25. INSURANCE (CONTINUED)

¹ Illinois Public Risk Fund.

² Argonaut Great Central Insurance Company.

³ The general liability coverage is subject to exclusions and sub-limits for exposures related to Products/Completed Operations, Personal & Advertising Injury, Damage to Premises Rented to You, and Employee Benefits. See the policy on file with the City for exclusion and sub-limit information.

⁴ American Banker's Insurance Company of Florida.

⁵ National Union Fire Insurance Company of Pittsburgh.

⁶ Philadelphia Indemnity Insurance Company.

⁷ Federal Insurance Corporation.

⁸ The umbrella policy is excess liability coverage for the following policies: Commercial General Liability, Commercial Automobile Liability, Public Officials Liability, Law Enforcement, and Employment Practices Liability.

26. CONTINGENCIES

At April 30, 2013, the City was a defendant in two pending lawsuits. One was settled on May 22, 2013 and the City's insurance covered 100% of the settlement. The City's legal counsel is unable to express an opinion as to the likelihood of an unfavorable outcome on the other lawsuit due to the early stage of the litigation. However, the City believes it has numerous meritorious defenses and is vigorously defending this litigation.

27. DEFICIT FUND BALANCES

The following individual fund carried the following deficit balance as of April 30, 2013:

Governmental Component Unit: Mattoon Public Library	\$ (97,476)
---	-------------

The City intends to reduce this deficit by reducing expenditures in future periods.

CITY OF MATTOON, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

28. RELATED PARTY TRANSACTION

The City of Mattoon services a \$2,000,000 loan that was issued December 16, 2010 to fund early retirement incentives and energy efficient improvements throughout the City's buildings. The loan is serviced by the primary government. The Mattoon Public Library, a discretely presented component unit, had an employee retire using the early retirement incentive and received various energy efficient improvements that were paid for from the proceeds of the loan. Therefore, the Library reports an amount due to the General Fund for the cost of these items, minus grants received to help cover the cost. The Library makes monthly payments to the General Fund to reimburse the amount owed plus the interest on the note proceeds used for the Library. At April 30, 2013, the balance due to the General Fund from the Library for this transaction was \$100,897.

29. PRIOR PERIOD ADJUSTMENT

In prior years, the calculation for the net pension obligations for the Mattoon Police Pension Fund and Mattoon Firefighters Pension Fund were unavailable. During the fiscal year ended April 30, 2013, the City hired actuaries who prepared the calculations, including amounts related to periods ending prior to April 30, 2013. The net pension obligation liability for the Mattoon Firefighters Pension Fund for years ending prior to April 30, 2013 is reported as a prior period adjustment.

	<u>Governmental Activities</u>
Net position at April 30, 2012	\$ 21,722,653
Prior period adjustment	(207,888)
Net position at April 30, 2012, restated	\$ 21,514,765

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MATTOON, ILLINOIS

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/12	\$ 8,456,984	\$ 11,851,724	\$ 3,394,740	71.36%	\$ 3,638,342	93.30%
12/31/11	6,865,857	10,889,009	4,023,152	63.05%	3,586,575	112.17%
12/31/10	5,448,120	9,651,177	4,203,057	56.45%	3,732,715	112.60%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$9,019,358. On a market basis, the funded ratio would be 76.10 percent.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the City of Mattoon. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100 percent funded.

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

**POLICE PENSION FUND
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/1/12	\$ 14,698,221	\$ 32,880,106	\$ 18,181,885	44.70%	\$ 2,112,905	860.52%
5/1/11	13,735,199	31,576,257	17,841,058	43.50%	2,030,275	878.75%
4/30/10	14,004,793	30,557,604	16,552,811	45.83%	2,020,572	819.21%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2013	\$ 1,284,797	\$ 1,139,516	88.69%
2012	1,226,438	1,082,520	88.27%
2011	1,152,945	1,142,947	99.13%
2010	1,145,967	1,010,614	88.19%
2009	938,318	992,277	105.75%
2008	841,915	915,337	108.72%

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

**FIRE PENSION FUND
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
5/1/12	\$ 14,576,771	\$ 33,341,735	\$ 18,764,964	43.72%	\$ 1,885,888	995.02%
5/1/11	13,840,400	32,630,851	18,790,451	42.42%	1,860,445	1010.00%
4/30/10	14,534,029	33,027,916	18,493,887	44.01%	1,896,588	975.11%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30,	Annual Required Contribution	Employer Contribution	Percentage Contribution
2013	\$ 1,438,452	\$ 1,354,955	94.20%
2012	1,402,670	1,292,792	92.17%
2011	1,349,661	1,375,069	101.88%
2010	1,385,894	1,230,187	88.76%
2009	1,154,741	1,134,259	98.23%
2008	949,325	1,046,651	110.25%

See accompanying notes to required supplementary information

CITY OF MATTOON, ILLINOIS

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2013	\$ --	\$ 30,084,328	\$ 30,084,328	0.00%	\$ 7,387,512	407.23%
4/30/2012	--	29,342,006	29,342,006	0.00%	7,143,490	410.75%
4/30/2011	--	23,103,333	23,103,333	0.00%	6,789,837	340.26%
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%	7,672,228	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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,505,292	\$ 6,505,292	\$ 6,429,680	\$ (75,612)
Licenses and permits	186,125	186,125	227,713	41,588
Intergovernmental revenues	8,585,210	8,585,210	9,219,622	634,412
Charges for services	1,038,685	1,038,685	944,546	(94,139)
Fines and forfeitures	109,500	109,500	136,876	27,376
Investment income	9,500	9,500	7,045	(2,455)
Contributions & miscellaneous revenues	277,000	277,000	431,061	154,061
Total revenues	16,711,312	16,711,312	17,396,543	685,231
Expenditures:				
Current:				
General government	1,994,239	1,994,239	2,113,951	(119,712)
Public safety	9,968,110	9,968,110	9,639,002	329,108
Public works	1,726,367	1,726,367	1,612,608	113,759
Health and welfare	176,275	176,275	186,718	(10,443)
Culture and recreation	1,405,309	1,405,309	1,434,970	(29,661)
Economic development	50,000	50,000	50,000	--
Capital outlay	--	--	297,900	(297,900)
Debt service:				
Principal	704,425	704,425	576,090	128,335
Interest and fiscal charges	625	625	110,678	(110,053)
Total expenditures	\$ 16,025,350	\$ 16,025,350	\$ 16,021,917	\$ 3,433

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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	\$ 685,962	\$ 685,962	\$ 1,374,626	\$ 688,664
Other financing sources (uses):				
Transfers in	127,500	127,500	218,667	91,167
Transfers out	(775,000)	(775,000)	(656,566)	118,434
Proceeds from sale of assets	--	--	17,827	17,827
Total other financing sources (uses)	<u>(647,500)</u>	<u>(647,500)</u>	<u>(420,072)</u>	<u>227,428</u>
Net change in fund balances	<u>\$ 38,462</u>	<u>\$ 38,462</u>	954,554	<u>\$ 916,092</u>
Fund balance, beginning of year			<u>2,867,460</u>	
Fund balance, end of year			<u>\$ 3,822,014</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. ADJUSTMENT FOR DIFFERENCES IN PERSPECTIVE

Generally accepted accounting principles require the presentation of a budgetary comparison schedule for the General Fund. However, the City's General Fund is comprised of two funds, the General Fund and Festival Management Fund, each with its own legally adopted budget. The following reconciling schedule shows the budget and actual amounts for each account and the totals as shown on the General Fund's Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis).

CITY OF MATTOON, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. ADJUSTMENT FOR DIFFERENCES IN PERSPECTIVE (CONTINUED)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (BUDGETARY BASIS)
GENERAL FUND
For the year ended April 30, 2013**

	General Fund				Festival Management Fund				Totals			
	Budget		Actual	Variance with Final Budget - Positive (Negative)	Budget		Actual	Variance with Final Budget - Positive (Negative)	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Revenues:												
Taxes	\$ 6,505,292	\$ 6,505,292	\$ 6,429,680	\$ (75,612)	\$ --	\$ --	\$ --	\$ --	\$ 6,505,292	\$ 6,505,292	\$ 6,429,680	\$ (75,612)
Licenses and permits	186,125	186,125	227,713	41,588	--	--	--	--	186,125	186,125	227,713	41,588
Intergovernmental revenues	8,585,210	8,585,210	9,219,622	634,412	--	--	--	--	8,585,210	8,585,210	9,219,622	634,412
Charges for services	1,038,685	1,038,685	944,546	(94,139)	--	--	--	--	1,038,685	1,038,685	944,546	(94,139)
Fines and forfeitures	109,500	109,500	136,876	27,376	--	--	--	--	109,500	109,500	136,876	27,376
Investment income	9,500	9,500	7,045	(2,455)	--	--	--	--	9,500	9,500	7,045	(2,455)
Contributions & miscellaneous revenues	156,000	156,000	306,005	150,005	121,000	121,000	125,056	4,056	277,000	277,000	431,061	154,061
Total revenues	16,590,312	16,590,312	17,271,487	681,175	121,000	121,000	125,056	4,056	16,711,312	16,711,312	17,396,543	685,231
Expenditures:												
Current:												
General government	1,994,239	1,994,239	2,113,951	(119,712)	--	--	--	--	1,994,239	1,994,239	2,113,951	(119,712)
Public safety	9,968,110	9,968,110	9,639,002	329,108	--	--	--	--	9,968,110	9,968,110	9,639,002	329,108
Public works	1,726,367	1,726,367	1,612,608	113,759	--	--	--	--	1,726,367	1,726,367	1,612,608	113,759
Health and welfare	176,275	176,275	186,718	(10,443)	--	--	--	--	176,275	176,275	186,718	(10,443)
Culture and recreation	1,271,734	1,271,734	1,266,668	5,066	133,575	133,575	168,302	(34,727)	1,405,309	1,405,309	1,434,970	(29,661)
Economic development	50,000	50,000	50,000	--	--	--	--	--	50,000	50,000	50,000	--
Capital outlay	--	--	297,900	(297,900)	--	--	--	--	--	--	297,900	(297,900)
Debt service:												
Principal	704,425	704,425	576,090	128,335	--	--	--	--	704,425	704,425	576,090	128,335
Interest and fiscal charges	625	625	110,678	(110,053)	--	--	--	--	625	625	110,678	(110,053)
Total expenditures	\$ 15,891,775	\$ 15,891,775	\$ 15,853,615	\$ 38,160	\$ 133,575	\$ 133,575	\$ 168,302	\$ (34,727)	\$ 16,025,350	\$ 16,025,350	\$ 16,021,917	\$ 3,433

CITY OF MATTOON, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. ADJUSTMENT FOR DIFFERENCES IN PERSPECTIVE (CONTINUED)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (BUDGETARY BASIS)
GENERAL FUND
 For the year ended April 30, 2013

	General Fund				Festival Management Fund				Totals			
	Budget		Actual	Variance with Final Budget - Positive (Negative)	Budget		Actual	Variance with Final Budget - Positive (Negative)	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Excess (deficiency) of revenues over (under) expenditures	\$ 698,537	\$ 698,537	\$ 1,417,872	\$ 719,335	\$ (12,575)	\$ (12,575)	\$ (43,246)	\$ (30,671)	\$ 685,962	\$ 685,962	\$ 1,374,626	\$ 688,664
Other financing sources (uses):												
Transfers in	80,000	80,000	171,167	91,167	47,500	47,500	47,500	--	127,500	127,500	218,667	91,167
Transfers out	(775,000)	(775,000)	(656,566)	118,434	--	--	--	--	(775,000)	(775,000)	(656,566)	118,434
Proceeds from sale of assets	--	--	17,827	17,827	--	--	--	--	--	--	17,827	17,827
Total other financing sources (uses)	(695,000)	(695,000)	(467,572)	227,428	47,500	47,500	47,500	--	(647,500)	(647,500)	(420,072)	227,428
Net change in fund balances	\$ 3,537	\$ 3,537	950,300	\$ 946,763	\$ 34,925	\$ 34,925	4,254	\$ (30,671)	\$ 38,462	\$ 38,462	954,554	\$ 916,092
Fund balance, beginning of year			2,773,827				93,633				2,867,460	
Fund balance, end of year			\$ 3,724,127				\$ 97,887				\$ 3,822,014	

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, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 911,657	\$ 911,657	\$ 526,657	\$ (385,000)
Investment income	1,000	1,000	4,378	3,378
Contributions and miscellaneous revenues	8,000	8,000	41,175	33,175
Total revenues	<u>920,657</u>	<u>920,657</u>	<u>572,210</u>	<u>(348,447)</u>
Expenditures:				
Current:				
General government	1,500	1,500	1,749	(249)
Public safety	253,174	253,174	76,873	176,301
Public works	5,156,950	5,207,511	100,564	5,106,947
Culture and recreation	107,000	107,000	21,863	85,137
Capital outlay	--	--	1,133,977	(1,133,977)
Debt service:				
Principal	446,320	446,320	235,000	211,320
Interest and fiscal charges	--	--	213,298	(213,298)
Total expenditures	<u>5,964,944</u>	<u>6,015,505</u>	<u>1,783,324</u>	<u>4,232,181</u>
Deficiency of revenues under expenditures	(5,044,287)	(5,094,848)	(1,211,114)	3,883,734
Other financing sources:				
Transfers in	<u>775,000</u>	<u>775,000</u>	<u>656,566</u>	<u>(118,434)</u>
Net change in fund balances	<u>\$ (4,269,287)</u>	<u>\$ (4,319,848)</u>	<u>(554,548)</u>	<u>\$ 3,765,300</u>
Fund balance, beginning of year			<u>4,724,491</u>	
Fund balance, end of year			<u>\$ 4,169,943</u>	

CITY OF MATTOON, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2013

	Motor Fuel Tax Fund	Hotel and Motel Tax Fund	Home Rehabilitation Grant Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 1,127,291	\$ --	\$ 10,714
Receivables	34,413	49,080	--
Due from other funds	--	93,150	--
Prepaid items	--	--	--
Long-term receivables	--	--	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,161,704</u>	<u>\$ 142,230</u>	<u>\$ 10,714</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 22,168	\$ 31,562	\$ 10,677
Payroll liabilities payable	--	2,481	--
Due to other funds	--	434	--
Deferred revenue	--	14,234	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>22,168</u>	<u>48,711</u>	<u>10,677</u>
Fund balances:			
Nonspendable	--	--	--
Restricted	1,139,536	93,519	37
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,139,536</u>	<u>93,519</u>	<u>37</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,161,704</u>	<u>\$ 142,230</u>	<u>\$ 10,714</u>

CITY OF MATTOON, ILLINOIS

COMBINING BALANCE SHEET (CONTINUED)

NONMAJOR SPECIAL REVENUE FUNDS

April 30, 2013

	<u>Revolving Loan Fund</u>	<u>Midtown TIF District Fund</u>	<u>I-57 East TIF District Fund</u>
ASSETS:			
Cash and cash equivalents	\$ 540,683	\$ 285,793	\$ 68,988
Receivables	109,301	298,473	35,345
Due from other funds	--	--	1,270
Prepaid items	--	--	--
Long-term receivables	352,332	--	--
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,002,316</u>	<u>\$ 584,266</u>	<u>\$ 105,603</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 270	\$ 1,114	\$ --
Payroll liabilities payable	--	--	--
Due to other funds	3,883	--	--
Deferred revenue	--	298,473	35,345
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>4,153</u>	<u>299,587</u>	<u>35,345</u>
Fund balances:			
Nonspendable	352,332	--	--
Restricted	645,831	284,679	70,258
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>998,163</u>	<u>284,679</u>	<u>70,258</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,002,316</u>	<u>\$ 584,266</u>	<u>\$ 105,603</u>

CITY OF MATTOON, ILLINOIS

COMBINING BALANCE SHEET (CONTINUED)

NONMAJOR SPECIAL REVENUE FUNDS

April 30, 2013

	South Rt 45 TIF District Fund	South Rt 45 Business District Fund	Broadway East TIF District Fund
ASSETS:			
Cash and cash equivalents	\$ 661	\$ 47,416	\$ 54,050
Receivables	27,317	10,368	33,762
Due from other funds	--	--	--
Prepaid items	--	--	2,267
Long-term receivables	--	--	--
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 27,978</u>	<u>\$ 57,784</u>	<u>\$ 90,079</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ --
Payroll liabilities payable	--	--	--
Due to other funds	--	--	--
Deferred revenue	27,317	3,683	33,762
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>27,317</u>	<u>3,683</u>	<u>33,762</u>
Fund balances:			
Nonspendable	--	--	2,267
Restricted	661	54,101	54,050
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>661</u>	<u>54,101</u>	<u>56,317</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 27,978</u>	<u>\$ 57,784</u>	<u>\$ 90,079</u>

CITY OF MATTOON, ILLINOIS

**COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS**

April 30, 2013

	Broadway East Business District Fund	I-57 East Business District Fund	Eliminations	Totals
ASSETS:				
Cash and cash equivalents	\$ 313,260	\$ 5,189	\$ --	\$ 2,454,045
Receivables	78,640	987	--	677,686
Due from other funds	213,864	--	(1,270)	307,014
Prepaid items	--	--	--	2,267
Long-term receivables	--	--	--	352,332
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 605,764</u>	<u>\$ 6,176</u>	<u>\$ (1,270)</u>	<u>\$ 3,793,344</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 5,234	\$ --	\$ --	\$ 71,025
Payroll liabilities payable	--	--	--	2,481
Due to other funds	--	1,270	(1,270)	4,317
Deferred revenue	30,949	293	--	444,056
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>36,183</u>	<u>1,563</u>	<u>(1,270)</u>	<u>521,879</u>
Fund balances:				
Nonspendable	--	--	--	354,599
Restricted	569,581	4,613	--	2,916,866
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>569,581</u>	<u>4,613</u>	<u>--</u>	<u>3,271,465</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 605,764</u>	<u>\$ 6,176</u>	<u>\$ (1,270)</u>	<u>\$ 3,793,344</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, 2013

	<u>Motor Fuel Tax Fund</u>	<u>Hotel and Motel Tax Fund</u>	<u>Home Rehabilitation Grant Fund</u>
Revenues:			
Taxes	\$ --	\$ 342,427	\$ --
Intergovernmental revenues	535,190	--	196,522
Investment income	1,110	--	--
	<hr/>	<hr/>	<hr/>
Total revenues	536,300	342,427	196,522
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public works	633,356	--	--
Culture and recreation	--	280,379	--
Economic development	--	--	196,522
Capital outlay	18,935	20,081	--
Debt service:			
Principal	--	--	--
Interest and fiscal charges	--	--	--
	<hr/>	<hr/>	<hr/>
Total expenditures	652,291	300,460	196,522
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(115,991)	41,967	--
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	(33,496)	(47,500)	--
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(33,496)	(47,500)	--
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(149,487)	(5,533)	--
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	1,289,023	99,052	37
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 1,139,536	\$ 93,519	\$ 37
	<hr/>	<hr/>	<hr/>

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, 2013**

	<u>Revolving Loan Fund</u>	<u>Midtown TIF District Fund</u>	<u>I-57 East TIF District Fund</u>
Revenues:			
Taxes	\$ --	\$ 283,401	\$ 58,337
Intergovernmental revenues	--	--	--
Investment income	11,308	360	10
	<hr/>	<hr/>	<hr/>
Total revenues	11,308	283,761	58,347
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public works	--	--	--
Culture and recreation	--	--	--
Economic development	4,536	208,035	12,095
Capital outlay	--	800	--
Debt service:			
Principal	--	--	--
Interest and fiscal charges	--	--	--
	<hr/>	<hr/>	<hr/>
Total expenditures	4,536	208,835	12,095
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	6,772	74,926	46,252
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	--	--	--
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	--	--	--
	<hr/>	<hr/>	<hr/>
Net change in fund balances	6,772	74,926	46,252
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	991,391	209,753	24,006
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 998,163	\$ 284,679	\$ 70,258
	<hr/>	<hr/>	<hr/>

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, 2013**

	South Rt 45 TIF District Fund	South Rt 45 Business District Fund	Broadway East TIF District Fund
Revenues:			
Taxes	\$ 44,714	\$ 56,753	\$ 32,779
Intergovernmental revenues	--	--	--
Investment income	7	24	5
	<u>44,721</u>	<u>56,777</u>	<u>32,784</u>
Total revenues			
Expenditures:			
Current:			
Public works	--	--	--
Culture and recreation	--	--	--
Economic development	14,997	--	10,794
Capital outlay	--	--	--
Debt service:			
Principal	23,230	--	--
Interest and fiscal charges	37,387	--	--
	<u>75,614</u>	<u>--</u>	<u>10,794</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(30,893)</u>	<u>56,777</u>	<u>21,990</u>
Other financing sources (uses):			
Transfers in	30,900	--	--
Transfers out	--	(30,900)	--
	<u>30,900</u>	<u>(30,900)</u>	<u>--</u>
Total other financing sources (uses)			
Net change in fund balances	7	25,877	21,990
Fund balances, beginning of year	<u>654</u>	<u>28,224</u>	<u>34,327</u>
Fund balances, end of year	<u>\$ 661</u>	<u>\$ 54,101</u>	<u>\$ 56,317</u>

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, 2013

	Broadway East Business District Fund	I-57 East Business District Fund	Eliminations	Totals
Revenues:				
Taxes	\$ 323,235	\$ 3,803	\$ --	\$ 1,145,449
Intergovernmental revenues	--	--	--	731,712
Investment income	375	--	--	13,199
Total revenues	<u>323,610</u>	<u>3,803</u>	<u>--</u>	<u>1,890,360</u>
Expenditures:				
Current:				
Public works	--	--	--	633,356
Culture and recreation	--	--	--	280,379
Economic development	133,120	--	--	580,099
Capital outlay	--	--	--	39,816
Debt service:				
Principal	135,000	--	--	158,230
Interest and fiscal charges	193,541	--	--	230,928
Total expenditures	<u>461,661</u>	<u>--</u>	<u>--</u>	<u>1,922,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,051)</u>	<u>3,803</u>	<u>--</u>	<u>(32,448)</u>
Other financing sources (uses):				
Transfers in	--	--	(30,900)	--
Transfers out	--	--	30,900	(80,996)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(80,996)</u>
Net change in fund balances	(138,051)	3,803	--	(113,444)
Fund balances, beginning of year	<u>707,632</u>	<u>810</u>	<u>--</u>	<u>3,384,909</u>
Fund balances, end of year	<u>\$ 569,581</u>	<u>\$ 4,613</u>	<u>\$ --</u>	<u>\$ 3,271,465</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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenues	\$ 527,176	\$ 527,176	\$ 535,190	\$ 8,014
Investment income	1,750	1,750	1,110	(640)
Total revenues	<u>528,926</u>	<u>528,926</u>	<u>536,300</u>	<u>7,374</u>
Expenditures:				
Current:				
Public works	1,157,075	1,106,514	633,356	473,158
Capital outlay	<u>--</u>	<u>--</u>	<u>18,935</u>	<u>(18,935)</u>
Total expenditures	<u>1,157,075</u>	<u>1,106,514</u>	<u>652,291</u>	<u>454,223</u>
Deficiency of revenues under expenditures	(628,149)	(577,588)	(115,991)	461,597
Other financing uses:				
Transfers out	<u>--</u>	<u>--</u>	<u>(33,496)</u>	<u>(33,496)</u>
Net change in fund balances	<u>\$ (628,149)</u>	<u>\$ (577,588)</u>	(149,487)	<u>\$ 428,101</u>
Fund balance, beginning of year			<u>1,289,023</u>	
Fund balance, end of year			<u>\$ 1,139,536</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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 290,000	\$ 290,000	\$ 342,427	\$ 52,427
Contributions and miscellaneous revenues	8,016	8,016	--	(8,016)
Total revenues	<u>298,016</u>	<u>298,016</u>	<u>342,427</u>	<u>44,411</u>
Expenditures:				
Current:				
Culture and recreation	295,461	295,461	280,379	15,082
Capital outlay	--	--	20,081	(20,081)
Total expenditures	<u>295,461</u>	<u>295,461</u>	<u>300,460</u>	<u>(4,999)</u>
Excess of revenues over expenditures	2,555	2,555	41,967	39,412
Other financing uses:				
Transfers out	<u>(47,500)</u>	<u>(47,500)</u>	<u>(47,500)</u>	<u>--</u>
Net change in fund balances	<u>\$ (44,945)</u>	<u>\$ (44,945)</u>	<u>(5,533)</u>	<u>\$ 39,412</u>
Fund balance, beginning of year			<u>99,052</u>	
Fund balance, end of year			<u>\$ 93,519</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, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 170,000	\$ 170,000	\$ 196,522	\$ 26,522
Expenditures:				
Current:				
Economic development	170,000	170,000	196,522	(26,522)
Excess of revenues over expenditures	\$ --	\$ --	--	\$ --
Fund balance, beginning of year			37	
Fund balance, end of year			\$ 37	

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, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues:				
Investment income	\$ 1,250	\$ 1,250	\$ 11,308	\$ 10,058
Contributions and miscellaneous revenues	120,000	120,000	--	(120,000)
Total revenues	121,250	121,250	11,308	(109,942)
Expenditures:				
Current:				
Economic development	128,250	128,250	4,536	123,714
Excess (deficiency) of revenues over (under) expenditures	(7,000)	(7,000)	6,772	13,772
Other financing sources:				
Transfers in	7,000	7,000	--	(7,000)
Net change in fund balances	<u>\$ --</u>	<u>\$ --</u>	6,772	<u>\$ 6,772</u>
Fund balance, beginning of year			<u>991,391</u>	
Fund balance, end of year			<u><u>\$ 998,163</u></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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 265,000	\$ 265,000	\$ 283,401	\$ 18,401
Investment income	400	400	360	(40)
Total revenues	<u>265,400</u>	<u>265,400</u>	<u>283,761</u>	<u>18,361</u>
Expenditures:				
Current:				
Economic development	224,350	224,350	208,035	16,315
Capital outlay	--	--	800	(800)
Total expenditures	<u>224,350</u>	<u>224,350</u>	<u>208,835</u>	<u>15,515</u>
Excess of revenues over expenditures	<u>\$ 41,050</u>	<u>\$ 41,050</u>	74,926	<u>\$ 33,876</u>
Fund balance, beginning of year			<u>209,753</u>	
Fund balance, end of year			<u>\$ 284,679</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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 24,000	\$ 24,000	\$ 58,337	\$ 34,337
Investment income	--	--	10	10
Total revenues	24,000	24,000	58,347	34,347
Expenditures:				
Current:				
Economic development	5,300	5,300	12,095	(6,795)
Excess of revenues over expenditures	<u>\$ 18,700</u>	<u>\$ 18,700</u>	46,252	<u>\$ 27,552</u>
Fund balance, beginning of year			<u>24,006</u>	
Fund balance, end of year			<u>\$ 70,258</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 TIF DISTRICT FUND
For the year ended April 30, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 40,000	\$ 40,000	\$ 44,714	\$ 4,714
Investment income	--	--	7	7
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>44,721</u>	<u>4,721</u>
Expenditures:				
Current:				
Economic development	14,054	14,054	14,997	(943)
Debt service:				
Principal	64,000	64,000	23,230	40,770
Interest and fiscal charges	--	--	37,387	(37,387)
Total expenditures	<u>78,054</u>	<u>78,054</u>	<u>75,614</u>	<u>2,440</u>
Deficiency of revenues under expenditures	(38,054)	(38,054)	(30,893)	7,161
Other financing sources:				
Transfers in	<u>38,054</u>	<u>38,054</u>	<u>30,900</u>	<u>(7,154)</u>
Net change in fund balances	<u>\$ --</u>	<u>\$ --</u>	7	<u>\$ 7</u>
Fund balance, beginning of year			<u>654</u>	
Fund balance, end of year			<u>\$ 661</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, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 43,500	\$ 43,500	\$ 56,753	\$ 13,253
Investment income	100	100	24	(76)
Total revenues	43,600	43,600	56,777	13,177
Other financing uses:				
Transfers out	(38,054)	(38,054)	(30,900)	7,154
Net change in fund balances	<u>\$ 5,546</u>	<u>\$ 5,546</u>	25,877	<u>\$ 20,331</u>
Fund balance, beginning of year			<u>28,224</u>	
Fund balance, end of year			<u>\$ 54,101</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
BROADWAY EAST TIF DISTRICT FUND
For the year ended April 30, 2013**

	<u>Budget</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 26,000	\$ 26,000	\$ 32,779	\$ 6,779
Investment income	--	--	5	5
Total revenues	26,000	26,000	32,784	6,784
Expenditures:				
Current:				
Economic development	9,410	9,410	10,794	(1,384)
Excess of revenues over expenditures	<u>\$ 16,590</u>	<u>\$ 16,590</u>	21,990	<u>\$ 5,400</u>
Fund balance, beginning of year			<u>34,327</u>	
Fund balance, end of year			<u>\$ 56,317</u>	

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
BUDGETARY BASIS
NONMAJOR SPECIAL REVENUE FUND
BROADWAY EAST BUSINESS DISTRICT FUND
For the year ended April 30, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 337,500	\$ 337,500	\$ 323,235	\$ (14,265)
Investment income	--	--	375	375
Total revenues	<u>337,500</u>	<u>337,500</u>	<u>323,610</u>	<u>(13,890)</u>
Expenditures:				
Current:				
Economic development	16,000	16,000	133,120	(117,120)
Debt service:				
Principal	328,313	328,313	135,000	193,313
Interest and fiscal charges	--	--	193,541	(193,541)
Total expenditures	<u>344,313</u>	<u>344,313</u>	<u>461,661</u>	<u>(117,348)</u>
Deficiency of revenues under expenditures	<u>\$ (6,813)</u>	<u>\$ (6,813)</u>	(138,051)	<u>\$ (131,238)</u>
Fund balance, beginning of year			<u>707,632</u>	
Fund balance, end of year			<u>\$ 569,581</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 BUSINESS DISTRICT FUND
 For the year ended April 30, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,000	\$ 3,000	\$ 3,803	\$ 803
Fund balance, beginning of year			<u>810</u>	
Fund balance, end of year			<u>\$ 4,613</u>	

CITY OF MATTOON, ILLINOIS

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

April 30, 2013

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 64,797	\$ --	\$ 64,797
Accounts receivable	4,135	23,251	27,386
Due from other funds	104,296	331,837	436,133
Prepaid items	--	132,731	132,731
	<u>173,228</u>	<u>487,819</u>	<u>661,047</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	5,164	--	5,164
	<u>178,392</u>	<u>487,819</u>	<u>666,211</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	173,010	25,205	198,215
Due to other funds	--	17,178	17,178
Due to component units	704	1,542	2,246
Payable from restricted assets:			
Other payables	4,678	--	4,678
	<u>178,392</u>	<u>43,925</u>	<u>222,317</u>
NET POSITION:			
Unrestricted	<u>\$ --</u>	<u>\$ 443,894</u>	<u>\$ 443,894</u>

CITY OF MATTOON, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the year ended April 30, 2013**

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Fund charges and employee contributions	\$ 3,287,560	\$ 634,885	\$ 3,922,445
Miscellaneous operating revenue	<u>15,173</u>	<u>102,057</u>	<u>117,230</u>
Total operating revenue	<u>3,302,733</u>	<u>736,942</u>	<u>4,039,675</u>
Operating expenses:			
Administrative and general	150,069	25,382	175,451
Insurance	251,442	711,560	963,002
Health claims and uninsured judgments	<u>2,901,226</u>	<u> --</u>	<u>2,901,226</u>
Total operating expenses	<u>3,302,737</u>	<u>736,942</u>	<u>4,039,679</u>
Operating loss	(4)	--	(4)
Non-operating revenues:			
Investment income	<u>4</u>	<u> --</u>	<u>4</u>
Change in net position	--	--	--
Net position, beginning of year	<u> --</u>	<u>443,894</u>	<u>443,894</u>
Net position, 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, 2013**

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 2,608,339	\$ 695,074	\$ 3,303,413
Receipts from component units	42,308	10,628	52,936
Receipts from employees and retirees	557,397	--	557,397
Payments to suppliers	(401,511)	(705,279)	(1,106,790)
Payments to claimants	(2,896,805)	--	(2,896,805)
Other receipts	14,640	105,478	120,118
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used for) operating activities	<u>(75,632)</u>	<u>105,901</u>	<u>30,269</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Loans to other funds, net	<u> --</u>	<u>(258,844)</u>	<u>(258,844)</u>
Net cash used for noncapital financing activities	<u> --</u>	<u>(258,844)</u>	<u>(258,844)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received (net of expense)	<u> 4</u>	<u> --</u>	<u> 4</u>
Net cash provided by investing activities	<u> 4</u>	<u> --</u>	<u> 4</u>
Net decrease in cash	(75,628)	(152,943)	(228,571)
Cash, restricted and unrestricted, beginning of year	<u>145,589</u>	<u>152,943</u>	<u>298,532</u>
Cash, restricted and unrestricted, end of year	<u><u>\$ 69,961</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 69,961</u></u>

CITY OF MATTOON, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
(CONTINUED)
INTERNAL SERVICE FUNDS
For the year ended April 30, 2013

PER COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

	Health Insurance Fund	Insurance and Tort Judgment Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 64,797	\$ --	\$ 64,797
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	5,164	--	5,164
	\$ 69,961	\$ --	\$ 69,961

CITY OF MATTOON, ILLINOIS

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

**INTERNAL SERVICE FUNDS
For the year ended April 30, 2013**

	<u>Health Insurance Fund</u>	<u>Insurance and Tort Judgment Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (4)	\$ --	\$ (4)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
(Increase) decrease in receivables	(533)	3,421	2,888
(Increase) decrease in due from other funds	(78,674)	52,471	(26,203)
(Increase) decrease in prepaid items	--	13,475	13,475
Increase (decrease) in accounts payable	5,822	18,188	24,010
Increase (decrease) in due to other funds	--	17,178	17,178
Increase (decrease) in due to component units	(842)	1,168	326
Increase (decrease) in other payables	<u>(1,401)</u>	<u>--</u>	<u>(1,401)</u>
Net cash provided by (used for) operating activities	<u>\$ (75,632)</u>	<u>\$ 105,901</u>	<u>\$ 30,269</u>

CITY OF MATTOON, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL COMPONENT UNIT (MATTOON PUBLIC LIBRARY)
April 30, 2013**

ASSETS:

Cash and cash equivalents	\$ 55,038
Investments, at fair value	8,581
Receivables	9,329
Due from primary government	2,246
Restricted assets:	
Investments, at fair value	<u>25,000</u>
 Total assets	 <u><u>\$ 100,194</u></u>

LIABILITIES AND FUND BALANCE:

Liabilities:

Accounts payable	\$ 12,207
Payroll liabilities payable	790
Due to primary government	106,859
Advances from primary government	<u>77,814</u>
 Total liabilities	 <u>197,670</u>

Fund balance:

Nonspendable	25,000
Unassigned	<u>(122,476)</u>
 Total fund balance	 <u>(97,476)</u>
 Total liabilities and fund balance	 <u><u>\$ 100,194</u></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, 2013**

Revenues:	
Payments from primary government	\$ 473,109
Intergovernmental revenues	54,028
Charges for services	2,140
Fines and forfeitures	15,805
Investment income	3,075
Operating contributions	25,335
Miscellaneous revenues	889
	<hr/>
Total revenues	574,381
	<hr/>
Expenditures:	
Current:	
Culture and recreation	576,995
Capital outlay	57,608
Debt service:	
Interest	2,158
	<hr/>
Total expenditures	636,761
	<hr/>
Deficiency of revenues under expenditures	(62,380)
Fund balance (deficit), beginning of year	<hr/> <u>(35,096)</u>
Fund balance (deficit), end of year	<hr/> <u>\$ (97,476)</u>

CITY OF MATTOON, ILLINOIS

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

April 30, 2013

	<u>Mattoon Police Pension Fund</u>	<u>Mattoon Firefighters Pension Fund</u>	<u>Totals</u>
ASSETS:			
Cash	\$ 1,411,967	\$ 701,050	\$ 2,113,017
Interest receivable	63,166	65,931	129,097
Due from primary government	--	21,410	21,410
Investments, at fair value:			
U.S. government obligations	4,937,412	5,769,046	10,706,458
Insurance contracts	<u>9,064,362</u>	<u>9,175,436</u>	<u>18,239,798</u>
Total investments	<u>14,001,774</u>	<u>14,944,482</u>	<u>28,946,256</u>
Total assets	<u>15,476,907</u>	<u>15,732,873</u>	<u>31,209,780</u>
LIABILITIES:			
Accounts payable	940	--	940
Pensions payable	--	165,902	165,902
Due to primary government	<u>89,881</u>	<u>--</u>	<u>89,881</u>
Total liabilities	<u>90,821</u>	<u>165,902</u>	<u>256,723</u>
NET POSITION:			
Held in trust for pension benefits (a schedule of funding progress is presented on pages 95-96)	<u>\$ 15,386,086</u>	<u>\$ 15,566,971</u>	<u>\$ 30,953,057</u>

CITY OF MATTOON, ILLINOIS

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

For the year ended April 30, 2013

	Mattoon Police Pension Fund	Mattoon Firefighters Pension Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 1,139,516	\$ 1,354,955	\$ 2,494,471
Plan members	221,799	195,815	417,614
	<u> </u>	<u> </u>	<u> </u>
Total contributions	1,361,315	1,550,770	2,912,085
	<u> </u>	<u> </u>	<u> </u>
Investment income:			
Interest income	271,893	251,166	523,059
Net increase in fair value of investments	798,749	859,495	1,658,244
	<u> </u>	<u> </u>	<u> </u>
Net investment income	1,070,642	1,110,661	2,181,303
	<u> </u>	<u> </u>	<u> </u>
Total additions	2,431,957	2,661,431	5,093,388
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits and refunds of contributions	1,701,305	2,025,333	3,726,638
Administrative expenses	34,214	7,275	41,489
	<u> </u>	<u> </u>	<u> </u>
Total deductions	1,735,519	2,032,608	3,768,127
	<u> </u>	<u> </u>	<u> </u>
Change in net position	696,438	628,823	1,325,261
	<u> </u>	<u> </u>	<u> </u>
Net position held in trust, beginning of year	14,689,648	14,938,148	29,627,796
	<u> </u>	<u> </u>	<u> </u>
Net position held in trust, end of year	<u>\$ 15,386,086</u>	<u>\$ 15,566,971</u>	<u>\$ 30,953,057</u>

ACCOMPANYING INFORMATION SECTION

CITY OF MATTOON, ILLINOIS

**LEGAL DEBT MARGIN
(UNAUDITED)
April 30, 2013**

Assessed valuation, 2012 levy		<u>\$ 197,737,207</u>
Statutory debt limitation: (8.625% of assessed valuation)		\$ 17,054,834
Total debt:		
General obligation bonds	(14,065,000)	
Capital leases	(454,279)	
Notes payable	<u>(11,239,017)</u>	
Total debt		(25,758,296)
Less debt exempt from statutory debt limitation computation:		
General obligation bonds	14,065,000	
Notes payable-IEPA loans	<u>8,947,949</u>	
Total debt exempt from statutory debt limitation		<u>23,012,949</u>
Legal debt margin		<u>\$ 14,309,487</u>

COMPLIANCE SECTION

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

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&
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

Mayor and City Commissioners
City of Mattoon, Illinois

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Mattoon, Illinois' basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Mattoon, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Mattoon, Illinois' internal control.

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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 the accompanying Schedule of Findings and Responses as findings 13-03 and 13-04 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 deficiencies described in the accompanying Schedule of Findings and Responses as findings 13-01, 13-02, 13-05, and 13-06 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mattoon, Illinois' financial statements are free from 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 matters that we have reported to management of the City of Mattoon, Illinois in a separate letter dated December 30, 2013.

City of Mattoon, Illinois' Response to Findings

The City of Mattoon, Illinois' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Mattoon, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Went & Company, LLC

Mattoon, Illinois
December 30, 2013

CITY OF MATTOON, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended April 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

UNMODIFIED

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

Noncompliance material to financial statements noted?

 yes X no

CITY OF MATTOON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)
For the year ended April 30, 2013

Section II - Financial Statement Findings

FINDING NO. 13-01 – Inadequate Controls over Payroll (Partial repeat of 12-02, 11-01, and 10-01)

Criteria/Specific Requirement:

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

Condition:

While the payroll payments to employees are reviewed, there is no review of the payroll tax returns and payroll withholding distributions prior to their payment.

Effect:

Because of the lack of internal controls, payroll taxes and other withholdings may not be accurately withheld and paid.

Cause:

There are no procedures in place to require management's approval before initiating the payment of payroll taxes and other withholdings.

Auditors' Recommendation:

Procedures should be implemented to ensure that payroll taxes and other withholdings be reviewed and approved by management before they are paid. Per the new City Treasurer, the payroll taxes and withholdings began to be reviewed in May 2013.

Management's Response:

Remittances of payroll tax withholding are now reviewed and approved.

CITY OF MATTOON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)
For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-02 – Inadequate Controls over Revenues and Billed Receivables (Repeat of 12-03, 11-02, and 10-02)

Criteria/Specific Requirement:

Internal controls should be in place that provide reasonable assurance that invoices are properly prepared and that revenues and billed 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. Erroneous invoices could be prepared and mailed without review and approval procedures. The process for ambulance billings, which had been performed by a third party, was moved in-house in January 2013. While this eliminated the problem of revenues and receivables not being reconciled between the City and the third party, there were no review and approval procedures implemented over the in-house preparation of invoices. In addition, several misclassifications of revenues were noted during the year. Proceeds from the sale of assets of \$18,689 was recorded to miscellaneous revenue, federal revenue of \$18,853 was recorded to fire department charges, and video gaming revenue of \$12,845 was recorded as ambulance assist revenue.

Effect:

The financial statements could be misstated due to receivables that were not reported to the finance department, lack of follow-up on significant aged receivables, revenues that were improperly billed, and revenues recorded to incorrect accounts.

Cause:

There are limited procedures in place for the review and approval of invoices or for reporting to the finance department when an invoice is prepared and sent from other departments. There are limited procedures to follow-up on significant receivables after they have been outstanding for a certain amount of time. There are also limited procedures for the review of the recording of revenues.

CITY OF MATTOON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)
For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-02 – Inadequate Controls over Revenues and Billed Receivables (Repeat of 12-03, 11-02, and 10-02) (Continued)

Auditors' Recommendation:

The City should develop a centralized billing function for all billed revenues and receivables, including ambulance billings. The centralized billing function could receive billing information from the other departments, prepare invoices, and send the invoices back to the other departments for review, approval, and mailing. The billing function could also be in charge of following up on outstanding receivables after a set amount of time has passed. The City should also implement procedures to review the coding of revenues as they are recording during the year.

Management's Response:

Ambulance billings are reviewed weekly by the fire chief and assistant fire chief who also review receivables on a monthly basis. The City would like to develop an Accounts Receivable program wherein the Finance Department would receive copies of all other invoices prepared by the other departments, enter them into the City's accounting system, then monitor and track them until received. However, due to staffing issues, such a program is unlikely to occur.

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

**FINDING NO. 13-03 – Inadequate Controls over Compliance Requirements for Grants
(Repeat of 12-04, 11-03, and 10-03)**

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.

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:

Currently, the various departments monitor their individual grants. The City would like to centralize the processing of grant applications and monitoring but has limited personnel.

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-04 – Inadequate Controls over Capital Assets (Repeat of 12-05 and 11-04)

Criteria/Specific Requirement:

Internal controls should be in place to provide reasonable assurance that capital assets are properly authorized, recorded, received, and disposed.

Condition:

The City does not keep track of capital outlay during the year. They are recorded to various expenditure accounts that may also include non-capital outlay transactions, such as payments on debt used to purchase capital assets. Further, the City does not keep a listing of all capital assets aside from an incomplete listing used for insurance purposes. When assets are disposed, the proceeds are often reported in a miscellaneous revenue account. The City does not keep track of these dispositions during the year.

Effect:

The financial statements could be misstated due to not locating capital outlay expenditures within various accounts throughout the general ledger and inadvertently omitting sales or other dispositions of capital assets.

Cause:

There are no procedures in place to maintain a listing of capital assets, updated periodically for capital outlay additions and dispositions.

Auditors' Recommendation:

The City should implement internal control procedures to ensure that all capital assets are maintained in a listing that includes an asset description, date purchased, cost, and other information necessary to properly track such assets. The accounts used to record capital outlay should be limited to the minimum number required to properly track projects and non-capital items should be excluded from these accounts. A list of disposals, including sales and abandonments, should be maintained and proceeds from sales of capital assets should be reported in such an account.

CITY OF MATTOON, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES

(CONTINUED)

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-04 – Inadequate Controls over Capital Assets (Repeat of 12-05 and 11-04)
(Continued)

Management's Response:

A Mobile Equipment Fund was established as a funding mechanism for future capital purchases and is used for budgeting and to record capital purchases. The City would like to create and maintain a central data base for all capital assets however a lack of personnel prevents this from being accomplished in the near future.

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-05 – Inadequate Controls over Accounts Receivable and Accounts Payable

Criteria/Specific Requirement:

Internal controls should be in place to provide reasonable assurance that accounts receivable and accounts payable are properly recorded.

Condition:

The City does not keep track of accounts receivable and accounts payable during the year. At the end of the year, City personnel review cash receipts and cash disbursements subsequent to year-end to determine the accounts receivable and accounts payable at year-end. During our testing of accounts receivable, we noted an item recorded as accounts receivable that was not in fact a receivable, and a few items not included in accounts receivable that should have been. The net of these adjustments was an increase to accounts receivable of \$14,207. During our testing of accounts payable, we noted that several of the items included in accounts payable were actually paid prior to year-end and, therefore, should not have been included as accounts payable. City personnel went back through the accounts payable listing and prepared a new list that removed \$48,886 of accounts payable from the original listing. A few other adjustments netting a \$1,084 decrease in accounts payable were noted.

Effect:

The financial statements could be misstated due to not recording the proper amounts for accounts receivable and accounts payable.

Cause:

The item recorded as a receivable that should not have been was overlooked as the revenue side of the entry was recorded to an incorrect account. The tax revenue that should have been recorded was instead recorded in a separate transaction. The items that were not reported as accounts receivable but should have been were overlooked. The items improperly recorded as accounts payable resulted from invoices paid prior to year-end being mixed in with invoices paid subsequent to year-end when the invoices were being reviewed to prepare the accounts payable list. The other adjustments resulted from one item paid prior to year-end being included on the updated accounts payable list and from some adjustments related to other audit areas.

CITY OF MATTOON, ILLINOIS

**SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)**

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-05 – Inadequate Controls over Accounts Receivable and Accounts Payable
(Continued)

Auditors' Recommendation:

The City should implement internal control procedures over the preparation of accounts receivable and accounts payable at year-end.

Management's Response:

The information captured in the accounts receivable listing includes the date received, the receipt number, the account number, and the amount. The accounts receivable error resulted from a transposition error in one of the account numbers. The information captured in the accounts payable listing includes the date of the invoice, the vendor name, the account number, and the amount. The duplicate items could have been avoided if service and payment dates were included for review.

CITY OF MATTOON, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES

(CONTINUED)

For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-06 – Lack of Segregation of Duties and Inadequate Controls over Payroll in the Governmental Component Unit

Criteria/Specific Requirement:

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

Condition:

The auditors, in their review of the Mattoon Public Library's controls over payroll, noted that the payroll functions are performed by one individual with limited oversight. The payroll functions performed with limited oversight include the preparation of monthly payrolls, transmission of direct deposit information to the financial institutions, and the preparation and payments of payroll tax deposits and payroll withholdings.

Effect:

Because of the lack of segregation of duties and internal controls, employees may be added to the direct deposit file without the approval or knowledge of management; employees' pay could be calculated incorrectly; and payroll taxes and other withholdings may not be accurately withheld and paid.

Cause:

According to Library officials, they do not have adequate staffing 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 review of the payroll functions. For example, the direct deposit information for the financial institutions should be sent to management for review, approval, and final submission to the financial institution. Payroll tax returns and other withholdings should be reviewed and approved by management before they are paid.

CITY OF MATTOON, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
(CONTINUED)
For the year ended April 30, 2013

Section II - Financial Statement Findings (Continued)

FINDING NO. 13-06 – Lack of Segregation of Duties and Inadequate Controls over Payroll in the Governmental Component Unit (Continued)

Management's Response:

With a small staff that is mostly salaried, it had not occurred to the Library Director and Assistant Director that payroll should be a shared duty. But as we exchange full-time salaried staff for part-time hourly staff, we agree that there need to be more checks and balances in our payroll.

CITY OF MATTOON, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended April 30, 2013**

Corrective Action Plan

FINDING NO. 13-01 – Inadequate Controls over Payroll (Partial repeat of 12-02, 11-01, and 10-01)

Condition:

While the payroll payments to employees are reviewed, there is no review of the payroll tax returns and payroll withholding distributions prior to their payment.

Plan:

Payments of other payroll deductions will also be reviewed when payroll is processed.

Anticipated Date of Completion:

November 30, 2013

Name of Contact Person:

Beth W. Wright, City Treasurer

CITY OF MATTOON, ILLINOIS

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the year ended April 30, 2013

Corrective Action Plan (Continued)

FINDING NO. 13-02 – Inadequate Controls over Revenues and Billed Receivables (Repeat of 12-03, 11-02, and 10-02)

Condition:

Various departments prepare their own billings and the related receivables may not be recorded in a timely fashion or at all. Erroneous invoices could be prepared and mailed without review and approval procedures. The process for ambulance billings, which had been performed by a third party, was moved in-house in January 2013. While this eliminated the problem of revenues and receivables not being reconciled between the City and the third party, there were no review and approval procedures implemented over the in-house preparation of invoices. In addition, several misclassifications of revenues were noted during the year. Proceeds from the sale of assets of \$18,689 was recorded to miscellaneous revenue, federal revenue of \$18,853 was recorded to fire department charges, and video gaming revenue of \$12,845 was recorded as ambulance assist revenue.

Plan:

Ambulance billings and receivables will also be reviewed by the City Treasurer. The Finance Department will obtain copies of all other invoices prepared by the other departments. In addition, all receipts will be reviewed for proper classification.

Anticipated Date of Completion:

December 31, 2013

Name of Contact Person:

Beth W. Wright, City Treasurer

CITY OF MATTOON, ILLINOIS

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the year ended April 30, 2013

Corrective Action Plan (Continued)

**FINDING NO. 13-03 – Inadequate Controls over Compliance Requirements for Grants
(Repeat of 12-04, 11-03, and 10-03)**

Condition:

The City does not have a centralized system to ensure compliance with compliance requirements applicable to its Federal, State, and local grants.

Plan:

The Finance Department will obtain copies of all grant applications in order to assist with monitoring and compliance.

Anticipated Date of Completion:

April 30, 2014

Name of Contact Person:

Beth W. Wright, City Treasurer

CITY OF MATTOON, ILLINOIS

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the year ended April 30, 2013

Corrective Action Plan (Continued)

FINDING NO. 13-04 – Inadequate Controls over Capital Assets (Repeat of 12-05 and 11-04)

Condition:

The City does not keep track of capital outlay during the year. They are recorded to various expenditure accounts that may also include non-capital outlay transactions, such as payments on debt used to purchase capital assets. Further, the City does not keep a listing of all capital assets aside from an incomplete listing used for insurance purposes. When assets are disposed, the proceeds are often reported in a miscellaneous revenue account. The City does not keep track of these dispositions during the year.

Plan:

Capital acquisitions will be tracked through the Mobile Equipment Fund. All other account detail will be reviewed for capital expenditures. Proceeds from dispositions will be recorded in the proper account.

Anticipated Date of Completion:

July 31, 2014

Name of Contact Person:

Beth W. Wright, City Treasurer

CITY OF MATTOON, ILLINOIS

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the year ended April 30, 2013**

Corrective Action Plan (Continued)

FINDING NO. 13-05 – Inadequate Controls over Accounts Receivable and Accounts Payable

Condition:

The City does not keep track of accounts receivable and accounts payable during the year. At the end of the year, City personnel review cash receipts and cash disbursements subsequent to year-end to determine the accounts receivable and accounts payable at year-end. During our testing of accounts receivable, we noted an item recorded as accounts receivable that was not in fact a receivable, and a few items not included in accounts receivable that should have been. The net of these adjustments was an increase to accounts receivable of \$14,207. During our testing of accounts payable, we noted that several of the items included in accounts payable were actually paid prior to year-end and, therefore, should not have been included as accounts payable. City personnel went back through the accounts payable listing and prepared a new list that removed \$48,886 of accounts payable from the original listing. A few other adjustments netting a \$1,084 decrease in accounts payable were noted.

Plan:

The accounts payable listing will be expanded to include the date(s) of service and the date paid. Further, the accounts receivable and accounts payable listings prepared by staff will be reviewed by the Treasurer before being recorded.

Anticipated Date of Completion:

July 31, 2014

Name of Contact Person:

Beth W. Wright, City Treasurer

CITY OF MATTOON, ILLINOIS

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the year ended April 30, 2013

Corrective Action Plan (Continued)

FINDING NO. 13-06 – Lack of Segregation of Duties and Inadequate Controls over Payroll in the Governmental Component Unit

Condition:

The auditors, in their review of the Mattoon Public Library's controls over payroll, noted that the payroll functions are performed by one individual with limited oversight. The payroll functions performed with limited oversight include the preparation of monthly payrolls, transmission of direct deposit information to the financial institutions, and the preparation and payments of payroll tax deposits and payroll withholdings.

Plan:

Payroll

- The Director will check the staff time sheets to make sure they agree with the schedule and actual time worked.
- The Assistant Director will run payroll.
- Before payroll is submitted for direct deposit, the Director will review and approve both gross amounts and withholdings.
- The Assistant Director will then submit the direct deposits and cut checks to the City of Mattoon and all other entities for taxes and various withholdings.

Payroll tax returns

- Quarterly, the Director and Assistant Director will sit together and file the quarterly payroll tax returns.

Anticipated Date of Completion:

January 1, 2014

Name of Contact Person:

Ryan A. Franklin, Director, Mattoon Public Library

CITY OF MATTOON, ILLINOIS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended April 30, 2013**

Finding Number	Condition	Current Status
12-01	Controls over Financial Statement Preparation	Resolved
12-02	Lack of Segregation of Duties and Inadequate Controls over Payroll	Partially repeated
12-03	Inadequate Controls over Billed Revenues and Receivables	Repeated
12-04	Inadequate Controls over Compliance Requirements for Grants	Repeated
12-05	Inadequate Controls over Capital Assets	Repeated