

**CITY OF MASCOUTAH, ILLINOIS**

**FINANCIAL STATEMENTS AND  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
APRIL 30, 2012**

# **CITY OF MASCOUTAH, ILLINOIS**

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## **CITY OF MASCOUATAH, ILLINOIS**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Mascoutah, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Mascoutah, Illinois as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mascoutah, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mascoutah, Illinois as of April 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2012 on our consideration of the City of Mascoutah, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 to 10), budgetary comparison information (page 45) and schedules of pension funding progress (pages 46 to 47) 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 inquiries 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mascoutah, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also not a required part of the financial statements of the City of Mascoutah, Illinois. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

C. J. Schuman & Company LLC

Certified Public Accountants

August 17, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Mascoutah, Illinois' (City) annual audit presents a management's discussion and analysis of the City's financial activity during the fiscal year ended April 30, 2012. The management's discussion and analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the City.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the City's basic financial statements. There are three components to the basic statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude fiduciary fund activities.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, health and welfare, development and cultural and recreational. The business-type activities include electric light, water and sewer.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. Changes in net assets are reported on the accrual basis for the governmental activities and the business-type activities.

**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary.

**Governmental Funds.** Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for one major fund: the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation called "Other Governmental Funds." Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules in the other supplementary information section of this report.

The City adopts an annual budget for all governmental funds. A budgetary comparison schedule for the major fund has been provided to demonstrate legal compliance with the adopted budget.

**Proprietary funds.** Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric light, water and sewer operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for fiduciary funds is much like that used in proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other supplementary information.** The combining nonmajor fund statements, referred to earlier in connection with nonmajor governmental funds, as well as information related to property taxes, federal fund reporting, and TIF compliance are presented immediately following the required supplementary information.

**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City presents its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,466,850 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The condensed statement of net assets is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>
<b>ASSETS</b>						
Current and other assets	\$ 3,795,972	\$ 3,102,513	\$ 15,530,218	\$ 14,782,983	\$ 19,326,190	\$ 17,885,496
Capital assets, net	<u>11,854,602</u>	<u>11,106,937</u>	<u>23,679,352</u>	<u>23,059,864</u>	<u>35,533,954</u>	<u>34,166,801</u>
Total assets	<u>15,650,574</u>	<u>14,209,450</u>	<u>39,209,570</u>	<u>37,842,847</u>	<u>54,860,144</u>	<u>52,052,297</u>
<b>LIABILITIES</b>						
Other liabilities	8,213,390	7,457,932	968,686	1,320,346	9,182,076	8,778,278
Long-term liabilities	<u>4,388,456</u>	<u>5,011,690</u>	<u>7,822,762</u>	<u>7,476,157</u>	<u>12,211,218</u>	<u>12,487,847</u>
Total liabilities	<u>12,601,846</u>	<u>12,469,622</u>	<u>8,791,448</u>	<u>8,796,503</u>	<u>21,393,294</u>	<u>21,266,125</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	7,633,776	6,454,696	15,689,176	14,986,621	23,322,952	21,441,317
Restricted	1,809,100	1,817,805	-	-	1,809,100	1,817,805
Unrestricted	<u>(6,394,148)</u>	<u>(6,532,673)</u>	<u>14,728,946</u>	<u>14,059,723</u>	<u>8,334,798</u>	<u>7,527,050</u>
Total net assets	<u>\$ 3,048,728</u>	<u>\$ 1,739,828</u>	<u>\$ 30,418,122</u>	<u>\$ 29,046,344</u>	<u>\$ 33,466,850</u>	<u>\$ 30,786,172</u>

Total net assets increased \$2,680,678 resulting in a balance of \$33,466,850 as of April 30, 2012. Current assets, which include cash, investments, accounts receivable and unbilled revenues, increased by \$1,441,000. This increase is due to the increase in cash from current year profits, as well as increased accounts receivable balances. Non-current assets increased \$1,367,000 due primarily to increases in capital assets in both the governmental and business-type activity funds.

Liabilities increased in the current year by approximately \$127,000 for an ending total balance of \$21,393,294.



**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**ANALYSIS OF NET ASSETS**

<u>Analysis of Net Assets</u>	<u>2012</u>		<u>2011</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net invested in capital assets	69.7%	\$ 23,322,952	69.6%	\$ 21,441,317
Restricted	5.4%	1,809,100	5.9%	1,817,805
Unrestricted	24.9%	8,334,798	24.4%	7,527,050
Total net assets	100.0%	\$ 33,466,850	100.0%	\$ 30,786,172

Total net asset balances increased by \$2,680,678 in fiscal year 2012 to a total ending balance of \$33,466,850. Capital net asset balances increased in the current year due to capital asset purchases and a decrease in construction debt. Unrestricted net asset balances increased due to overall income in the proprietary funds and the income before capital outlay expenditures in the governmental funds. The revenue and expenditure comparisons that comprise the current year increases follow.

**REVENUE COMPARISON BY TYPE**

<u>Revenues by type</u>	<u>2012</u>	<u>2011</u>
Property tax	\$ 2,530,546	\$ 2,462,065
Water, sewer and electric charges	10,151,737	9,914,633
Other charges for services	765,492	772,066
Sales and use tax	699,485	637,131
State income tax	626,174	565,572
Motor fuel tax	219,476	203,906
Telecommunications tax	235,268	237,853
Corporate personal property tax	21,472	24,347
Utility tax	334,885	344,399
Franchise fees	89,499	87,922
Hotel tax	46,937	33,727
Investment earnings	64,345	99,287
Contributions/grants	420,000	160,178
Other miscellaneous	39,318	35,930
Total revenues	\$ 16,244,634	\$ 15,579,016

Total revenues increased approximately \$666,000 in the year ended April 30, 2012. The increase is a result of several factors. Water, sewer and electric revenues increased \$237,000 largely due to service charges and connection fees. Property tax revenues increased \$68,000 over the prior year and state income tax revenues recovered by \$61,000 in the current year. Contributions and grants also significantly increased mainly due to the fiber optic line grant. As an offset, the City had decreases in interest income of \$35,000.

**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**EXPENDITURES BY CATEGORY**

**GOVERNMENTAL ACTIVITIES**

<u>Expenditures by category</u>	<u>2012</u>		<u>2011</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	10.3%	\$ 491,088	13.2%	\$ 617,989
Public safety	34.2%	1,624,440	32.2%	1,503,745
Streets and highways	15.7%	747,653	15.5%	725,275
Health and Welfare	12.5%	592,295	12.1%	563,396
Development	8.5%	402,506	8.3%	385,424
Cultural and recreational	14.5%	686,586	13.6%	635,633
Interest on long-term debt	4.3%	204,427	5.0%	233,792
Total expenditures	<u>100.0%</u>	<u>\$ 4,748,995</u>	<u>100.0%</u>	<u>\$ 4,665,254</u>

The City reported a decrease in the governmental activities expenditures of \$127,000 largely due to an increase in the distribution of overhead costs. In both years, the largest category of expense is public safety which consists of the City police department. General government expenditures are those related to the general operations and administration of the City.

The above expenditure categories include amounts for depreciation expense on assets purchased in the current and prior years. The breakdown by category is as follows:

	<u>2012</u>	<u>2011</u>
General government	\$ 67,304	\$ 59,834
Public safety	120,767	68,575
Streets and highways	239,407	218,888
Health and welfare	28,989	21,128
Cultural and recreational	125,631	128,522
Total depreciation	<u>\$ 582,098</u>	<u>\$ 496,947</u>

Total capital outlay expenditures for the governmental activities in the current year totaled \$1,690,181 which included increases related to infrastructure improvements in addition to the purchase of various equipment. These capital additions were offset in the government-wide financial statements by the depreciation expense related to additions in the current and prior years.

**CITY OF MASCOUATAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES**

<u>Operating Expenditures</u>	<u>2012</u>		<u>2011</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	20.2%	\$ 1,746,208	20.8%	\$ 1,646,634
Contractual services	55.9%	4,819,585	56.9%	4,508,116
Supplies and materials	2.6%	221,696	2.5%	199,051
Administrative overhead	9.7%	833,975	8.1%	639,080
Depreciation	11.6%	1,002,438	11.7%	929,196
Total expenditures	<u>100.0%</u>	<u>\$ 8,623,902</u>	<u>100.0%</u>	<u>\$ 7,922,077</u>

Expenses in the business type activities increased by \$702,000 over the prior year. As in the prior year, the largest categories of operating expense were for contractual services that include power and water purchases. The largest increase between years was due to an increase in power purchases and depreciation expense related to the new capital additions.

**FUNDS FINANCIAL ANALYSIS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2012, the City's governmental funds reported combined ending fund balances of (\$4,548,660), a decrease of \$52,871 in comparison with the prior year. The governmental fund balance includes \$1,809,100 that has been restricted for specific purposes.

The General fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General fund was \$(899,958). The fund balance of the General fund increased by \$611,676 during the current fiscal year. Total expenditures in the General fund were \$2,616,203.

**Proprietary fund.** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer, and electric light funds at the end of the year amounted to \$14,728,946. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's government-wide financial statements.

**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**BUDGETARY HIGHLIGHTS**

The City's General fund had budgetary expenditures, including transfers, of \$2,313,951. The budgeted amount for the General Fund was \$2,298,985. The appropriations were not amended in the current year. Total expenditures, including transfers for debt, in the General Fund were in excess of the budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of April 30, 2012, amounts to \$35,533,954, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total net increase in capital assets for the current year was \$1,367,153. This increase is due to governmental infrastructure improvements of \$733,354 as well as infrastructure additions of \$1,290,086 in the business-type activities. Total additions were \$1,778,181 in the governmental fund activities and \$1,637,993 in the business-type activities. The major additions include electric line additions, watermain replacement projects, and vehicle purchases. Additional information related to the capital assets of the City can be found in Note 5 of the financial statements. The following schedule reports the different asset accounts net of accumulated depreciation.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>
Land	\$ 809,354	\$ 1,169,772	\$ 137,350	\$ 76,197	\$ 946,704	\$ 1,245,969
Land Improvements	400,045	167,103	-	-	400,045	167,103
Buildings and Improvements	3,110,552	3,235,574	2,558,199	2,567,251	5,668,751	5,802,825
Equipment	245,747	308,777	314,110	246,267	559,857	555,044
Vehicles	947,842	429,485	685,645	799,005	1,633,487	1,228,490
Infrastructure	6,341,062	5,796,226	19,984,048	19,371,144	26,325,110	25,167,370
Total net assets	<u>\$ 11,854,602</u>	<u>\$ 11,106,937</u>	<u>\$ 23,679,352</u>	<u>\$ 23,059,864</u>	<u>\$ 35,533,954</u>	<u>\$ 34,166,801</u>

**Long-term Debt**

At the end of 2012, the City had total debt obligations of \$11,741,724 compared to \$12,045,164 at the end of 2011. This decrease is primarily due to the normal retirement of debt. Current year additions were primarily comprised of drawdowns related to an IEPA loan. Additional information related to the debt of the City can be found in Note 4 of the financial statements.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>	<u>April 30,</u> <u>2012</u>	<u>April 30,</u> <u>2011</u>
General Obligation Bonds	\$ 3,205,000	\$ 3,500,000	\$ 4,075,000	\$ 4,225,000	\$ 7,280,000	\$ 7,725,000
Lease/purchase Agreements	-	8,913	-	-	-	8,913
Notes Payable	<u>788,463</u>	<u>1,136,087</u>	<u>3,673,261</u>	<u>3,175,164</u>	<u>4,461,724</u>	<u>4,311,251</u>
Total Debt	<u>\$ 3,993,463</u>	<u>\$ 4,645,000</u>	<u>\$ 7,748,261</u>	<u>\$ 7,400,164</u>	<u>\$ 11,741,724</u>	<u>\$ 12,045,164</u>

**CITY OF MASCOUTAH, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Requests for Information**

This financial report is designed to provide a general overview of the City of Mascoutah, Illinois for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's administrative office, 3 West Main St., Mascoutah, IL 62258.

**CITY OF MASCOUTAH, ILLINOIS****STATEMENT OF NET ASSETS  
APRIL 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 2,535,275	\$ 6,768,142	\$ 9,303,417
Investments	67,463	-	67,463
Receivables (Net of allowance for uncollectible):			
Intergovernmental	742,771	-	742,771
Accounts	37,831	937,513	975,344
Interest/Other	52,238	8,357	60,595
Internal Balances	(7,615,047)	7,615,047	-
Restricted Assets - Cash and Investments	322,767	159,942	482,709
Capital Assets:			
Land	809,354	137,350	946,704
Land Improvements	790,879	-	790,879
Buildings and Improvements	5,173,727	8,430,023	13,603,750
Equipment	1,466,040	660,847	2,126,887
Vehicles	2,518,454	1,218,640	3,737,094
Infrastructure	8,559,189	26,470,836	35,030,025
Accumulated Depreciation	(7,463,041)	(13,238,344)	(20,701,385)
Net Capital Assets	11,854,602	23,679,352	35,533,954
Deferred Debt Expense	37,627	41,217	78,844
Total Assets	<u>8,035,527</u>	<u>39,209,570</u>	<u>47,245,097</u>
<b><u>Liabilities</u></b>			
Accounts Payable	427,544	607,485	1,035,029
Accrued Payroll and Benefits	116,782	57,304	174,086
Accrued Interest Payable	31,197	1,283	32,480
Deferred Revenue	22,820	142,672	165,492
Liabilities Payable from Restricted Assets:			
Customer Deposits	-	159,942	159,942
Noncurrent Liabilities:			
Due Within One Year	748,188	313,647	1,061,835
Due in More Than One Year	3,640,268	7,509,115	11,149,383
Total Liabilities	<u>4,986,799</u>	<u>8,791,448</u>	<u>13,778,247</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	7,633,776	15,689,176	23,322,952
Restricted for:			
Debt Service	94,312	-	94,312
Other Purposes	1,714,788	-	1,714,788
Unrestricted	(6,394,148)	14,728,946	8,334,798
Total Net Assets	<u>\$ 3,048,728</u>	<u>\$ 30,418,122</u>	<u>\$ 33,466,850</u>

The notes to the financial statements are an integral part of this statement

# CITY OF MASCOUATAH, ILLINOIS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 491,088	\$ 318,140	\$ 1,233	\$ 336,577	\$ 164,862	\$	\$ 164,862
Public Safety	1,624,440	35,744	-	-	(1,588,696)		(1,588,696)
Streets and Highways	747,653	-	-	-	(747,653)		(747,653)
Health and Welfare	592,295	235,473	-	-	(356,822)		(356,822)
Development	402,506	-	-	-	(402,506)		(402,506)
Cultural and Recreational	686,586	176,135	8,307	-	(502,144)		(502,144)
Interest on Long-term Debt	204,427	-	-	-	(204,427)		(204,427)
Total Governmental Activities (see Note 1)	4,748,995	765,492	9,540	336,577	(3,637,386)		(3,637,386)
Business-type Activities:							
Waterworks and Sewerage	2,613,515	3,185,552	-	12,793	\$ 584,830	\$	584,830
Electric Light	6,201,446	6,966,185	-	61,090	825,829		825,829
Total Business-type Activities	8,814,961	10,151,737	-	73,883	1,410,659		1,410,659
Total Government	\$ 13,563,956	\$ 10,917,229	\$ 9,540	\$ 410,460	(3,637,386)		(2,226,727)
General Revenues:							
Property Tax, Levied for General Purposes					2,530,546	-	2,530,546
Sales and Use Tax					699,485	-	699,485
Income Tax					626,174	-	626,174
Corporate Personal Property Tax					21,472	-	21,472
Motor Fuel Tax					219,476	-	219,476
Telecommunications Tax					235,268	-	235,268
Hotel Tax					46,937	-	46,937
Other					23,214	-	23,214
Utility Tax					334,885	-	334,885
Franchise Fees					89,499	-	89,499
Investment Earnings					24,221	40,124	64,345
Miscellaneous					16,104	-	16,104
Transfers					79,005	(79,005)	-
Total General Revenues and Transfers					4,946,286	(38,881)	4,907,405
Change in Net Assets					1,308,900	1,371,778	2,680,678
Net Assets - Beginning					1,739,828	29,046,344	30,786,172
Net Assets - Ending					\$ 3,048,728	\$ 30,418,122	\$ 33,466,850

The notes to the financial statements are an integral part of this statement

# CITY OF MASCOUTAH, ILLINOIS

## BALANCE SHEET GOVERNMENTAL FUNDS APRIL 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 26,464	\$ 2,508,811	\$ 2,535,275
Investments	67,463	-	67,463
Receivables (Net, where applicable, of allowances for uncollectible):			
Property Tax	500,000	1,287,000	1,787,000
Intergovernmental	728,244	14,527	742,771
Other	40,202	49,867	90,069
Due From Other Funds	12,817	1,333	14,150
Restricted Cash and Investments	-	322,767	322,767
Total Assets	<u>\$ 1,375,190</u>	<u>\$ 4,184,305</u>	<u>\$ 5,559,495</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accrued Payroll and Benefits	\$ 27,639	\$ 9,003	\$ 36,642
Accounts Payable	301,404	126,140	427,544
Due to Other Funds	1,218,333	6,410,864	7,629,197
Deferred Revenue	727,772	1,287,000	2,014,772
Total Liabilities	<u>2,275,148</u>	<u>7,833,007</u>	<u>10,108,155</u>
Fund Balances:			
Nonspendable	-	324,100	324,100
Restricted For:			
Debt Service	-	94,312	94,312
Revenue Restrictions	-	1,714,788	1,714,788
Unassigned	(899,958)	(5,781,902)	(6,681,860)
Total Fund Balances	<u>(899,958)</u>	<u>(3,648,702)</u>	<u>(4,548,660)</u>
Total Liabilities and Fund Balances	<u>\$ 1,375,190</u>	<u>\$ 4,184,305</u>	<u>\$ 5,559,495</u>

The notes to the financial statements are an integral part of this statement



**CITY OF MASCOUTAH, ILLINOIS**

RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED APRIL 30, 2012

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ (4,548,660)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	11,854,602
Some receivables are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds balance sheet, but recognized as revenue as economic financial resources.	204,952
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(31,197)
Accrued compensated absences are not reported as a liability on the balance sheet of the governmental funds.	(296,274)
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(3,964,316)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(208,006)
Deferred debt expense related to the issuance of long-term debt is not reported as an asset on the balance sheet of the governmental funds.	37,627
Net assets of governmental activities	<u><u>\$ 3,048,728</u></u>

The notes to the financial statements are an integral part of this statement

**CITY OF MASCOUTAH, ILLINOIS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Tax	\$ 447,106	\$ 2,083,440	\$ 2,530,546
Utility Tax	334,885	-	334,885
Hotel Tax	46,937	-	46,937
Intergovernmental	1,845,041	226,374	2,071,415
Licenses, Permits and Fees	93,941	34,505	128,446
Charges for Services	312,365	386,215	698,580
Fines and Forfeitures	21,269	6,696	27,965
Investment Earnings	1,851	22,370	24,221
Contributions	1,233	1,409	2,642
Miscellaneous	10,979	453,543	464,522
Total Revenues	<u>3,115,607</u>	<u>3,214,552</u>	<u>6,330,159</u>
Expenditures:			
Current:			
General Government	388,916	-	388,916
Public Safety	1,441,068	69,933	1,511,001
Streets and Highways	395,761	104,339	500,100
Health and Welfare	-	554,538	554,538
Development	30,869	371,637	402,506
Cultural and Recreational	-	560,955	560,955
Capital Outlay	331,217	1,358,964	1,690,181
Debt Service:			
Principal	27,697	770,514	798,211
Interest and Charges	675	201,626	202,301
Total Expenditures	<u>2,616,203</u>	<u>3,992,506</u>	<u>6,608,709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>499,404</u>	<u>(777,954)</u>	<u>(278,550)</u>
Other Financing Sources (Uses):			
Proceeds from Debt	25,874	120,800	146,674
Operating Transfers In	114,820	229,852	344,672
Operating Transfers Out	<u>(28,422)</u>	<u>(237,245)</u>	<u>(265,667)</u>
Total Other Financing Sources (Uses)	<u>112,272</u>	<u>113,407</u>	<u>225,679</u>
Net Change in Fund Balances	611,676	(664,547)	(52,871)
Fund Balance (Deficit), Beginning of Year	(1,511,634)	(2,984,155)	(4,495,789)
Fund Balance (Deficit), End of Year	<u>\$ (899,958)</u>	<u>\$ (3,648,702)</u>	<u>\$ (4,548,660)</u>

The notes to the financial statements are an integral part of this statement

**CITY OF MASCOUTAH, 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, 2012

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

Net change in fund balances - total governmental funds	\$ (52,871)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current year.

659,665

Contributions of capital assets are not reported in the fund financial statements but are reported as capital contributions for the government-wide financial statements.

88,000

Accrued compensated absences are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, accrued compensated absences are not reported as expenditures in governmental funds. This is the change in accrued compensated absences between years.

(48,025)

Net pension obligations are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net pension obligations are not reported as expenditures in governmental funds. This is the change in the net pension obligation between years.

3,571

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

642,418

Some intergovernmental revenues will not be collected for several months after the City's fiscal year end. They are not considered "available" revenues in the governmental funds. This is the change in deferred revenues between fiscal years.

9,149

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.

6,993

Change in net assets of governmental activities

	<u>\$ 1,308,900</u>
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The notes to the financial statements are an integral part of this statement

# **CITY OF MASCOUTAH, ILLINOIS**

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS APRIL 30, 2012

	Waterworks and Sewerage	Electric Light	Total		Waterworks and Sewerage	Electric Light	Total
<b><u>Assets:</u></b>				<b><u>Liabilities:</u></b>			
Current Assets:				Current Liabilities:			
Cash	\$ 3,100,203	\$ 3,667,939	\$ 6,768,142	Accrued Payroll and Benefits	\$ 23,222	\$ 34,082	\$ 57,304
Receivables (Net, where applicable, of allowances for uncollectible):				Accounts Payable	60,995	546,490	607,485
Accounts	127,109	384,034	511,143	Accrued Interest	1,283	-	1,283
Unbilled Revenue	143,650	282,720	426,370	Deferred Connection Fees	-	142,672	142,672
Other	3,563	4,794	8,357	Notes/Leases Payable	-	-	128,647
Due from Other Funds	447,185	7,167,862	7,615,047	Bonds Payable	-	185,000	185,000
Total Current Assets	3,821,710	11,507,349	15,329,059	Total Current Liabilities	214,147	908,244	1,122,391
Noncurrent Assets:				Liabilities Payable from Restricted Assets:			
Restricted Assets:				Customer Deposits	36,577	123,365	159,942
Cash and Cash Equivalents:				Noncurrent Liabilities:			
Customer Deposits	36,577	123,365	159,942	Accrued Sick Leave	22,367	52,134	74,501
Capital Assets:				Notes/Leases Payable	3,544,614	-	3,544,614
Land	20,341	117,009	137,350	Bonds Payable	-	3,890,000	3,890,000
Buildings and Improvements	4,701,342	3,728,681	8,430,023	Total Noncurrent Liabilities	3,566,981	3,942,134	7,509,115
Equipment	257,707	403,140	660,847	Total Liabilities	3,817,705	4,973,743	8,791,448
Vehicles	249,737	968,903	1,218,640				
Distribution System	14,428,109	12,042,727	26,470,836				
Total	19,657,236	17,260,460	36,917,696				
Less - Accumulated Depreciation	(6,367,954)	(6,870,390)	(13,238,344)				
Net Capital Assets	13,289,282	10,390,070	23,679,352				
Deferred Debt Expense	-	41,217	41,217	<b><u>Net Assets:</u></b>			
Total Noncurrent Assets	13,325,859	10,554,652	23,880,511	Invested in Capital Assets,			
Total Assets	\$ 17,147,569	\$ 22,062,001	\$ 39,209,570	Net of Related Debt	9,573,627	6,115,549	15,689,176
				Unrestricted	3,756,237	10,972,709	14,728,946
				Total Net Assets	\$ 13,329,864	\$ 17,088,258	\$ 30,418,122

The notes to the financial statements are an integral part of this statement

# CITY OF MASCOUTAH, ILLINOIS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED APRIL 30, 2012

	Business-Type Activities--Enterprise Funds		
	Waterworks and Sewerage	Electric Light	Total
Operating Revenues:			
Charges for Services	\$ 3,185,552	\$ 6,966,185	\$ 10,151,737
Operating Expenses:			
Personal Services	648,118	1,098,090	1,746,208
Supplies	142,807	78,889	221,696
Contractual Services	961,251	3,858,334	4,819,585
Administrative Overhead	375,275	458,700	833,975
Depreciation	478,650	523,788	1,002,438
Total Operating Expenses	2,606,101	6,017,801	8,623,902
Operating Income	579,451	948,384	1,527,835
Nonoperating Revenues (Expenses):			
Amortization	-	(2,576)	(2,576)
Investment Earnings	19,656	20,468	40,124
Interest and Fiscal Charges	(7,414)	(181,069)	(188,483)
Total Nonoperating Revenues (Expenses)	12,242	(163,177)	(150,935)
Income Before Contributions and Transfers	591,693	785,207	1,376,900
Capital Contributions	12,793	61,090	73,883
Transfers In (Out)	3,191	(82,196)	(79,005)
Change in Net Assets	607,677	764,101	1,371,778
Net Assets - Beginning of Year	12,722,187	16,324,157	29,046,344
Net Assets - End of Year	\$ 13,329,864	\$ 17,088,258	\$ 30,418,122

The notes to the financial statements are an integral part of this statement

# CITY OF MASCOUTAH, ILLINOIS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED APRIL 30, 2012

	Business-Type Activities--Enterprise Funds		
	Waterworks and Sewerage	Electric Light	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 3,203,454	\$ 7,028,069	\$ 10,231,523
Payments to Suppliers	(1,710,542)	(4,656,453)	(6,366,995)
Payments to Employees	(444,620)	(736,272)	(1,180,892)
Net Cash Provided by Operating Activities	<u>1,048,292</u>	<u>1,635,344</u>	<u>2,683,636</u>
Cash Flows from Noncapital Financing Activities:			
Payments from (to) Other Funds	(332,365)	(163,296)	(495,661)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(332,365)</u>	<u>(163,296)</u>	<u>(495,661)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Long-Term Debt	(249,082)	(150,000)	(399,082)
Net Proceeds from Debt	747,179	-	747,179
Interest Paid on Debt	(7,610)	(181,069)	(188,679)
Customer Deposits	5,506	8,528	14,034
Capital Contributions	-	61,090	61,090
Cash Payments for Capital Assets	(1,421,110)	(610,937)	(2,032,047)
Net Cash Provided (Used) by Capital Related Financing Activities	<u>(925,117)</u>	<u>(872,388)</u>	<u>(1,797,505)</u>
Cash Flows from Investing Activities:			
Interest Received	19,656	20,468	40,124
Net Cash Provided by Investing Activities	<u>19,656</u>	<u>20,468</u>	<u>40,124</u>
Net Change in Cash and Cash Equivalents	(189,534)	620,128	430,594
Cash and Cash Equivalents, Beginning of Year	3,326,314	3,171,176	6,497,490
Cash and Cash Equivalents, End of Year	<u>\$ 3,136,780</u>	<u>\$ 3,791,304</u>	<u>\$ 6,928,084</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 579,451	\$ 948,384	\$ 1,527,835
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	478,650	523,788	1,002,438
(Increase) Decrease in Assets:			
Accounts Receivables	38,232	95,101	133,333
Unbilled Revenue	(20,330)	(39,720)	(60,050)
Inventory	-	24,156	24,156
Increase (Decrease) in Liabilities:			
Accrued Payroll and Benefits	6,004	14,983	20,987
Accounts Payable	(33,715)	62,149	28,434
Deferred Fees	-	6,503	6,503
Net Cash Provided by Operating Activities	<u>\$ 1,048,292</u>	<u>\$ 1,635,344</u>	<u>\$ 2,683,636</u>
Reconciliation of Total Cash and Cash Equivalents			
Current Assets	\$ 3,100,203	\$ 3,667,939	\$ 6,768,142
Restricted Assets	36,577	123,365	159,942
Total Cash and Cash Investments	<u>\$ 3,136,780</u>	<u>\$ 3,791,304</u>	<u>\$ 6,928,084</u>

The notes to the financial statements are an integral part of this statement

**CITY OF MASCOUTAH, ILLINOIS**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND - POLICE PENSION TRUST FUND  
APRIL 30, 2012

<u>Assets</u>	
Cash and Cash Equivalents	\$ 129,744
Investments	2,759,267
Receivables (Net of Allowance for Doubtful Accounts):	
Property Tax	201,000
Interest	8,519
Total Assets	<u>3,098,530</u>
<u>Liabilities</u>	
None	<u>-</u>
<u>Net Assets</u>	
Held in Trust For Pension Benefits and Other Purposes	<u>\$ 3,098,530</u>

The notes to the financial statements are an integral part of this statement

**CITY OF MASCOUTAH, ILLINOIS**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND - POLICE PENSION TRUST FUND  
FOR THE YEAR ENDED APRIL 30, 2012

Additions:

Employer Contributions	\$ 199,826
Employee Contributions	75,199
Investment Earnings:	
Interest and Dividends	68,368
Gain (Loss) on Sale of Investments	(67,548)
Net Appreciation in Fair Value of Investments	106,588
Total Investment Earnings	<u>107,408</u>
Less: Investment Expense	<u>9,174</u>
Net Investment Earnings	<u>98,234</u>
Total Additions	<u>373,259</u>

Deductions:

Benefit Payments	74,956
Administrative Expenses	<u>6,630</u>
Total Deductions	<u>81,586</u>

Change in Net Assets	291,673
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Net Assets - Beginning of Year	<u>2,806,857</u>
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Net Assets - End of Year	<u><u>\$ 3,098,530</u></u>
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The notes to the financial statements are an integral part of this statement



## **CITY OF MASCOUTAH, ILLINOIS**

### **NOTES TO FINANCIAL STATEMENTS APRIL 30, 2012**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Mascoutah (City) was incorporated in 1921. The City is a home rule unit of government and operates under a managerial council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture and recreation (library and parks), health and welfare (ambulance service), electric and water distribution, sewage treatment, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) The financial reporting entity

The City is a political subdivision of the State of Illinois. These financial statements present the government and its component units. Component units are legally separate entities for which the City is financially accountable. The City defines its reporting entity in accordance with Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Component units are organizations for which the City, as the primary government, is financially accountable. To be considered financially accountable, the organization must be fiscally dependent on the City or the City must appoint a majority of the board of the organization and either (1) be able to impose its will on the organization or (2) the relationship must have the potential for creating a financial benefit to or imposing a financial burden on the City. The City did not have any component units at April 30, 2012.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government.

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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.

(c) Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, permits and fees associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized; when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other revenues that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are recorded in the General Fund.

The government reports the following major proprietary funds:

The Waterworks and Sewerage Fund and the Electric Light Fund account for all activities related to the billing, administration, distribution and collection processes of the water, sewer and electric operations. The City operates the water and electric distribution systems as well as the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The pension trust fund accounts for the activities of the police pension fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise

**CITY OF MASCOUATAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

(d) Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America. The pension trust fund and cemetery trust fund are also allowed to invest limited percentages of their monies in mutual funds and equity securities.

Fixed-income securities are recorded in all funds at fair value. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Receivables and payables

Activities 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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Unbilled water, sewer and electric service receivables are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

The City levied its property taxes on December 5, 2011 based upon the assessed valuation as of the previous January 1. Property taxes are due in two installments in the following year, usually in June and August, and are considered delinquent after the due dates. Property taxes for 2011 become an enforceable lien in January 2012. Because this tax levy will be used to pay for expenses budgeted in fiscal year 2013, this tax levy is shown as a receivable and as deferred revenue as of April 30, 2012 in the governmental funds statements and eliminated in the statement of activities. Tax revenues reflected in these financial statements are taxes collected on the 2010 levy.

Restricted assets

Governmental Activities

Park Maintenance Trust Reserve – The reserve for park maintenance was created to restrict the use of all resources contributed to or earned by the Park Board Leu Fund. The restriction was mandated by a donor trust agreement.

Cemetery Maintenance Trust – The reserve for cemetery maintenance was created to restrict the use of all resources contributed to or earned by the Cemetery Trust Fund. The restriction was mandated by a declaration of trust.

Business-Type Activities

Deposits – These accounts accumulate to provide funds to offset the existing liability for customer utility deposits.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government generally defines capital assets as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of two years. Assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The City hired a valuation and consulting firm to perform an initial valuation of the fixed assets of the City. This valuation was used as the historical basis for the value of the assets reported in the governmental type activities. Subsequent fixed asset additions are based on amounts as recorded by the City in the accounting records.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 - 40
Buildings and improvements	25 - 50
Infrastructure	25
Distribution systems	20 - 25
Vehicles	5 - 15
Office and other equipment	5 - 20

Compensated absences

The City allows employees to accumulate unused sick leave to a maximum of 300 hours (320 hours for police officers). Earned vacation time is required to be used within one year of accrual. Upon termination, up to 300 hours of accumulated sick leave (320 hours for police officers) and any accumulated vacation that has not been taken due to work-related assignments, will be paid to the employee.

Sick leave in excess of 300 hours is accumulated and tracked for IMRF applicable employees. Sick leave in excess of 320 hours for police officers is paid to the employee on or near December 1<sup>st</sup>. Employees may request to be paid for any and all sick leave at any time.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Long-term obligations

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

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

Fund equity

In the fund financial statements, the City classifies the fund balances based upon the following criteria:

Nonspendable - includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to remain intact.

Restricted - balances with constraints that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed - balances that are to be only used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned - balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - the residual classification of the General Fund balance.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

The following details the description and amount of all constraints recorded by the City in the fund financial statements:

Governmental Funds

Nonspendable:

Cemetery Trust	321,600
Park Board Leu	2,500
	<u>\$ 324,100</u>

Restricted:

Debt Service	\$ 94,312
TIF #2B	1,075,958
Public Library	258,450
Motor Fuel Tax	217,346
Retirement Fund	163,034
	<u>\$1,809,100</u>

Fiduciary Funds

Reserved for Employees' Pension Benefits	<u>\$3,098,530</u>
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Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. The City has entered into an agreement with IMLRMA, an intergovernmental association formed pursuant to Article VII, Section 10 of the Illinois Constitution of 1970, to provide the City insurance coverage.

There has been no significant reduction in coverage from the prior year.

Budget Policy and Practices

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget ordinance for the fiscal year commencing May 1.



**CITY OF MASCOUATAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

2. A public hearing at the City Hall is conducted to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through the passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Enterprise Funds.
5. Unexpended budgets for all the above annually budgeted funds lapse at the fiscal year end.
6. The budget is prepared on a cash basis of accounting.

Excess Expenditures/Expenses Over Appropriations

Actual expenditures exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>
Ambulance Fund	\$ 572,380	\$ 576,893
Debt Service Fund	255,010	255,098
General Fund	2,270,135	2,285,529
Playground & Recreation Fund	305,795	723,003
TIF #1 Fund	674,700	734,331

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Governmental & Business-Type Activities

At April 30, 2012, the carrying amount of the City's deposits was \$9,582,989 and the bank balance was \$9,747,341. The deposits were comprised of interest checking accounts, savings accounts and certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name. As of April 30, 2012, the City's deposits were covered entirely by FDIC insurance or collateralized by the financial institutions.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

At April 30, 2012, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Repurchase Agreements - Sweep	Daily	\$ 270,000
Cash on Hand		600
Deposits as reported above		<u>9,582,989</u>
Total deposits and investments		<u>\$ 9,853,589</u>
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		\$ 9,303,417
Investments		67,463
Cash and Cash Equivalents - Restricted		<u>482,709</u>
		<u>\$ 9,853,589</u>

Interest Rate Risk. The City's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of April 30, 2012, the City did not have a credit risk.

Concentration of Credit Risk. As of April 30, 2012, the City did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2012, the City did not have a foreign currency risk.

Police Pension Fund

At April 30, 2012, the carrying amount of the Police Pension Fund's deposits was \$1,156,649 and the bank balance was also \$1,156,649. The deposits are comprised of an interest checking account, saving accounts and certificates of deposits.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Police Pension Fund's deposits may not be returned to it. The Police Pension Fund requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Police Pension Fund's name.

**CITY OF MASCOUATAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

As of April 30, 2012, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Mutual Funds	--	\$ 1,262,554
Municipal Bonds	4.17	368,647
Corporate Bonds	4.39	101,161
Deposits as reported above		<u>1,156,649</u>
Total deposits and investments		<u>\$ 2,889,011</u>

Interest Rate Risk. The Police Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of April 30, 2012, the Police Pension Fund did not have any credit risk.

Concentration of Credit Risk. As of April 30, 2012, the Police Pension Fund did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2012, the Police Pension Fund did not have a foreign currency risk.

**NOTE 3: RECEIVABLES**

City receivables, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows as of April 30, 2012:

	<u>General</u>	<u>Enterprise Funds</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Licenses/Fees/Other	\$ 40,202	\$ 8,357	\$ 12,036	\$ 60,595
Accounts	-	1,021,289	147,920	1,169,209
Intergovernmental	<u>728,244</u>	<u>-</u>	<u>14,527</u>	<u>742,771</u>
Gross Receivables	768,446	1,029,646	174,483	1,972,575
Less: Allowance for uncollectible	<u>-</u>	<u>83,776</u>	<u>110,089</u>	<u>193,865</u>
Net Total Receivables	<u>\$ 768,446</u>	<u>\$ 945,870</u>	<u>\$ 64,394</u>	<u>\$ 1,778,710</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 4: LONG-TERM DEBT**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The City has the following outstanding general obligation bond issues:

**General Obligation Bonds**

1998 General Obligation Bonds due in annual installments of \$130,000 to \$165,000 through January 1, 2017; interest at 4.60% to 4.70%. The bonds and related interest are being retired by the TIF Fund and the Electric Light Fund. The amount of bonds outstanding as of April 30, 2012 is \$735,000.

2001A General Obligation Bonds due in annual installments of \$70,000 to \$85,000 through July 1, 2016; interest at 4.90% to 5.30%. The bonds and related interest are being retired by the Debt Service Fund and the General Fund. The amount of bonds outstanding as of April 30, 2012 is \$380,000.

2005 General Obligation Bonds due in annual installments of \$110,000 to \$120,000 through January 1, 2016; interest at 3.85% to 4.10%. The bonds and related interest are being retired by the Debt Service Fund and the General Fund. The amount of bonds outstanding as of April 30, 2012 is \$465,000.

2008 General Obligation Bonds due in annual installments of \$185,000 to \$520,000 through November 1, 2027; interest at 3.40% to 5.25%. The bonds and related interest are being retired by the Debt Service Fund and the Electric Light Fund. The amount of bonds outstanding as of April 30, 2012 is \$5,700,000.

The annual requirements to retire general obligation bonds as of April 30, 2012 are as follows:

Fiscal Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 310,000	\$ 143,836	\$ 185,000	\$ 178,009
2014	325,000	130,156	190,000	171,719
2015	340,000	115,441	195,000	164,879
2016	355,000	99,773	205,000	157,664
2017	335,000	83,546	215,000	149,771
2018-2022	605,000	295,669	1,220,000	591,099
2023-2027	760,000	147,059	1,520,000	292,728
2028-2029	175,000	8,093	345,000	15,955
	<u>\$ 3,205,000</u>	<u>\$ 1,023,573</u>	<u>\$ 4,075,000</u>	<u>\$ 1,721,824</u>

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Notes Payable

On May 22, 1998, the City entered into a loan agreement with the Illinois Environmental Protection Agency for \$689,008. The loan provided funding for a joint-use sewer project for sewer lines to Mid-America Airport. The loan is to be repaid in 40 semi-annual installments of \$23,180, including interest at 2.89 percent. The note and related interest are being retired by the Waterworks and Sewerage Fund. The outstanding balance as of April 30, 2012 is \$234,188.

On June 20, 2007, the City entered into a loan agreement with Citizens Community Bank for \$435,300 to purchase land. The loan is due on demand, but if no demand is made, the loan is to be repaid in 59 monthly installments of \$2,983, including interest at 5.45 percent. The loan and related interest are being retired by the Playground & Recreation Fund. The outstanding balance as of April 30, 2012 is \$332,261.

On April 24, 2009, the City entered into a loan agreement with the Illinois Environmental Protection Agency for \$3,188,881. The loan is being used to provide funding for the construction and rehabilitation of lift stations. The loan is to be paid in 39 semi-annual installments of \$60,782, including interest at 2.5 percent. The note and related interest are being retired by the Waterworks and Sewerage Fund. The outstanding balance as of April 30, 2012 is \$2,188,152.

On July 6, 2009, the City entered into a loan agreement with the Illinois Environmental Protection Agency for \$729,835. The loan is being used to provide funding for improvements and replacement of parts of the water distribution system. The loan is to be paid in 39 interest-free semi-annual installments of \$13,993. The note is being retired by the Waterworks and Sewerage Fund. The outstanding balance as of April 30, 2012 is \$503,742.

On November 5, 2009, the City entered into a loan agreement with Farmers & Merchants National Bank for \$450,000 to provide funding for special service area improvements. The loan is due to be repaid in 360 monthly installments, including interest at 4.00 percent. The loan and related interest are being retired by the Special Service Area Fund. The outstanding balance as of April 30, 2012 is \$350,275.

On August 15, 2011, the City entered into a loan agreement with Citizens Community Bank for \$120,800 to purchase an ambulance. The loan is due on demand, but if no demand is made, the loan is to be repaid in 5 annual installments of \$22,049, including interest at 3.75 percent. The loan and related interest are being retired by the Ambulance Fund. The outstanding balance as of April 30, 2012 is \$98,838.

**CITY OF MASCOUHAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

On May 19, 2011, the City entered into a loan agreement with Citizens Community Bank for \$25,874 to purchase a 2011 Ford Crown Victoria. The loan is to be repaid in 3 annual installments of \$8,827, including interest at 2.177 percent. The loan and interest are being retired by the General Fund. The outstanding balance as of April 30, 2012 is \$7,089.

The City entered into a loan agreement with the IEPA on August 28, 2011 to provide funding for sewer infrastructure improvements. The loan, in the total approved amount of \$866,575, is being drawn on as needed to provide funding for the improvements. The loan is to be repaid in 40 semi-annual installments including interest at 1.25 percent. The outstanding balance as of April 30, 2012 is \$747,179.

The annual requirements to retire the loan agreements are as follows:

Fiscal Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 438,188	\$ 14,049	\$ 128,647	\$ 6,482
2014	-	14,011	937,766	5,321
2015	-	14,011	191,783	4,127
2016	6,858	19,265	193,012	2,897
2017	7,183	18,940	194,278	1,632
2018-2022	42,534	88,080	770,599	331
2023-2027	55,594	75,021	747,747	-
2028-2032	72,664	57,949	509,429	-
2033-2037	94,965	35,649	-	-
2038-2040	70,477	7,891	-	-
	<u>\$ 788,463</u>	<u>\$ 344,866</u>	<u>\$ 3,673,261</u>	<u>\$ 20,790</u>

The following is a summary of changes in long-term liabilities for the year ended April 30, 2012.

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 3,500,000	\$ -	\$ 295,000	\$ 3,205,000	\$ 310,000
Lease/purchase agreements	8,913	-	8,913	-	-
Compensated absences	187,515	28,619	-	216,134	-
Notes payable	1,136,087	146,674	494,298	788,463	438,188
Pension obligations	194,368	-	3,571	190,797	-
	5,026,883	175,293	801,782	4,400,394	748,188
Deferred refunding	(15,193)	3,255	-	(11,938)	-
Governmental activities long-term liabilities	<u>\$ 5,011,690</u>	<u>\$ 178,548</u>	<u>\$ 801,782</u>	<u>\$ 4,388,456</u>	<u>\$ 748,188</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 4,225,000	\$ -	\$ 150,000	\$ 4,075,000	\$ 185,000
Note payable	3,175,164	747,179	249,082	3,673,261	128,647
Compensated absences	75,993	-	1,492	74,501	-
Business-type activities long-term liabilities	<u>\$ 7,476,157</u>	<u>\$ 747,179</u>	<u>\$ 400,574</u>	<u>\$ 7,822,762</u>	<u>\$ 313,647</u>

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2012 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,169,772	\$ 88,000	\$ 448,418	\$ 809,354
Capital assets, being depreciated:				
Land improvements	542,302	248,577	-	790,879
Buildings and improvements	5,165,334	8,393	-	5,173,727
Equipment	1,484,686	13,252	31,898	1,466,040
Vehicles	2,022,661	686,605	190,812	2,518,454
Infrastructure	7,825,835	733,354	-	8,559,189
Total capital assets being depreciated	17,040,818	1,690,181	222,710	18,508,289
Less accumulated depreciation for:				
Land improvements	375,199	15,635	-	390,834
Buildings and improvements	1,929,760	133,415	-	2,063,175
Equipment	1,175,909	76,282	31,898	1,220,293
Vehicles	1,593,176	168,248	190,812	1,570,612
Infrastructure	2,029,609	188,518	-	2,218,127
Total accumulated depreciation	7,103,653	582,098	222,710	7,463,041
Total capital assets, being depreciated, net	9,937,165	1,108,083	-	11,045,248
Governmental activities capital assets, net	\$ 11,106,937	\$ 1,196,083	\$ 448,418	\$ 11,854,602
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 76,197	\$ 61,153	\$ -	\$ 137,350
Capital assets, being depreciated:				
Buildings and improvements	8,288,349	166,798	25,124	8,430,023
Distribution systems	25,181,022	1,290,086	272	26,470,836
Equipment	577,760	103,656	20,569	660,847
Vehicles	1,422,538	16,300	220,198	1,218,640
Total capital assets, being depreciated	35,469,669	1,576,840	266,163	36,780,346
Less accumulated depreciation for:				
Buildings and improvements	5,721,098	160,776	10,050	5,871,824
Distribution systems	5,809,878	677,027	117	6,486,788
Equipment	331,493	34,975	19,731	346,737
Vehicles	623,533	129,660	220,198	532,995
Total accumulated depreciation	12,486,002	1,002,438	250,096	13,238,344
Total capital assets, being depreciated, net	22,983,667	574,402	16,067	23,542,002
Business-type activities capital assets, net	\$ 23,059,864	\$ 635,555	\$ 16,067	\$ 23,679,352

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Depreciation expense was charged as direct expense to functions of the City as follows:

Governmental activities:	
General government	\$ 67,304
Public safety	120,767
Streets and highways, including depreciation of general infrastructure assets	239,407
Health and welfare	28,989
Cultural and recreational	<u>125,631</u>
Total depreciation expense - governmental activities	<u>\$ 582,098</u>
Business-type activities:	
Electric, waterworks and sewerage	<u>\$ 1,002,438</u>

**NOTE 6: INTERFUND RECEIVABLES AND PAYABLES**

The following is a schedule of interfund receivables and payables for the year ending April 30, 2012.

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 12,817	\$ 1,218,333
Fire Fund	-	419,545
TIF #1 Fund	-	795,800
Public Library Fund	-	12,817
Special Service Area Fund	-	27,640
Playground and Recreation Fund	-	376,576
Ambulance Fund	-	619,500
2008 GO Bond Fund	-	4,158,986
Cemetery Trust Fund	1,333	-
Waterworks and Sewerage Fund	447,185	-
Electric Light Fund	<u>7,167,862</u>	<u>-</u>
Totals	<u>\$ 7,629,196</u>	<u>\$ 7,629,196</u>

**NOTE 7: RETIREMENT AND PENSION FUND COMMITMENTS**

1. Illinois Municipal Retirement Fund

*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 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



**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

includes financial statements and required supplementary information. The report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 used by the City was 11.62 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 11.63 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For calendar year ending December 31, 2011, the Village's actual contributions for pension cost for the plan were \$260,094. Its required contribution for calendar year 2011 was \$260,318.

**Three-Year Trend Information for IMRF**

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/11	\$ 260,318	100%	\$ -
12/31/10	252,517	93%	-
12/31/09	205,023	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of 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% corridor between the actuarial and market value of assets. The Village's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

**CITY OF MASCOUATAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was 66.19 percent funded. The actuarial accrued liability for benefits was \$5,140,361 and the actuarial value of assets was \$3,402,151, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,738,210. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$2,238,333 and the ratio of the UAAL to the covered payroll was 78 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.

**Police Pension Fund**

a) **Plan Description and Contribution Information**

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 – Act 5, Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2012 was \$758,815.

At April 30, 2012, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	3
Current Employees	<u>12</u>
Total	<u>15</u>

The following is a summary of the Police Pension Plan as provided in the Illinois Compile Statutes:

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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 up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the current pension.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded. The City is required to contribute the remaining amount necessary to finance the plan as actuarially determined by an enrolled actuary.

Beginning January 1, 2011, several changes were implemented for all new officers. These changes include:

- An officer age 55 or more must now have 10 years of creditable service to receive a monthly pension of 2.50 percent for each year of service
- An officer retiring at age 50 shall have their pension reduced by 1% for each month under the age of 55.
- The maximum salary for calculation of benefits shall not exceed \$106,800, to be adjusted for inflation.
- Pension payment increases shall be limited based on inflationary rates.
- Changes required funding date to 2040 and provides for required measures by the State Comptroller to ensure the municipalities are providing the required funding.

b) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value in accordance with GASB 25. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

c) Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 193,000
Interest on net pension obligation	13,606
Adjustment to annual required contribution	<u>(10,351)</u>
Annual pension cost	196,255
Contributions made - tax levy	<u>199,826</u>
Decrease in net pension obligation	(3,571)
Net pension obligation beginning of year	<u>194,368</u>
Net pension obligation end of year	<u>\$ 190,797</u>

The annual required contribution for the current year was determined by an estimation of the City of the calculated amounts based on prior actuarial valuations performed by the State of Illinois using the entry age normal cost method. In prior years, the actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using amortized costs. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2012, was 29 years.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/11	\$ 196,225	101.84%	\$ 190,797
04/30/10	194,920	101.30%	194,368
04/30/09	181,782	101.12%	196,902

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Concentration

The City's Police Pension fund has a concentration of 5% or more of its net assets in the following organizations:

First Federal Savings                      \$ 669,743

d) Legally Required Reserves

The Police Pension fund has legally required reserves of \$3,098,530.

**NOTE 8: INTERFUND TRANSFERS**

The following is a summary of interfund transfers for the year ended April 30, 2012:

General Fund Transfer From (To):	
Cemetery Trust Fund	\$ 8,000
IMRF Fund	106,820
Debt Service Fund	(28,422)
TIF #1 Fund Transfer (To):	
Debt Service Fund	(61,457)
TIF #2 Fund Transfer (To):	
Water and Sewer Fund	(29,299)
Ambulance Fund Transfer From:	
IMRF Fund	31,669
IMRF Fund Transfer (To):	
General Fund	(106,820)
Ambulance Fund	(31,669)
Debt Service Fund Transfer From (To):	
General Fund	28,422
TIF #1 Fund	61,457
Electric Light Fund	82,196
Water and Sewer Fund	26,108
Water and Sewer Fund Transfer From:	
TIF #2 Fund	29,299
Debt Service Fund	(26,108)
Electric Light Fund Transfer From (To):	
Debt Service Fund	(82,196)
Cemetery Trust Fund Transfer (To):	
General Fund	(8,000)
	<u>\$ -</u>

The City makes various transfers to reimburse funds for expenses that are related to or shared by one fund and paid for by another fund. The transfers are primarily related to debt service payments and IMRF reimbursements.

**CITY OF MASCOUTAH, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 9: SUBSEQUENT EVENTS**

The City has evaluated events occurring after the financial statement date through August 17, 2012 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

# CITY OF MASCOUTAH, ILLINOIS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE (CASH BASIS) - GENERAL FUND FOR THE YEAR ENDED APRIL 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budget Basis)</u>
Receipts:			
Property Tax	\$ 445,050	\$ 445,050	\$ 447,106
Utility Tax	346,645	346,645	335,622
Hotel Tax	52,175	52,175	46,933
Intergovernmental	1,533,537	1,533,537	1,405,133
Licenses and Permits	88,555	88,555	104,081
Charges for Services	325,370	325,370	312,916
Fines and Forfeitures	18,950	18,950	21,269
Investment Earnings	2,900	2,900	1,851
Miscellaneous	7,200	7,200	14,714
Total Receipts	<u>2,820,382</u>	<u>2,820,382</u>	<u>2,689,625</u>
Disbursements			
Current:			
General Government	397,905	397,905	340,845
Public Safety	1,347,280	1,347,280	1,430,376
Streets and Highways	424,150	424,150	425,059
Development	33,800	33,800	30,869
Capital Outlay	67,000	67,000	58,380
Total Disbursements	<u>2,270,135</u>	<u>2,270,135</u>	<u>2,285,529</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>550,247</u>	<u>550,247</u>	<u>404,096</u>
Other Financing Sources:			
Transfers In	84,850	84,850	80,416
Transfers Out	<u>(28,850)</u>	<u>(28,850)</u>	<u>(28,422)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements	<u>\$ 606,247</u>	<u>\$ 606,247</u>	456,090
Change for reporting on modified accrual basis:			
Change in intergovernmental revenue on modified accrual basis			396,561
Change in utility tax revenue on modified accrual basis			(737)
Change in other receivables on modified accrual basis			(1,455)
Change in accrued salaries on modified accrual basis			(5,741)
Change in franchise fee revenue on modified accrual basis			(95)
Change in accounts payable on modified accrual basis			(231,614)
Change in transfer amount from other funds			(1,333)
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 611,676</u>

# CITY OF MASCOUTAH, ILLINOIS

## SCHEDULE OF POLICE PENSION FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS APRIL 30, 2012

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Actuarial Value of Assets	\$ 2,524,659	\$ 2,162,610	\$ 2,057,820	\$ 1,909,858	\$ 1,702,372	\$ 1,523,228
Actuarial Accrued Liability (AAL)	3,760,155	3,335,468	3,010,196	2,715,354	2,307,146	1,936,239
Unfunded AAL (UAAL)	1,235,496	1,172,858	952,376	805,496	604,774	413,011
Funded Ratio	67.14%	64.84%	68.36%	70.34%	73.79%	78.67%
Covered Payroll	708,789	667,905	553,935	724,170	662,182	569,431
UAAL as a % of Covered Payroll	174.31%	175.60%	171.93%	111.23%	91.33%	72.53%
Employer Contributions:						
Required	191,234	177,698	146,195	171,049	149,334	122,634
Made	197,454	183,816	152,109	98,775	93,638	91,520
Percentage of Employer Contributions						
Made to Required Contributions	103.25%	103.44%	104.05%	57.75%	62.70%	74.63%

The City did not have an actuarial performed for April 30, 2011. The City levied taxes for the contribution based on estimated amounts. The 2010 actuarial amount, as determined by the State, was levied in December 2010 and collected in fiscal year 2012.

The actuarial valuations presented are prepared by the Illinois Department of Insurance using the following parameters:

Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Remaining Amortization Period:	29 Years
Asset Valuation Method:	Mixed Amortized Cost and Market
Actuarial Assumptions:	
Interest Rate	7.0 %
Salary Progression	5.5 %
Cost of Living	
Adjustments	3.0 %



**CITY OF MASCOUTAH, ILLINOIS**

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT  
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
APRIL 30, 2012

	Calendar Year					
	2011	2010	2009	2008	2007	2006
Actuarial Value of Assets	\$ 3,402,151	\$ 3,701,027	\$ 4,000,956	\$ 3,560,676	\$ 3,830,620	\$ 3,381,149
Actuarial Accrued Liability (AAL)	5,140,361	5,187,090	5,289,040	4,705,645	4,257,151	3,736,859
Unfunded AAL (UAAL)	1,738,210	1,486,063	1,288,084	1,144,969	426,531	355,710
Funded Ratio	66.19%	71.35%	75.65%	75.67%	89.98%	90.48%
Covered Payroll	2,238,333	2,224,822	2,135,653	2,081,213	2,000,778	1,821,279
UAAL as a % of Covered Payroll	77.66%	66.79%	60.31%	55.01%	21.32%	19.53%
Employer Contributions:						
Required	260,318	252,517	205,023	197,299	184,872	182,128
Made	260,094	234,941	205,023	197,299	184,872	182,128
Percentage of Employer Contributions						
Made to Required Contributions	99.91%	93.04%	100.00%	100.00%	100.00%	100.00%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$3,185,312.

On a market basis, the funded ratio would be 61.97 percent.

The actuarial valuations presented are prepared by the Illinois Municipal Retirement Fund using the following parameters:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost
Amortization Method:	Level Percentage of Projected Payroll
Remaining Amortization Period:	Open 30 Year Basis
Asset Valuation Method:	Techniques that smooth the effects of short term volatility over a five year period.
Actuarial Assumptions:	
Interest Rate	7.5 %
Salary Progression	4.4 - 14.0 %
Cost of Living Adjustments	3.0 %

**CITY OF MASCOUTAH, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
APRIL 30, 2012

	Total Special Revenue	Debt Service	Capital Projects	Permanent Funds			Total Nonmajor Governmental Funds
				Cemetery Trust	Park Board Leu	Total	
<u>Assets</u>							
Cash and Cash Equivalents	\$ 1,892,741	\$ 94,312	\$ 521,758	\$ -	\$ -	\$ -	\$ 2,508,811
Receivables (Net of Allowance for Doubtful Accounts):							
Property Tax	1,019,000	268,000	-	-	-	-	1,287,000
Intergovernmental	14,527	-	-	-	-	-	14,527
Other	49,867	-	-	-	-	-	49,867
Due from Other Funds	-	-	-	1,333	-	1,333	1,333
Restricted Cash and Investments	-	-	-	320,267	2,500	322,767	322,767
Total Assets	<u>\$ 2,976,135</u>	<u>\$ 362,312</u>	<u>\$ 521,758</u>	<u>\$ 321,600</u>	<u>\$ 2,500</u>	<u>\$ 324,100</u>	<u>\$ 4,184,305</u>
<u>Liabilities and Fund Balance</u>							
Liabilities:							
Accrued Payroll and Benefits	\$ 9,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,003
Accounts Payable	126,140	-	-	-	-	-	126,140
Due to Other Funds	2,251,878	-	4,158,986	-	-	-	6,410,864
Deferred Revenue	1,019,000	268,000	-	-	-	-	1,287,000
Total Liabilities	<u>3,406,021</u>	<u>268,000</u>	<u>4,158,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,833,007</u>
Fund Balances:							
Nonspendable	-	-	-	321,600	2,500	324,100	324,100
Restricted For:							
Debt Service	-	94,312	-	-	-	-	94,312
Revenue Restrictions	1,714,788	-	-	-	-	-	1,714,788
Unassigned	(2,144,674)	-	(3,637,228)	-	-	-	(5,781,902)
Total Fund Balances	<u>(429,886)</u>	<u>94,312</u>	<u>(3,637,228)</u>	<u>321,600</u>	<u>2,500</u>	<u>324,100</u>	<u>(3,648,702)</u>
Total Liabilities and Fund Balances	<u>\$ 2,976,135</u>	<u>\$ 362,312</u>	<u>\$ 521,758</u>	<u>\$ 321,600</u>	<u>\$ 2,500</u>	<u>\$ 324,100</u>	<u>\$ 4,184,305</u>

**CITY OF MASCOUTAH, ILLINOIS**

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2012

	Total Special Revenue	Debt Service	Capital Projects	Permanent Funds			Total Nonmajor Governmental Funds
				Cemetery Trust	Park Board Leu	Total	
Revenues:							
Property Tax	\$ 1,823,200	\$ 260,240	\$ -	\$ -	\$ -	\$ -	\$ 2,083,440
Intergovernmental	226,374	-	-	-	-	-	226,374
Licenses, Permits and Fees	34,505	-	-	-	-	-	34,505
Charges for Services	384,882	-	-	1,333	-	1,333	386,215
Fines and Forfeitures	6,696	-	-	-	-	-	6,696
Investment Income	9,232	435	6,472	6,231	-	6,231	22,370
Contributions	1,409	-	-	-	-	-	1,409
Miscellaneous	453,543	-	-	-	-	-	453,543
Total Revenues	2,939,841	260,675	6,472	7,564	-	7,564	3,214,552
Expenditures:							
Current:							
Public Safety	69,933	-	-	-	-	-	69,933
Streets and Highways	104,339	-	-	-	-	-	104,339
Development	371,637	-	-	-	-	-	371,637
Health & Welfare	554,538	-	-	-	-	-	554,538
Cultural and Recreational	560,955	-	-	-	-	-	560,955
Capital Outlay	1,358,964	-	-	-	-	-	1,358,964
Debt Service:							
Principal	475,514	295,000	-	-	-	-	770,514
Interest and Fiscal Charges	43,345	158,281	-	-	-	-	201,626
Total Expenditures	3,539,225	453,281	-	-	-	-	3,992,506
Excess (Deficiency) of Revenues Over Expenditures	(599,384)	(192,606)	6,472	7,564	-	7,564	(777,954)
Other Financing Sources (Uses):							
Proceeds From Debt	120,800	-	-	-	-	-	120,800
Transfers In	31,669	198,183	-	-	-	-	229,852
Transfers Out	(229,245)	-	-	(8,000)	-	(8,000)	(237,245)
Total Other Financing Sources (Uses)	(76,776)	198,183	-	(8,000)	-	(8,000)	113,407
Net Change in Fund Balances	(676,160)	5,577	6,472	(436)	-	(436)	(664,547)
Fund Balances, Beginning of Year	246,274	88,735	(3,643,700)	322,036	2,500	324,536	(2,984,155)
Fund Balances, End of Year	\$ (429,886)	\$ 94,312	\$ (3,637,228)	\$ 321,600	\$ 2,500	\$ 324,100	\$ (3,648,702)

**CITY OF MASCOUTAH, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
APRIL 30, 2012

<u>Assets</u>										
	Fire	Playground & Recreation	Ambulance	Motor Fuel Tax	TIF #1	TIF #2B	Public Library	Illinois Municipal Retirement	Special Service Area	Total
Cash and Cash Equivalents	\$ 66,740	\$ 3,267	\$ 14,093	\$ 222,519	\$ 1,132	\$ 1,106,650	\$ 279,135	\$ 195,456	\$ 3,749	\$ 1,892,741
Receivables (Net of Allowance for Doubtful Accounts):										
Property Tax	125,000	190,000	211,000	-	-	-	316,000	177,000	-	1,019,000
Intergovernmental Accounts	-	-	-	14,527	-	-	-	-	-	14,527
	-	12,036	37,831	-	-	-	-	-	-	49,867
Total Assets	\$ 191,740	\$ 205,303	\$ 262,924	\$ 237,046	\$ 1,132	\$ 1,106,650	\$ 595,135	\$ 372,456	\$ 3,749	\$ 2,976,135
<u>Liabilities and Fund Balance</u>										
Liabilities:										
Accrued Payroll and Benefits	\$ -	\$ 1,554	\$ 4,174	\$ -	\$ -	\$ -	\$ 3,275	\$ -	\$ -	\$ 9,003
Accounts Payable	3,349	2,711	11,401	19,700	21,272	30,692	4,593	32,422	-	126,140
Due to Other Funds	419,545	376,576	619,500	-	795,800	-	12,817	-	27,640	2,251,878
Deferred Revenue	125,000	190,000	211,000	-	-	-	316,000	177,000	-	1,019,000
Total Liabilities	547,894	570,841	846,075	19,700	817,072	30,692	336,685	209,422	27,640	3,406,021
Fund Balance (Deficit):										
Restricted	-	-	-	217,346	-	1,075,958	258,450	163,034	-	1,714,788
Unassigned	(356,154)	-	(583,151)	-	(815,940)	-	-	-	(23,891)	(1,779,136)
Total Fund Balance (Deficit)	(356,154)	-	(583,151)	217,346	(815,940)	1,075,958	258,450	163,034	(23,891)	(64,348)
Total Liabilities and Fund Balance	\$ 191,740	\$ 570,841	\$ 262,924	\$ 237,046	\$ 1,132	\$ 1,106,650	\$ 595,135	\$ 372,456	\$ 3,749	\$ 3,341,673

**CITY OF MASCOUTAH, ILLINOIS**

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2012

	Fire	Playground & Recreation	Ambulance	Motor Fuel Tax	TIF #1	TIF #2B	Public Library	Illinois Municipal Retirement	Special Service Area	Total
<b>Revenues:</b>										
Property Tax	\$ 113,580	\$ 180,624	\$ 271,445	\$ -	\$ 144,321	\$ 613,132	\$ 297,728	\$ 200,363	\$ 2,007	\$ 1,823,200
Intergovernmental	-	-	-	219,476	-	-	6,898	-	-	226,374
Licenses, Permits and Fees	14,475	16,462	-	-	-	-	3,568	-	-	34,505
Charges for Services	-	147,854	235,473	-	-	-	1,555	-	-	384,882
Fines and Forfeitures	-	-	-	-	-	-	6,696	-	-	6,696
Investment Income	509	92	23	567	4	7,236	157	644	-	9,232
Contributions	-	-	-	-	-	-	1,409	-	-	1,409
Miscellaneous	-	448,547	-	-	-	-	4,996	-	-	453,543
<b>Total Revenues</b>	<b>128,564</b>	<b>793,579</b>	<b>506,941</b>	<b>220,043</b>	<b>144,325</b>	<b>620,368</b>	<b>323,007</b>	<b>201,007</b>	<b>2,007</b>	<b>2,939,841</b>
<b>Expenditures:</b>										
<b>Current:</b>										
Public Safety	69,933	-	-	-	-	-	-	-	-	69,933
Streets and Highways	-	-	-	104,339	-	-	-	-	-	104,339
Development	-	-	-	-	25,192	346,445	-	-	-	371,637
Health & Welfare	-	-	-	-	-	-	-	-	-	554,538
Cultural and Recreational	-	275,697	-	-	-	-	285,258	-	-	560,955
<b>Debt Service:</b>										
Principal	-	453,552	21,962	-	-	-	-	-	-	475,514
Interest and Fiscal Charges	-	29,248	87	-	-	-	-	-	14,010	43,345
Capital Outlay	519,545	3,694	121,190	19,700	668,954	22,950	2,931	-	-	1,358,964
<b>Total Expenditures</b>	<b>589,478</b>	<b>762,191</b>	<b>697,777</b>	<b>124,039</b>	<b>694,146</b>	<b>369,395</b>	<b>288,189</b>	<b>-</b>	<b>14,010</b>	<b>3,539,225</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(460,914)</b>	<b>31,388</b>	<b>(190,836)</b>	<b>96,004</b>	<b>(549,821)</b>	<b>250,973</b>	<b>34,818</b>	<b>201,007</b>	<b>(12,003)</b>	<b>(599,384)</b>
<b>Other Financing Sources (Uses):</b>										
Proceeds From Debt	-	-	120,800	-	-	-	-	-	-	120,800
Transfers In	-	-	31,669	-	-	-	-	-	-	31,669
Transfers Out	-	-	-	-	(61,457)	(29,299)	-	(138,489)	-	(229,245)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>152,469</b>	<b>-</b>	<b>(61,457)</b>	<b>(29,299)</b>	<b>-</b>	<b>(138,489)</b>	<b>-</b>	<b>(76,776)</b>
<b>Net Change in Fund Balances</b>	<b>(460,914)</b>	<b>31,388</b>	<b>(38,367)</b>	<b>96,004</b>	<b>(611,278)</b>	<b>221,674</b>	<b>34,818</b>	<b>62,518</b>	<b>(12,003)</b>	<b>(676,160)</b>
<b>Fund Balance (Deficit), Beginning of Year</b>	<b>104,760</b>	<b>(396,926)</b>	<b>(544,784)</b>	<b>121,342</b>	<b>(204,662)</b>	<b>854,284</b>	<b>223,632</b>	<b>100,516</b>	<b>(11,888)</b>	<b>246,274</b>
<b>Fund Balance (Deficit), End of Year</b>	<b>\$ (356,154)</b>	<b>\$ (365,538)</b>	<b>\$ (583,151)</b>	<b>\$ 217,346</b>	<b>\$ (815,940)</b>	<b>\$ 1,075,958</b>	<b>\$ 258,450</b>	<b>\$ 163,034</b>	<b>\$ (23,891)</b>	<b>\$ (429,886)</b>

**CITY OF MASCOUATAH, ILLINOIS**

**SCHEDULE OF TAX RATES, EXTENSIONS AND COLLECTIONS**  
**APRIL 30, 2012**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Assessed Valuation</b>	\$ 113,195,248	\$ 110,886,437	\$ 104,585,629	\$ 102,002,466	\$ 92,047,875	\$ 81,207,597	\$ 66,932,370	\$ 60,177,134	\$ 55,665,238	\$ 52,555,696
<b>Tax Rates:</b>										
General	\$ 0.3870	\$ 0.3515	\$ 0.3252	\$ 0.2932	\$ 0.2707	\$ 0.2850	\$ 0.2114	\$ 0.2176	\$ 0.2028	\$ 0.1926
Playground	0.1679	0.1638	0.1688	0.1648	0.0826	0.0891	0.1080	0.1201	0.1298	0.1309
Fire Protection	0.1105	0.1030	0.1044	0.0882	0.0930	0.0842	0.1021	0.1135	0.1226	0.1236
Ambulance	0.1860	0.1604	0.1652	0.1411	0.1367	0.1089	0.1321	0.1469	0.1587	0.1600
Police Pension	0.1775	0.1794	0.1768	0.1492	0.1076	0.1161	0.1354	0.1447	0.1432	0.1388
IMRF	0.1563	0.1817	0.1928	0.1803	0.1665	0.1382	0.1611	0.1448	0.1325	0.1285
Bond and Interest	0.2371	0.2360	0.2537	0.2397	0.2270	0.2421	0.2271	0.2428	0.2523	0.1285
Library	0.2788	0.2700	0.2754	0.2517	0.2533	0.2737	0.3168	0.3361	0.3463	0.3487
	\$ 1.7011	\$ 1.6458	\$ 1.6623	\$ 1.5082	\$ 1.3374	\$ 1.3373	\$ 1.3940	\$ 1.4665	\$ 1.4882	\$ 1.3516
<b>Tax Extensions:</b>										
General	\$ 438,066	\$ 389,766	\$ 340,113	\$ 299,071	\$ 249,174	\$ 231,442	\$ 141,495	\$ 130,945	\$ 112,891	\$ 101,224
Playground	190,055	181,632	176,541	168,100	76,032	72,356	72,287	72,273	72,253	68,795
Fire Protection	125,081	114,213	109,187	89,966	85,604	68,377	68,338	68,301	68,245	64,958
Ambulance	210,543	177,862	172,775	143,925	125,829	88,435	88,418	88,400	88,340	84,089
Police Pension	200,922	198,930	184,907	152,188	99,043	94,282	90,626	87,076	79,712	72,947
IMRF	176,924	201,481	201,641	183,910	153,260	112,229	107,828	87,137	73,756	67,534
Bond and Interest	268,386	261,692	265,334	244,500	208,949	196,603	152,003	146,110	140,443	67,534
Library	315,588	299,393	288,029	256,740	233,157	222,265	212,042	202,178	192,769	183,262
<b>Total</b>	\$ 1,925,565	\$ 1,824,969	\$ 1,738,527	\$ 1,538,400	\$ 1,231,048	\$ 1,085,989	\$ 933,037	\$ 882,420	\$ 828,409	\$ 710,343
<b>Tax Collections</b>	\$ -	\$ 1,814,823	\$ 1,724,723	\$ 1,524,461	\$ 1,236,866	\$ 1,079,295	\$ 931,226	\$ 882,162	\$ 826,864	\$ 705,541
<b>Percentage Collected</b>	0.00%	99.44%	99.21%	99.09%	100.47%	99.38%	99.81%	99.97%	99.81%	99.32%

**INDEPENDENT AUDITOR'S REPORT ON**  
**COMPLIANCE WITH TAX INCREMENT FINANCING ACT**

To the Mayor and City Council  
City of Mascoutah, Illinois

We have audited the basic financial statements of the City of Mascoutah, Illinois for the year ended April 30, 2012, and have issued our report thereon dated August 17, 2012. The financial statements are the responsibility of the City of Mascoutah, Illinois' management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

The management of the City of Mascoutah, Illinois is responsible for the City's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

The results of our tests indicate that for the items tested, the City of Mascoutah, Illinois, complied with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act". Nothing came to our attention that caused us to believe that, for the items not tested, the City of Mascoutah, Illinois was not in compliance with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

*C. J. Schuman / Cogg LLC*

Certified Public Accountants

August 17, 2012

**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**

To the Mayor and City Council  
City of Mascoutah, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mascoutah, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the City of Mascoutah, Illinois' basic financial statements and have issued our report thereon dated August 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Mascoutah, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mascoutah, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mascoutah, Illinois' internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mascoutah, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an



objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

C. J. Schuman / Cjg LLC

Certified Public Accountants

August 17, 2012

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

To the Mayor and City Council  
City of Mascoutah, Illinois

**Compliance**

We have audited the City of Mascoutah, Illinois' compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2012. The City of Mascoutah, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Mascoutah, Illinois' management. Our responsibility is to express an opinion on the City of Mascoutah, Illinois' compliance based on our audit.

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

In our opinion, the City of Mascoutah, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2012.

**Internal Control Over Compliance**

Management of the City of Mascoutah, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mascoutah, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mascoutah, Illinois' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

C. J. Schuman & Co. LLC  
Certified Public Accountants

August 17, 2012

**CITY OF MASCOUTAH, ILLINOIS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED APRIL 30, 2012**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Environmental Protection Agency</u>			
Passed through Illinois Environmental Protection Agency:			
Capitalization Grants for Drinking Water State Revolving Funds (M)	L17-4081	66.468	\$ 622,624
<u>U.S. Department of Justice</u>			
Direct:			
Public Safety Partnership and Community Policing Grants		16.710	248,576
Total Expenditures of Federal Awards			<u>\$ 871,200</u>

(M) Major Federal Award

See accompanying notes to schedule of expenditures of federal awards.

## **CITY OF MASCOUTAH, ILLINOIS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS APRIL 30, 2012**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Mascoutah, Illinois. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

##### **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

##### **Noncash Assistance, Federal Insurance and Loans/Loan Guarantees**

The City did not receive any noncash assistance or federal insurance for any of its programs for the year ended April 30, 2012. The City did receive federal loans through the Illinois Environmental Protection Agency. Certain amounts of these proceeds will not be required to be repaid.

##### **Subrecipient Monitoring**

The City did not pass through any of its federal funds to subrecipients during the year ended April 30, 2012.

## CITY OF MASCOUTAH, ILLINOIS

### SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS APRIL 30, 2012

#### Part 1 -- Summary of Auditor's Results

- (a) The independent auditor's report expresses an unqualified opinion on the financial statements.
- (b) No significant deficiencies in internal control were disclosed during the audit of the financial statements which would be required to be reported in accordance with Government Auditing Standards.
- (c) No instances of noncompliance material to the financial statements were disclosed during the audit which would be required to be reported in accordance with Governmental Auditing Standards.
- (d) No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed by the audit.
- (e) The auditor's report on compliance for the major federal award program expresses an unqualified opinion.
- (f) The audit did not disclose any audit findings required to be reported under Section .510(a).
- (g) The programs tested as major programs were:  
Capitalization Grants for Drinking Water State Revolving Funds, CFDA Number 66.468.
- (h) The threshold for distinguishing Types A and B programs was \$300,000.
- (i) The auditee does not qualify as a low-risk auditee.

Part 2 -- The City has no findings to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

Part 3 -- The City has no findings or questioned costs for major federal award programs.

**CITY OF MASCOUTAH, ILLINOIS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
APRIL 30, 2012**

There were no findings or questioned costs for the year ended April 30, 2011.