



CITY OF MASCOUTAH, ILLINOIS

**FINANCIAL STATEMENTS AND
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
APRIL 30, 2011**

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CITY OF MASCOUTAH, 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, 2011, 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. 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.

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, 2011, 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.

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' financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements 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 or to the financial statements themselves, and other additional 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 as a whole.

C. J. Schless / Cozy, LLC.
Certified Public Accountants

August 2, 2011

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, 2011. 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.

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 and TIF compliance are presented immediately following the required supplementary information.

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 \$30,786,172 at the close of the most recent fiscal year.

The largest portion of the City's net assets (69.6%) 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, 2011</u> | <u>April 30, 2010</u> | <u>April 30, 2011</u> | <u>April 30, 2010</u> | <u>April 30, 2011</u> | <u>April 30, 2010</u> |
| ASSETS | | | | | | |
| Current and other assets | \$ 3,102,513 | \$ 2,683,648 | \$ 14,782,983 | \$ 13,594,504 | \$ 17,885,496 | \$ 16,278,152 |
| Capital assets, net | <u>11,106,937</u> | <u>11,126,794</u> | <u>23,059,864</u> | <u>21,901,398</u> | <u>34,166,801</u> | <u>33,028,192</u> |
| Total assets | <u>14,209,450</u> | <u>13,810,442</u> | <u>37,842,847</u> | <u>35,495,902</u> | <u>52,052,297</u> | <u>49,306,344</u> |
| LIABILITIES | | | | | | |
| Other liabilities | 7,457,932 | 7,692,411 | 1,320,346 | 825,958 | 8,778,278 | 8,518,369 |
| Long-term liabilities | <u>5,011,690</u> | <u>5,336,530</u> | <u>7,476,157</u> | <u>7,459,774</u> | <u>12,487,847</u> | <u>12,796,304</u> |
| Total liabilities | <u>12,469,622</u> | <u>13,028,941</u> | <u>8,796,503</u> | <u>8,285,732</u> | <u>21,266,125</u> | <u>21,314,673</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 6,454,696 | 6,149,713 | 14,986,621 | 14,009,545 | 21,441,317 | 20,159,258 |
| Restricted | 566,450 | 541,344 | - | - | 566,450 | 541,344 |
| Unrestricted | <u>(5,281,318)</u> | <u>(5,909,556)</u> | <u>14,059,723</u> | <u>13,200,625</u> | <u>8,778,405</u> | <u>7,291,069</u> |
| Total net assets | <u>\$ 1,739,828</u> | <u>\$ 781,501</u> | <u>\$ 29,046,344</u> | <u>\$ 27,210,170</u> | <u>\$ 30,786,172</u> | <u>\$ 27,991,671</u> |

Total net assets increased approximately \$2,794,501 resulting in a balance of \$30,786,172 as of April 30, 2011. Current assets, which include cash, investments, accounts receivable and unbilled revenues, increased by \$1,607,000. This increase is due to the increase in cash from current year profits, as well as increased accounts receivable balances. Non-current assets increased \$1,139,000 due primarily to increases in capital assets in the business-type activity funds.

Liabilities decreased in the current year by approximately \$49,000 for an ending total balance of \$21,266,125.

ANALYSIS OF NET ASSETS

| <u>Analysis of Net Assets</u> | <u>2011</u> | | <u>2010</u> | |
|--------------------------------|----------------|---------------|----------------|---------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| Net invested in capital assets | 69.6% | \$ 21,441,317 | 72.0% | \$ 20,159,258 |
| Restricted | 1.8% | 566,450 | 1.9% | 541,344 |
| Unrestricted | 28.5% | 8,778,405 | 26.0% | 7,291,069 |
| Total net assets | 100.0% | \$ 30,786,172 | 100.0% | \$ 27,991,671 |

Total net asset balances increased by \$2,794,501 in fiscal year 2011 to a total ending balance of \$30,786,172. 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 spend down of construction funds. The revenue and expenditure comparisons that comprise the current year increases follow.

REVENUE COMPARISON BY TYPE

| <u>Revenues by type</u> | <u>2011</u> | <u>2010</u> |
|-----------------------------------|---------------|---------------|
| Property tax | \$ 2,462,065 | \$ 2,266,105 |
| Water, sewer and electric charges | 9,914,633 | 8,713,069 |
| Other charges for services | 772,066 | 720,977 |
| Sales and use tax | 637,131 | 562,197 |
| State income tax | 565,572 | 452,293 |
| Motor fuel tax | 203,906 | 174,221 |
| Telecommunications tax | 237,853 | 258,081 |
| Corporate personal property tax | 24,347 | 19,736 |
| Utility tax | 344,399 | 324,414 |
| Franchise fees | 87,922 | 81,546 |
| Hotel tax | 33,727 | 33,775 |
| Investment earnings | 99,287 | 92,032 |
| Contributions/grants | 160,178 | 1,347,016 |
| Other miscellaneous | 35,930 | 31,291 |
| Total revenues | \$ 15,579,016 | \$ 15,076,753 |

Total revenues increased approximately \$502,000 in the year ended April 30, 2011. The increase is a result of several factors. Water, sewer and electric revenues increased \$1,202,000 largely due to service charges and connection fees. As an offset, the City had decreases in capital contributions (\$1,199,000) related to construction grants in the prior year. Property tax revenues increased \$196,000 over the prior year and state income tax revenues recovered by \$113,000 in the current year.

EXPENDITURES BY CATEGORY

GOVERNMENTAL ACTIVITIES

| <u>Expenditures by category</u> | <u>2011</u> | | <u>2010</u> | |
|---------------------------------|----------------|---------------------|----------------|---------------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| General government | 13.2% | \$ 617,989 | 19.4% | \$ 918,180 |
| Public safety | 32.2% | 1,503,745 | 31.8% | 1,503,885 |
| Streets and highways | 15.5% | 725,275 | 15.7% | 740,413 |
| Health and Welfare | 12.1% | 563,396 | 11.7% | 554,201 |
| Development | 8.3% | 385,424 | 3.6% | 170,065 |
| Cultural and recreational | 13.6% | 635,633 | 12.5% | 590,119 |
| Interest on long-term debt | 5.0% | 233,792 | 5.3% | 248,355 |
| Total expenditures | <u>100.0%</u> | <u>\$ 4,665,254</u> | <u>100.0%</u> | <u>\$ 4,725,218</u> |

The City reported a decrease in the governmental activities expenditures of \$60,000. 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 and decreased partially due to the distribution of retirement health funds in the prior year.

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>2011</u> | <u>2010</u> |
|---------------------------|-------------------|-------------------|
| General government | \$ 59,834 | \$ 65,433 |
| Public safety | 68,575 | 76,649 |
| Streets and highways | 218,888 | 233,227 |
| Health and welfare | 21,128 | 26,703 |
| Cultural and recreational | 128,522 | 132,379 |
| Total depreciation | <u>\$ 496,947</u> | <u>\$ 534,391</u> |

Total capital outlay expenditures for the governmental activities in the current year totaled \$398,114 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.

BUSINESS-TYPE ACTIVITIES

| <u>Operating Expenditures</u> | <u>2011</u> | | <u>2010</u> | |
|-------------------------------|----------------|---------------------|----------------|---------------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| Personal services | 20.8% | \$ 1,646,634 | 23.6% | \$ 1,646,971 |
| Contractual services | 56.9% | 4,508,116 | 56.8% | 3,967,408 |
| Supplies and materials | 2.5% | 199,051 | 2.9% | 199,042 |
| Administrative overhead | 8.1% | 639,080 | 8.0% | 559,799 |
| Depreciation | 11.7% | 929,196 | 8.7% | 609,970 |
| Total expenditures | <u>100.0%</u> | <u>\$ 7,922,077</u> | <u>100.0%</u> | <u>\$ 6,983,190</u> |

Expenses in the business type activities increased by \$939,000 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 2011, the City's governmental funds reported combined ending fund balances of (\$4,495,789), an increase of \$679,594 in comparison with the prior year. The governmental fund balance includes \$566,450 that has been reserved 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 \$(1,511,634). The fund balance of the General fund increased by \$429,415 during the current fiscal year. Total expenditures in the General fund were \$2,369,412.

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 \$14,059,723. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's government-wide financial statements.

BUDGETARY HIGHLIGHTS

The City's General fund had budgetary expenditures, including transfers, of \$2,359,256. The budgeted amount for the General Fund was \$2,448,742. The appropriations were not amended in the current year. Budgeted amounts, including transfers for debt, in the General Fund were in excess of the total expenditures.

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, 2011, amounts to \$34,166,801, 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 \$1,138,609. This increase is due to governmental infrastructure improvements of \$335,362 as well as infrastructure additions of \$1,316,951 in the business-type activities. Total additions were \$477,090 in the governmental fund activities and \$2,087,662 in the business-type activities. The 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.

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|
| | April 30, 2011 | April 30, 2010 | April 30, 2011 | April 30, 2010 | April 30, 2011 | April 30, 2010 |
| Land | \$ 1,169,772 | \$ 1,169,772 | \$ 76,197 | \$ 76,197 | \$ 1,245,969 | \$ 1,245,969 |
| Land Improvements | 167,103 | 173,377 | - | - | 167,103 | 173,377 |
| Buildings and Improvements | 3,235,574 | 3,369,546 | 2,567,251 | 2,691,301 | 5,802,825 | 6,060,847 |
| Equipment | 308,777 | 270,223 | 246,267 | 129,302 | 555,044 | 399,525 |
| Vehicles | 429,485 | 522,532 | 799,005 | 331,064 | 1,228,490 | 853,596 |
| Infrastructure | 5,796,226 | 5,621,344 | 19,371,144 | 18,673,534 | 25,167,370 | 24,294,878 |
| Total net assets | <u>\$ 11,106,937</u> | <u>\$ 11,126,794</u> | <u>\$ 23,059,864</u> | <u>\$ 21,901,398</u> | <u>\$ 34,166,801</u> | <u>\$ 33,028,192</u> |

Long-term Debt

At the end of 2011, the City had total debt obligations of \$12,045,164 compared to \$12,349,697 at the end of 2010. This decrease is primarily due to the normal retirement of debt. Current year additions were primarily comprised of drawdowns related to the 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>2011</u> | <u>April 30,</u> <u>2010</u> | <u>April 30,</u> <u>2011</u> | <u>April 30,</u> <u>2010</u> | <u>April 30,</u> <u>2011</u> | <u>April 30,</u> <u>2010</u> |
| General Obligation Bonds | \$ 3,500,000 | \$ 3,775,000 | \$ 4,225,000 | \$ 4,350,000 | \$ 7,725,000 | \$ 8,125,000 |
| Lease/purchase Agreements | 8,913 | 39,820 | - | - | 8,913 | 39,820 |
| Notes Payable | <u>1,136,087</u> | <u>1,161,636</u> | <u>3,175,164</u> | <u>3,023,241</u> | <u>4,311,251</u> | <u>4,184,877</u> |
| Total Debt | <u>\$ 4,645,000</u> | <u>\$ 4,976,456</u> | <u>\$ 7,400,164</u> | <u>\$ 7,373,241</u> | <u>\$ 12,045,164</u> | <u>\$ 12,349,697</u> |

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, 2011

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 2,063,217 | \$ 6,351,582 | \$ 8,414,799 |
| Investments | 66,666 | - | 66,666 |
| Receivables (Net of allowance for uncollectible): | | | |
| Intergovernmental | 422,184 | - | 422,184 |
| Accounts | 33,187 | 998,317 | 1,031,504 |
| Interest/Other | 58,724 | 20,836 | 79,560 |
| Inventory | - | 24,156 | 24,156 |
| Internal Balances | (7,198,391) | 7,198,391 | - |
| Restricted Assets - Cash and Investments | 415,044 | 145,908 | 560,952 |
| Capital Assets: | | | |
| Land | 1,169,772 | 76,197 | 1,245,969 |
| Land Improvements | 542,302 | - | 542,302 |
| Buildings and Improvements | 5,165,334 | 8,288,349 | 13,453,683 |
| Equipment | 1,484,686 | 577,760 | 2,062,446 |
| Vehicles | 2,022,661 | 1,422,538 | 3,445,199 |
| Infrastructure | 7,825,835 | 25,181,022 | 33,006,857 |
| Accumulated Depreciation | (7,103,653) | (12,486,002) | (19,589,655) |
| Net Capital Assets | 11,106,937 | 23,059,864 | 34,166,801 |
| Deferred Debt Expense | 43,491 | 43,793 | 87,284 |
| Total Assets | 7,011,059 | 37,842,847 | 44,853,906 |
| <u>Liabilities</u> | | | |
| Accounts Payable | 111,520 | 1,001,965 | 1,113,485 |
| Accrued Payroll and Benefits | 89,259 | 34,825 | 124,084 |
| Accrued Interest Payable | 38,190 | 1,479 | 39,669 |
| Deferred Revenue | 20,572 | 136,169 | 156,741 |
| Liabilities Payable from Restricted Assets: | | | |
| Customer Deposits | - | 145,908 | 145,908 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 1,089,725 | 338,300 | 1,428,025 |
| Due in More Than One Year | 3,921,965 | 7,137,857 | 11,059,822 |
| Total Liabilities | 5,271,231 | 8,796,503 | 14,067,734 |
| <u>Net Assets</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 6,454,696 | 14,986,621 | 21,441,317 |
| Restricted for: | | | |
| Debt Service | 88,735 | - | 88,735 |
| Other Purposes | 477,715 | - | 477,715 |
| Unrestricted | (5,281,318) | 14,059,723 | 8,778,405 |
| Total Net Assets | \$ 1,739,828 | \$ 29,046,344 | \$ 30,786,172 |

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

CITY OF MASCOUTAH, ILLINOIS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2011

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|------------------|----------------------|------------------------------------|---|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total |
| | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 617,989 | \$ 323,883 | \$ 1,000 | \$ - | \$ (293,106) |
| Public Safety | 1,503,745 | 32,171 | - | - | (1,471,574) |
| Streets and Highways | 725,275 | - | - | 78,976 | (646,299) |
| Health and Welfare | 563,396 | 231,248 | - | - | (332,148) |
| Development | 385,424 | - | - | - | (385,424) |
| Cultural and Recreational | 635,633 | 184,764 | 13,519 | - | (437,350) |
| Interest on Long-term Debt | 233,792 | - | - | - | (233,792) |
| Total Governmental Activities (see Note 1) | 4,665,254 | 772,066 | 14,519 | 78,976 | (3,799,693) |
| Business-type Activities: | | | | | |
| Waterworks and Sewerage | 2,260,482 | 3,059,201 | - | 647 | \$ 799,366 |
| Electric Light | 5,858,779 | 6,855,432 | - | 66,036 | 1,062,689 |
| Total Business-type Activities | 8,119,261 | 9,914,633 | - | 66,683 | 1,862,055 |
| Total Government | \$ 12,784,515 | \$ 10,686,699 | \$ 14,519 | \$ 145,659 | (1,937,638) |

| | | | | | |
|---|--------------|---------------|---|---|---------------|
| General Revenues: | | | | | |
| Property Tax, Levied for General Purposes | 2,462,065 | - | - | - | 2,462,065 |
| Sales and Use Tax | 637,131 | - | - | - | 637,131 |
| Income Tax | 565,572 | - | - | - | 565,572 |
| Corporate Personal Property Tax | 24,347 | - | - | - | 24,347 |
| Motor Fuel Tax | 203,906 | - | - | - | 203,906 |
| Telecommunications Tax | 237,853 | - | - | - | 237,853 |
| Hotel Tax | 33,727 | - | - | - | 33,727 |
| Other | 32,128 | - | - | - | 32,128 |
| Utility Tax | 344,399 | - | - | - | 344,399 |
| Franchise Fees | 87,922 | - | - | - | 87,922 |
| Investment Earnings | 30,164 | 69,123 | - | - | 99,287 |
| Miscellaneous | 3,802 | - | - | - | 3,802 |
| Transfers | 95,004 | (95,004) | - | - | - |
| Total General Revenues and Transfers | 4,758,020 | (25,881) | - | - | 4,732,139 |
| Change in Net Assets | 958,327 | 1,836,174 | - | - | 2,794,501 |
| Net Assets - Beginning | 781,501 | 27,210,170 | - | - | 27,991,671 |
| Net Assets - Ending | \$ 1,739,828 | \$ 29,046,344 | - | - | \$ 30,786,172 |

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

CITY OF MASCOUTAH, ILLINOIS

BALANCE SHEET GOVERNMENTAL FUNDS APRIL 30, 2011

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 50,908 | \$ 2,012,309 | \$ 2,063,217 |
| Investments | 66,666 | - | 66,666 |
| Receivables (Net, where applicable, of allowances for uncollectible): | | | |
| Property Tax | 450,000 | 1,236,000 | 1,686,000 |
| Intergovernmental | 408,271 | 13,913 | 422,184 |
| Other | 42,609 | 49,302 | 91,911 |
| Due From Other Funds | 12,817 | 1,417 | 14,234 |
| Restricted Cash and Investments | - | 415,044 | 415,044 |
| Total Assets | <u>\$ 1,031,271</u> | <u>\$ 3,727,985</u> | <u>\$ 4,759,256</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities: | | | |
| Accrued Payroll and Benefits | \$ 21,898 | \$ 6,627 | \$ 28,525 |
| Accounts Payable | 52,215 | 59,305 | 111,520 |
| Due to Other Funds | 1,802,417 | 5,410,208 | 7,212,625 |
| Deferred Revenue | 666,375 | 1,236,000 | 1,902,375 |
| Total Liabilities | <u>2,542,905</u> | <u>6,712,140</u> | <u>9,255,045</u> |
| Fund Balances: | | | |
| Reserved For: | | | |
| Debt Service | - | 88,735 | 88,735 |
| Other Purposes | - | 477,715 | 477,715 |
| Unreserved | (1,511,634) | - | (1,511,634) |
| Unreserved, Reported In: | | | |
| Capital Projects Fund | - | (3,643,700) | (3,643,700) |
| Special Revenue Funds | - | 93,095 | 93,095 |
| Total Fund Balances | <u>(1,511,634)</u> | <u>(2,984,155)</u> | <u>(4,495,789)</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,031,271</u> | <u>\$ 3,727,985</u> | <u>\$ 4,759,256</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, 2011**

Amounts reported for governmental fund balances are different because:

| | |
|--|----------------|
| Fund balances - total governmental funds | \$ (4,495,789) |
|--|----------------|

| | |
|---|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds. | 11,106,937 |
|---|------------|

| | |
|--|---------|
| 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. | 195,803 |
|--|---------|

| | |
|---|----------|
| Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds. | (38,190) |
|---|----------|

| | |
|--|-----------|
| Accrued compensated absences are not reported as a liability on the balance sheet of the governmental funds. | (248,249) |
|--|-----------|

| | |
|---|-------------|
| Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds. | (4,616,169) |
|---|-------------|

| | |
|---|-----------|
| 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. | 43,491 |
|---|--------|

| | |
|---------------------------------------|----------------------------|
| Net assets of governmental activities | <u><u>\$ 1,739,828</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, 2011

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| Revenues: | | | |
| Property Tax | \$ 394,344 | \$ 2,067,721 | \$ 2,462,065 |
| Utility Tax | 344,399 | - | 344,399 |
| Hotel Tax | 33,727 | - | 33,727 |
| Intergovernmental | 1,505,530 | 210,789 | 1,716,319 |
| Licenses, Permits and Fees | 110,117 | 29,181 | 139,298 |
| Charges for Services | 300,271 | 385,193 | 685,464 |
| Fines and Forfeitures | 18,596 | 6,310 | 24,906 |
| Investment Earnings | 1,920 | 28,244 | 30,164 |
| Contributions | 1,000 | 6,636 | 7,636 |
| Miscellaneous | 3,802 | 10,320 | 14,122 |
| Total Revenues | <u>2,713,706</u> | <u>2,744,394</u> | <u>5,458,100</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 543,150 | - | 543,150 |
| Public Safety | 1,361,107 | 72,487 | 1,433,594 |
| Streets and Highways | 385,047 | 119,696 | 504,743 |
| Health and Welfare | - | 539,762 | 539,762 |
| Development | 20,942 | 364,482 | 385,424 |
| Cultural and Recreational | - | 507,111 | 507,111 |
| Capital Outlay | 34,452 | 363,662 | 398,114 |
| Debt Service: | | | |
| Principal | 23,007 | 322,563 | 345,570 |
| Interest and Charges | 1,707 | 228,450 | 230,157 |
| Total Expenditures | <u>2,369,412</u> | <u>2,518,213</u> | <u>4,887,625</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>344,294</u> | <u>226,181</u> | <u>570,475</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds from Debt | - | 14,115 | 14,115 |
| Operating Transfers In | 112,121 | 221,365 | 333,486 |
| Operating Transfers Out | <u>(27,000)</u> | <u>(211,482)</u> | <u>(238,482)</u> |
| Total Other Financing Sources (Uses) | <u>85,121</u> | <u>23,998</u> | <u>109,119</u> |
| Net Change in Fund Balances | 429,415 | 250,179 | 679,594 |
| Fund Balance (Deficit), Beginning of Year | (1,941,049) | (3,234,334) | (5,175,383) |
| Fund Balance (Deficit), End of Year | <u>\$ (1,511,634)</u> | <u>\$ (2,984,155)</u> | <u>\$ (4,495,789)</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, 2011**

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

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds | \$ 679,594 |
| 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 depreciation expense exceeded capital outlays in the current year. | (98,833) |
| Contributions of capital assets are not reported in the fund financial statements but are reported as capital contributions for the government-wide financial statements. | 78,976 |
| 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. | (23,265) |
| 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. | 2,534 |
| 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. | 322,337 |
| 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. | (8,499) |
| 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. | 5,483 |
| Change in net assets of governmental activities | <u><u>\$ 958,327</u></u> |

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, 2011

| | Waterworks and Sewerage | Electric Light | Total | | Waterworks and Sewerage | Electric Light | Total |
|--|----------------------------|-------------------|---------------|---|----------------------------|-------------------|---------------|
| Assets: | | | | Liabilities: | | | |
| Current Assets: | | | | Current Liabilities: | | | |
| Cash | \$ 3,295,243 | \$ 3,056,339 | \$ 6,351,582 | Accrued Payroll and Benefits | \$ 15,037 | \$ 19,788 | \$ 34,825 |
| Receivables (Net, where applicable, of allowances for uncollectible): | | | | Accounts Payable | 426,824 | 575,141 | 1,001,965 |
| Accounts | 157,845 | 474,152 | 631,997 | Accrued Interest | 1,479 | - | 1,479 |
| Unbilled Revenue | 123,320 | 243,000 | 366,320 | Deferred Connection Fees | - | 136,169 | 136,169 |
| Other | 11,059 | 9,777 | 20,836 | Notes/Leases Payable | 188,300 | - | 188,300 |
| Due from Other Funds | 111,629 | 7,086,762 | 7,198,391 | Bonds Payable | - | 150,000 | 150,000 |
| Inventory, at Cost | - | 24,156 | 24,156 | Total Current Liabilities | 631,640 | 881,098 | 1,512,738 |
| Total Current Assets | 3,699,096 | 10,894,186 | 14,593,282 | | | | |
| Noncurrent Assets: | | | | Liabilities Payable from Restricted Assets: | | | |
| Restricted Assets: | | | | Customer Deposits | 31,071 | 114,837 | 145,908 |
| Cash and Cash Equivalents: | | | | | | | |
| Customer Deposits | 31,071 | 114,837 | 145,908 | Noncurrent Liabilities: | | | |
| Capital Assets: | | | | Accrued Sick Leave | 24,548 | 51,445 | 75,993 |
| Land | 20,341 | 55,856 | 76,197 | Notes/Leases Payable | 2,986,864 | - | 2,986,864 |
| Buildings and Improvements | 4,701,342 | 3,587,007 | 8,288,349 | Bonds Payable | - | 4,075,000 | 4,075,000 |
| Equipment | 238,284 | 339,476 | 577,760 | Total Noncurrent Liabilities | 3,011,412 | 4,126,445 | 7,137,857 |
| Vehicles | 288,462 | 1,134,076 | 1,422,538 | | | | |
| Distribution System | 13,365,591 | 11,815,431 | 25,181,022 | Total Liabilities | 3,674,123 | 5,122,380 | 8,796,503 |
| Total | 18,614,020 | 16,931,846 | 35,545,866 | | | | |
| Less - Accumulated Depreciation | (5,947,877) | (6,538,125) | (12,486,002) | | | | |
| Net Capital Assets | 12,666,143 | 10,393,721 | 23,059,864 | | | | |
| Deferred Debt Expense | - | 43,793 | 43,793 | Net Assets: | | | |
| | | | | Invested in Capital Assets, | | | |
| Total Noncurrent Assets | 12,697,214 | 10,552,351 | 23,249,565 | Net of Related Debt | 9,119,430 | 5,867,191 | 14,986,621 |
| Total Assets | \$ 16,396,310 | \$ 21,446,537 | \$ 37,842,847 | Unrestricted | 3,602,757 | 10,456,966 | 14,059,723 |
| | | | | Total Net Assets | \$ 12,722,187 | \$ 16,324,157 | \$ 29,046,344 |

CITY OF MASCOUTAH, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED APRIL 30, 2011

| | Business-Type Activities--Enterprise Funds | | |
|---|--|-------------------|---------------|
| | Waterworks and Sewerage | Electric Light | Total |
| Operating Revenues: | | | |
| Charges for Services | \$ 3,059,201 | \$ 6,855,432 | \$ 9,914,633 |
| Operating Expenses: | | | |
| Personal Services | 589,410 | 1,057,224 | 1,646,634 |
| Supplies | 120,518 | 78,533 | 199,051 |
| Contractual Services | 824,006 | 3,684,110 | 4,508,116 |
| Administrative Overhead | 286,460 | 352,620 | 639,080 |
| Depreciation | 431,589 | 497,607 | 929,196 |
| Total Operating Expenses | 2,251,983 | 5,670,094 | 7,922,077 |
| Operating Income | 807,218 | 1,185,338 | 1,992,556 |
| Nonoperating Revenues (Expenses): | | | |
| Amortization | - | (2,576) | (2,576) |
| Investment Earnings | 40,341 | 28,782 | 69,123 |
| Interest and Fiscal Charges | (8,499) | (186,109) | (194,608) |
| Total Nonoperating Revenues (Expenses) | 31,842 | (159,903) | (128,061) |
| Income Before Contributions and Transfers | 839,060 | 1,025,435 | 1,864,495 |
| Capital Contributions | 647 | 66,036 | 66,683 |
| Transfers In (Out) | (25,500) | (69,504) | (95,004) |
| Change in Net Assets | 814,207 | 1,021,967 | 1,836,174 |
| Net Assets - Beginning of Year | 11,907,980 | 15,302,190 | 27,210,170 |
| Net Assets - End of Year | \$ 12,722,187 | \$ 16,324,157 | \$ 29,046,344 |

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, 2011

| | Business-Type Activities--Enterprise Funds | | |
|--|--|---------------------|---------------------|
| | Waterworks and Sewerage | Electric Light | Total |
| Cash Flows from Operating Activities: | | | |
| Receipts from Customers | \$ 3,031,491 | \$ 7,021,857 | \$ 10,053,348 |
| Payments to Suppliers | (1,393,689) | (4,268,278) | (5,661,967) |
| Payments to Employees | (409,037) | (757,255) | (1,166,292) |
| Net Cash Provided by Operating Activities | <u>1,228,765</u> | <u>1,996,324</u> | <u>3,225,089</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Payments from (to) Other Funds | (137,129) | 292,296 | 155,167 |
| Net Cash Provided by Noncapital Financing Activities | <u>(137,129)</u> | <u>292,296</u> | <u>155,167</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Principal Payments on Long-Term Debt | (51,647) | (125,000) | (176,647) |
| Net Proceeds from Debt | 203,570 | - | 203,570 |
| Interest Paid on Debt | (8,706) | (186,109) | (194,815) |
| Customer Deposits | 6,168 | 1,309 | 7,477 |
| Capital Contributions | 647 | 66,036 | 66,683 |
| Cash Payments for Capital Assets | (977,603) | (853,516) | (1,831,119) |
| Net Cash Provided (Used) by Capital Related Financing Activities | <u>(827,571)</u> | <u>(1,097,280)</u> | <u>(1,924,851)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest Received | 40,341 | 28,782 | 69,123 |
| Net Cash Provided by Investing Activities | <u>40,341</u> | <u>28,782</u> | <u>69,123</u> |
| Net Increase in Cash and Cash Equivalents | 304,406 | 1,220,122 | 1,524,528 |
| Cash and Cash Equivalents, Beginning of Year | <u>3,021,908</u> | <u>1,951,054</u> | <u>4,972,962</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 3,326,314</u> | <u>\$ 3,171,176</u> | <u>\$ 6,497,490</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income | \$ 807,218 | \$ 1,185,338 | \$ 1,992,556 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 431,589 | 497,607 | 929,196 |
| (Increase) Decrease in Assets: | | | |
| Accounts Receivables | (36,980) | 115,434 | 78,454 |
| Unbilled Revenue | 9,270 | (17,440) | (8,170) |
| Inventory | - | 13,018 | 13,018 |
| Increase (Decrease) in Liabilities: | | | |
| Accrued Payroll and Benefits | 5,938 | (21,247) | (15,309) |
| Accounts Payable | 11,730 | 155,183 | 166,913 |
| Deferred Fees | - | 68,431 | 68,431 |
| Net Cash Provided by Operating Activities | <u>\$ 1,228,765</u> | <u>\$ 1,996,324</u> | <u>\$ 3,225,089</u> |
| Reconciliation of Total Cash and Cash Equivalents | | | |
| Current Assets | \$ 3,295,243 | \$ 3,056,339 | \$ 6,351,582 |
| Restricted Assets | 31,071 | 114,837 | 145,908 |
| Total Cash and Cash Investments | <u>\$ 3,326,314</u> | <u>\$ 3,171,176</u> | <u>\$ 6,497,490</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, 2011

Assets

| | |
|--|------------------|
| Cash and Cash Equivalents | \$ 76,657 |
| Investments | 2,519,367 |
| Receivables (Net of Allowance for Doubtful Accounts): | |
| Property Tax | 199,000 |
| Interest | 11,833 |
| Total Assets | <u>2,806,857</u> |

Liabilities

| | |
|------|----------|
| None | <u>-</u> |
|------|----------|

Net Assets

| | |
|--|---------------------|
| Held in Trust For Pension Benefits and Other Purposes | <u>\$ 2,806,857</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, 2011**

Additions:

| | |
|------------------------|------------|
| Employer Contributions | \$ 197,454 |
| Employee Contributions | 72,784 |

Investment Earnings:

| | |
|---|----------------|
| Interest and Dividends | 67,910 |
| Gain (Loss) on Sale of Investments | (25,029) |
| Net Appreciation in Fair Value of Investments | 60,961 |
| Total Investment Earnings | <u>103,842</u> |
| Less: Investment Expense | <u>6,906</u> |
| Net Investment Earnings | <u>96,936</u> |
| Total Additions | <u>367,174</u> |

Deductions:

| | |
|-------------------------|---------------|
| Benefit Payments | 74,912 |
| Administrative Expenses | <u>10,064</u> |
| Total Deductions | <u>84,976</u> |

| | |
|----------------------|---------|
| Change in Net Assets | 282,198 |
|----------------------|---------|

| | |
|--------------------------------|------------------|
| Net Assets - Beginning of Year | <u>2,524,659</u> |
|--------------------------------|------------------|

| | |
|--------------------------|----------------------------|
| Net Assets - End of Year | <u><u>\$ 2,806,857</u></u> |
|--------------------------|----------------------------|

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

CITY OF MASCOUTAH, ILLINOIS

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2011

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, 2011.

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

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

this purpose, the City considers revenues to be available if they are 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.

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

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise 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 21, 2010 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 2010 become an enforceable lien in January 2011. Because this tax levy will be used to pay for expenses budgeted in fiscal year 2012, this tax levy is shown as a receivable and as deferred revenue as of April 30, 2011 in the governmental funds statements and eliminated in the statement of activities. Tax revenues reflected in these financial statements are taxes collected on the 2009 levy.

Inventory

Inventory reported in the Enterprise Fund is valued at the lower of cost (first-in, first-out) or market.

Restricted assets

Governmental Activities

Ladder Truck Donation Account – This account is to provide a reserve fund for the future purchase of a ladder truck for the fire department. As of April 30, 2011, the account contained \$91,925.

Library Working Cash Account – This account is to enable the Library Board to have in its funds, at all times, sufficient money to meet demands for ordinary and necessary expenditures for library purposes. The proceeds of the working cash account may be transferred to the General Library Account and disbursed in anticipation of the collection of taxes levied for general library purposes. Such taxes, when collected, shall be used to reimburse the working cash account. At year end the account contained \$61,254.

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

Debt Service – The reserve for debt service was created to segregate a portion of the fund balance account for debt service, including principal and interest payments. The reservation was established to satisfy legal restrictions imposed by a bond agreement.

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.

Fiduciary Fund

Reserve for Employees' Pension Benefits – The reserve for employees' pension benefits was created to restrict the use of all resources contributed to or earned by the Pension Trust Fund.

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 initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

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

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. The current year activity was based on amounts recorded by the City in the accounting records.

Property, plant, and equipment is 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 1st. Employees may request to be paid for any and all sick leave at any time.

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

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

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, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Governmental Funds

| | |
|--------------------------------------|-------------------|
| Reserved for Capital Outlay Donation | \$ 91,925 |
| Reserved for Park Leu Fund | 2,500 |
| Reserved for Cemetery Trust | 322,036 |
| Reserved for Library Working Cash | 61,254 |
| Reserved for Debt Service | <u>88,735</u> |
| | <u>\$ 566,450</u> |

Fiduciary Funds

| | |
|--|---------------------|
| Reserved for Employees' Pension Benefits | <u>\$ 2,806,857</u> |
|--|---------------------|

Deficit fund balance

The following City's funds had a deficit fund balance as of April 30, 2011:

| | |
|--------------------------------|--------------|
| General Fund | \$ 1,511,634 |
| 2008 GO Bond Fund | 3,643,700 |
| Playground and Recreation Fund | 396,926 |
| Ambulance Fund | 544,784 |
| TIF #1 Fund | 204,662 |
| Special Service Area | 11,888 |

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.

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

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.
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 | \$ 537,285 | \$ 562,288 |
| TIF #1 Fund | 275,451 | 294,280 |
| 2008 GO Bond Fund | - | 7,573 |

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Governmental & Business-Type Activities

At April 30, 2011, the carrying amount of the City's deposits was \$8,811,817 and the bank balance was \$8,934,559. 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, 2011, the City's deposits were covered entirely by FDIC insurance or collateralized by the financial institutions.

At April 30, 2011, the City had the following investments:

| <u>Investment</u> | <u>Weighted Average Maturity (Days)</u> | <u>Fair Value</u> |
|---|---|---------------------|
| Repurchase Agreements - Sweep | Daily | \$ 230,000 |
| Cash on Hand | | 600 |
| Deposits as reported above | | 8,811,817 |
| Total deposits and investments | | <u>\$ 9,042,417</u> |
| As Reported in the Statement of Net Assets: | | |
| Cash and Cash Equivalents | | \$ 8,414,799 |
| Investments | | 66,666 |
| Cash and Cash Equivalents - Restricted | | 560,952 |
| | | <u>\$ 9,042,417</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, 2011, the City did not have a credit risk.

Concentration of Credit Risk. As of April 30, 2011, the City did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2011, the City did not have a foreign currency risk.

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

Police Pension Fund

At April 30, 2011, the carrying amount of the Police Pension Fund's deposits was \$1,918,288 and the bank balance was \$1,918,315. 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.

As of April 30, 2011, the Police Pension Fund had the following investments:

| <u>Investment</u> | <u>Weighted Average Maturity (Years)</u> | <u>Fair Value</u> |
|--------------------------------|--|---------------------|
| Mutual Funds | -- | \$ 491,627 |
| Municipal Bonds | 4.33 | 186,109 |
| Deposits as reported above | | <u>1,918,288</u> |
| Total deposits and investments | | <u>\$ 2,596,024</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, 2011, the Police Pension Fund did not have any credit risk.

Concentration of Credit Risk. As of April 30, 2011, the Police Pension Fund did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2011, the Police Pension Fund did not have a foreign currency risk.

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

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, 2011:

| | <u>General</u> | <u>Enterprise Funds</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|--------------------------------------|-------------------|-----------------------------|---------------------------|---------------------|
| Receivables: | | | | |
| Licenses/Fees/Other | \$ 42,609 | \$ 20,836 | \$ 16,115 | \$ 79,560 |
| Accounts | - | 1,119,717 | 131,167 | 1,250,884 |
| Intergovernmental | <u>408,271</u> | <u>-</u> | <u>13,913</u> | <u>422,184</u> |
| Gross Receivables | 450,880 | 1,140,553 | 161,195 | 1,752,628 |
| Less: Allowance for uncollectible | <u>-</u> | <u>121,400</u> | <u>97,980</u> | <u>219,380</u> |
| Net Total Receivables | <u>\$ 450,880</u> | <u>\$ 1,019,153</u> | <u>\$ 63,215</u> | <u>\$ 1,533,248</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.

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 \$125,000 to \$165,000 through January 1, 2017; interest at 4.55% 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, 2011 is \$860,000.

2001A General Obligation Bonds due in annual installments of \$65,000 to \$85,000 through July 1, 2016; interest at 4.80% 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, 2011 is \$445,000.

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

2005 General Obligation Bonds due in annual installments of \$105,000 to \$120,000 through January 1, 2016; interest at 3.70% 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, 2011 is \$570,000.

2008 General Obligation Bonds due in annual installments of \$150,000 to \$520,000 through November 1, 2027; interest at 3.20% 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, 2011 is \$5,850,000.

The annual requirements to retire general obligation bonds as of April 30, 2011 are as follows:

| Fiscal Year Ended April 30, | Governmental Activities | | Business-type Activities | |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 295,000 | \$ 119,750 | \$ 150,000 | \$ 91,404 |
| 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 |
| 2017-2021 | 805,000 | 330,975 | 1,170,000 | 644,841 |
| 2022-2026 | 730,000 | 179,574 | 1,455,000 | 357,538 |
| 2027-2028 | 340,000 | 23,818 | 675,000 | 47,174 |
| | <u>\$ 3,500,000</u> | <u>\$ 1,143,323</u> | <u>\$ 4,225,000</u> | <u>\$ 1,813,228</u> |

Lease/Purchase Agreements

The City entered into a lease purchase agreement on April 29, 2010 with Ford Motor Credit Company for \$26,780. The lease purchase provided funding for the purchase of a police car. The lease purchase is to be repaid in 3 annual installments of \$9,545, including interest at 7.10 percent, and will be paid by the General Fund. The outstanding balance as of April 30, 2011 is \$8,913.

The annual requirements to retire the lease purchase agreement are as follows:

| Fiscal Year Ended April 30, | Governmental Activities | |
|-----------------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2012 | 8,913 | 633 |
| | <u>\$ 8,913</u> | <u>\$ 633</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, 2011 is \$272,938.

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, 2011 is \$382,920.

On June 20, 2007, the City entered into a loan agreement with Citizens Community Bank for \$448,419 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 \$3,073, 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, 2011 is \$402,892.

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, 2011 is \$2,370,498.

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 semi-annual installments of \$13,993, including interest at 0.0 percent. The note is being retired by the Waterworks and Sewerage Fund. The outstanding balance as of April 30, 2011 is \$531,728.

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

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, 2011 is \$350,275.

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

| Fiscal Year Ended April 30, | Governmental Activities | | Business-type Activities | |
|-----------------------------------|-------------------------|-------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 785,812 | \$ 14,011 | \$ 188,300 | \$ 7,610 |
| 2013 | - | 14,049 | 189,428 | 6,482 |
| 2014 | - | 14,011 | 190,588 | 5,321 |
| 2015 | - | 14,011 | 191,783 | 4,127 |
| 2016 | 6,858 | 19,265 | 193,012 | 2,897 |
| 2017-2021 | 40,267 | 90,347 | 815,327 | 1,963 |
| 2022-2027 | 52,696 | 77,919 | 747,748 | - |
| 2027-2032 | 68,876 | 61,737 | 658,978 | - |
| 2033-2037 | 90,027 | 40,587 | - | - |
| 2037-2041 | 91,551 | 12,940 | - | - |
| | <u>\$ 1,136,087</u> | <u>\$ 358,877</u> | <u>\$ 3,175,164</u> | <u>\$ 28,400</u> |

The following is a summary of changes in long-term liabilities for the year ended April 30, 2011.

| | Beginning Balance | Additions | Retired | Ending Balance | Amounts Due Within One Year |
|---|----------------------|-------------------|-------------------|---------------------|-----------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General obligation bonds | \$ 3,775,000 | \$ - | \$ 275,000 | \$ 3,500,000 | \$ 295,000 |
| Lease/purchase agreements | 39,820 | - | 30,907 | 8,913 | 8,913 |
| Compensated absences | 181,620 | 5,895 | - | 187,515 | - |
| Notes payable | 1,161,636 | 14,115 | 39,664 | 1,136,087 | 785,812 |
| Pension obligations | 196,902 | - | 2,534 | 194,368 | - |
| | <u>5,354,978</u> | <u>20,010</u> | <u>348,105</u> | <u>5,026,883</u> | <u>1,089,725</u> |
| Deferred refunding | (18,448) | 3,255 | - | (15,193) | - |
| Governmental activities long-term liabilities | <u>\$ 5,336,530</u> | <u>\$ 23,265</u> | <u>\$ 348,105</u> | <u>\$ 5,011,690</u> | <u>\$ 1,089,725</u> |
| <u>Business-type Activities:</u> | | | | | |
| General obligation bonds | \$ 4,350,000 | \$ - | \$ 125,000 | \$ 4,225,000 | \$ 150,000 |
| Note payable | 3,023,241 | 203,570 | 51,647 | 3,175,164 | 188,300 |
| Compensated absences | 86,533 | - | 10,540 | 75,993 | - |
| Business-type activities long-term liabilities | <u>\$ 7,459,774</u> | <u>\$ 203,570</u> | <u>\$ 187,187</u> | <u>\$ 7,476,157</u> | <u>\$ 338,300</u> |

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

| | Beginning Balance | Additions/ Completions | Retirements/ Deletions | Ending Balance |
|--|----------------------|---------------------------|---------------------------|-------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,169,772 | \$ - | \$ - | \$ 1,169,772 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 530,622 | 11,680 | - | 542,302 |
| Buildings and improvements | 5,165,334 | - | - | 5,165,334 |
| Equipment | 1,366,664 | 118,022 | - | 1,484,686 |
| Vehicles | 2,010,635 | 12,026 | - | 2,022,661 |
| Infrastructure | 7,490,473 | 335,362 | - | 7,825,835 |
| Total capital assets being depreciated | 16,563,728 | 477,090 | - | 17,040,818 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 357,245 | 17,954 | - | 375,199 |
| Buildings and improvements | 1,795,788 | 133,972 | - | 1,929,760 |
| Equipment | 1,096,441 | 79,468 | - | 1,175,909 |
| Vehicles | 1,488,103 | 105,073 | - | 1,593,176 |
| Infrastructure | 1,869,129 | 160,480 | - | 2,029,609 |
| Total accumulated depreciation | 6,606,706 | 496,947 | - | 7,103,653 |
| Total capital assets, being depreciated, net | 9,957,022 | (19,857) | - | 9,937,165 |
| Governmental activities capital assets, net | \$ 11,126,794 | \$ (19,857) | \$ - | \$ 11,106,937 |
| <u>Business-type activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 76,197 | \$ - | \$ - | \$ 76,197 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 8,255,241 | 33,108 | - | 8,288,349 |
| Distribution systems | 23,864,071 | 1,316,951 | - | 25,181,022 |
| Equipment | 438,945 | 138,815 | - | 577,760 |
| Vehicles | 823,750 | 598,788 | - | 1,422,538 |
| Total capital assets, being depreciated | 33,382,007 | 2,087,662 | - | 35,469,669 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 5,563,940 | 157,158 | - | 5,721,098 |
| Distribution systems | 5,190,537 | 619,341 | - | 5,809,878 |
| Equipment | 309,643 | 21,850 | - | 331,493 |
| Vehicles | 492,686 | 130,847 | - | 623,533 |
| Total accumulated depreciation | 11,556,806 | 929,196 | - | 12,486,002 |
| Total capital assets, being depreciated, net | 21,825,201 | 1,158,466 | - | 22,983,667 |
| Business-type activities capital assets, net | \$ 21,901,398 | \$ 1,158,466 | \$ - | \$ 23,059,864 |

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 | \$ 59,834 |
| Public safety | 68,575 |
| Streets and highways, including depreciation of general infrastructure assets | 218,888 |
| Health and welfare | 21,128 |
| Cultural and recreational | <u>128,522</u> |
| Total depreciation expense - governmental activities | <u>\$ 496,947</u> |
| Business-type activities: | |
| Electric, waterworks and sewerage | <u>\$ 929,196</u> |

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The following is a schedule of interfund receivables and payables for the year ending April 30, 2011

| | <u>Receivables</u> | <u>Payables</u> |
|--------------------------------|---------------------|---------------------|
| General Fund | \$ 12,817 | \$ 1,802,417 |
| TIF #1 Fund | - | 205,200 |
| Public Library Fund | - | 12,817 |
| Special Service Area Fund | - | 13,629 |
| Playground and Recreation Fund | - | 454,576 |
| Ambulance Fund | - | 565,000 |
| 2008 GO Bond Fund | - | 4,158,986 |
| Cemetery Trust Fund | 1,417 | - |
| Waterworks and Sewerage Fund | 111,629 | - |
| Electric Light Fund | <u>7,086,762</u> | <u>-</u> |
| Totals | <u>\$ 7,212,625</u> | <u>\$ 7,212,625</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.

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 2010 used by the City was 10.56 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 11.35 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, 2010, the Village's actual contributions for pension cost for the plan were \$234,941. Its required contribution for calendar year 2010 was \$252,517.

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> |
|---|--|--|---|
| 12/31/10 | \$ 252,517 | 93% | \$ 17,576 |
| 12/31/09 | 205,023 | 100% | - |
| 12/31/08 | 197,299 | 100% | - |

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 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, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

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

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was 71.35 percent funded. The actuarial accrued liability for benefits was \$5,187,090 and the actuarial value of assets was \$3,701,027, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,486,063. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$2,224,822 and the ratio of the UAAL to the covered payroll was 67 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, 2011 was \$734,450.

At April 30, 2011, 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. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Current Changes

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 | \$ 191,234 |
| Interest on net pension obligation | 13,783 |
| Adjustment to annual required contribution | <u>(10,097)</u> |
| Annual pension cost | 194,920 |
| Contributions made - tax levy | <u>197,454</u> |
| Decrease in net pension obligation | (2,534) |
| Net pension obligation beginning of year | <u>196,902</u> |
| Net pension obligation end of year | <u><u>\$ 194,368</u></u> |

The annual required contribution for the current year was determined at part of the April 30, 2010 actuarial valuation using the entry age normal cost method. 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 mixed amortized costs and market values. 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, 2010, was 23.1699 years.

Three-Year Trend Information

| <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> |
|---|--|--|---|
| 04/30/10 | \$ 194,920 | 101.30% | \$ 194,368 |
| 04/30/09 | 181,782 | 101.12% | 196,902 |
| 04/30/08 | 150,642 | 100.01% | 198,936 |

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

d) 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 | \$ 1,072,931 |
| Regions Bank | 405,382 |

e) Legally Required Reserves

The Police Pension fund has legally required reserves of \$2,806,857.

NOTE 8: INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended April 30, 2011:

| | |
|---|-------------|
| General Fund Transfer From (To): | |
| Cemetery Trust Fund | \$ 10,000 |
| IMRF Fund | 102,121 |
| Debt Service Fund | (27,000) |
| TIF #1 Fund Transfer (To): | |
| Debt Service Fund | (69,504) |
| Ambulance Fund Transfer From: | |
| IMRF Fund | 29,857 |
| IMRF Fund Transfer (To): | |
| General Fund | (102,121) |
| Ambulance Fund | (29,857) |
| Debt Service Fund Transfer From (To): | |
| General Fund | 27,000 |
| TIF #1 Fund | 69,504 |
| Electric Light Fund | 69,504 |
| Water and Sewer Fund | 25,500 |
| Water and Sewer Fund Transfer From: | |
| Debt Service Fund | (25,500) |
| Electric Light Fund Transfer From (To): | |
| Debt Service Fund | (69,504) |
| Cemetery Trust Fund Transfer (To): | |
| General Fund | (10,000) |
| | <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 2, 2011 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, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> |
|--|-------------------------|-------------------|-----------------------|
| | <u>Original</u> | <u>Budget</u> | <u>(Budget Basis)</u> |
| Receipts: | | | |
| Property Tax | \$ 395,300 | \$ 395,300 | \$ 394,344 |
| Utility Tax | 324,008 | 324,008 | 345,299 |
| Hotel Tax | 37,268 | 37,268 | 33,193 |
| Intergovernmental | 1,401,739 | 1,401,739 | 1,564,501 |
| Licenses and Permits | 114,000 | 114,000 | 106,497 |
| Charges for Services | 294,295 | 294,295 | 305,526 |
| Fines and Forfeitures | 16,250 | 16,250 | 18,596 |
| Investment Earnings | 6,200 | 6,200 | 1,920 |
| Miscellaneous | 6,100 | 6,100 | 8,457 |
| Total Receipts | <u>2,595,160</u> | <u>2,595,160</u> | <u>2,778,333</u> |
| Disbursements | | | |
| Current: | | | |
| General Government | 581,328 | 581,328 | 511,038 |
| Public Safety | 1,295,050 | 1,295,050 | 1,362,841 |
| Streets and Highways | 435,249 | 435,249 | 389,743 |
| Development | 58,000 | 58,000 | 20,942 |
| Capital Outlay | 51,700 | 51,700 | 47,692 |
| Total Disbursements | <u>2,421,327</u> | <u>2,421,327</u> | <u>2,332,256</u> |
| Excess (Deficiency) of Receipts Over Disbursements | <u>173,833</u> | <u>173,833</u> | <u>446,077</u> |
| Other Financing Sources: | | | |
| Transfers In | 78,470 | 78,470 | 77,654 |
| Transfers Out | <u>(27,415)</u> | <u>(27,415)</u> | <u>(27,000)</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements | <u>\$ 224,888</u> | <u>\$ 224,888</u> | 496,731 |
| Change for reporting on modified accrual basis: | | | |
| Change in intergovernmental revenue on modified accrual basis | | | (70,719) |
| Change in utility tax revenue on modified accrual basis | | | (900) |
| Change in other receivables on modified accrual basis | | | 534 |
| Change in accrued salaries on modified accrual basis | | | 1,433 |
| Change in franchise fee revenue on modified accrual basis | | | 1,554 |
| Change in accounts payable on modified accrual basis | | | 2,199 |
| Change in transfer amount from other funds | | | (1,417) |
| As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance | | | <u>\$ 429,415</u> |

CITY OF MASCOUTAH, ILLINOIS

**SCHEDULE OF POLICE PENSION
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
APRIL 30, 2011**

| | 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% |

2009 is the latest year for which a tax was levied and collected. The 2010 actuarial estimate is 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: | 23.1699 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, 2011**

| | Calendar Year | | | | | |
|--------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Actuarial Value of Assets | \$ 3,701,027 | \$ 4,000,956 | \$ 3,560,676 | \$ 3,830,620 | \$ 3,381,149 | \$ 2,996,460 |
| Actuarial Accrued Liability (AAL) | 5,187,090 | 5,289,040 | 4,705,645 | 4,257,151 | 3,736,859 | 3,250,589 |
| Unfunded AAL (UAAL) | 1,486,063 | 1,288,084 | 1,144,969 | 426,531 | 355,710 | 254,129 |
| Funded Ratio | 71.35% | 75.65% | 75.67% | 89.98% | 90.48% | 92.18% |
| Covered Payroll | 2,224,822 | 2,135,653 | 2,081,213 | 2,000,778 | 1,821,279 | 1,625,978 |
| UAAL as a % of Covered Payroll | 66.79% | 60.31% | 55.01% | 21.32% | 19.53% | 15.63% |
| Employer Contributions: | | | | | | |
| Required | 252,517 | 205,023 | 197,299 | 184,872 | 182,128 | 147,639 |
| Made | 234,941 | 205,023 | 197,299 | 184,872 | 182,128 | 147,639 |
| Percentage of Employer Contributions | | | | | | |
| Made to Required Contributions | 93.04% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$3,996,694.

On a market basis, the funded ratio would be 77.05 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, 2011

| | 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 | \$ 1,408,288 | \$ 88,735 | \$ 515,286 | \$ - | \$ - | \$ - | \$ 2,012,309 |
| Receivables (Net of Allowance for Doubtful Accounts): | | | | | | | |
| Property Tax | 974,000 | 262,000 | - | - | - | - | 1,236,000 |
| Intergovernmental | 13,913 | - | - | - | - | - | 13,913 |
| Other | 49,302 | - | - | - | - | - | 49,302 |
| Due from Other Funds | - | - | - | 1,417 | - | 1,417 | 1,417 |
| Restricted Cash and Investments | 91,925 | - | - | 320,619 | 2,500 | 323,119 | 415,044 |
| Total Assets | <u>\$ 2,537,428</u> | <u>\$ 350,735</u> | <u>\$ 515,286</u> | <u>\$ 322,036</u> | <u>\$ 2,500</u> | <u>\$ 324,536</u> | <u>\$ 3,727,985</u> |
| <u>Liabilities and Fund Balance</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accrued Payroll and Benefits | \$ 6,627 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,627 |
| Accounts Payable | 59,305 | - | - | - | - | - | 59,305 |
| Due to Other Funds | 1,251,222 | - | 4,158,986 | - | - | - | 5,410,208 |
| Deferred Revenue | 974,000 | 262,000 | - | - | - | - | 1,236,000 |
| Total Liabilities | <u>2,291,154</u> | <u>262,000</u> | <u>4,158,986</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,712,140</u> |
| Fund Balances: | | | | | | | |
| Reserved For: | | | | | | | |
| Debt Service | - | 88,735 | - | - | - | - | 88,735 |
| Other Purposes | 153,179 | - | - | 322,036 | 2,500 | 324,536 | 477,715 |
| Unreserved | 93,095 | - | (3,643,700) | - | - | - | 93,095 |
| Total Fund Balances | <u>246,274</u> | <u>88,735</u> | <u>(3,643,700)</u> | <u>322,036</u> | <u>2,500</u> | <u>324,536</u> | <u>659,545</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,537,428</u> | <u>\$ 350,735</u> | <u>\$ 515,286</u> | <u>\$ 322,036</u> | <u>\$ 2,500</u> | <u>\$ 324,536</u> | <u>\$ 7,371,685</u> |

CITY OF MASCOUTAH, ILLINOIS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2011

| | Total Special Revenue | Debt Service | Capital Projects | Permanent Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------|-----------------------|-------------------|-------------------|-------------------|--|
| | | | | Cemetery Trust | Park Board Leu | Total | |
| Revenues: | | | | | | | |
| Property Tax | \$ 1,804,473 | \$ 263,248 | \$ - | \$ - | \$ - | \$ - | \$ 2,067,721 |
| Intergovernmental | 210,789 | - | - | - | - | - | 210,789 |
| Licenses, Permits and Fees | 29,181 | - | - | - | - | - | 29,181 |
| Charges for Services | 383,776 | - | - | 1,417 | - | 1,417 | 385,193 |
| Fines and Forfeitures | 6,310 | - | - | - | - | - | 6,310 |
| Investment Income | 13,065 | 202 | 8,481 | 6,496 | - | 6,496 | 28,244 |
| Contributions | 6,636 | - | - | - | - | - | 6,636 |
| Miscellaneous | 10,320 | - | - | - | - | - | 10,320 |
| Total Revenues | <u>2,464,550</u> | <u>263,450</u> | <u>8,481</u> | <u>7,913</u> | <u>-</u> | <u>7,913</u> | <u>2,744,394</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public Safety | 72,487 | - | - | - | - | - | 72,487 |
| Streets and Highways | 112,123 | - | 7,573 | - | - | - | 119,696 |
| Development | 364,482 | - | - | - | - | - | 364,482 |
| Health & Welfare | 539,762 | - | - | - | - | - | 539,762 |
| Cultural and Recreational | 507,111 | - | - | - | - | - | 507,111 |
| Capital Outlay | 363,662 | - | - | - | - | - | 363,662 |
| Debt Service: | | | | | | | |
| Principal | 47,563 | 275,000 | - | - | - | - | 322,563 |
| Interest and Fiscal Charges | 58,295 | 170,155 | - | - | - | - | 228,450 |
| Total Expenditures | <u>2,065,485</u> | <u>445,155</u> | <u>7,573</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,518,213</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 399,065 | (181,705) | 908 | 7,913 | - | 7,913 | 226,181 |
| Other Financing Sources (Uses): | | | | | | | |
| Proceeds From Debt | 14,115 | - | - | - | - | - | 14,115 |
| Transfers In | 29,857 | 191,508 | - | - | - | - | 221,365 |
| Transfers Out | (201,482) | - | - | (10,000) | - | (10,000) | (211,482) |
| Total Other Financing Sources (Uses) | <u>(157,510)</u> | <u>191,508</u> | <u>-</u> | <u>(10,000)</u> | <u>-</u> | <u>(10,000)</u> | <u>23,998</u> |
| Net Change in Fund Balances | 241,555 | 9,803 | 908 | (2,087) | - | (2,087) | 250,179 |
| Fund Balances, Beginning of Year | 4,719 | 78,932 | (3,644,608) | 324,123 | 2,500 | 326,623 | (3,234,334) |
| Fund Balances, End of Year | <u>\$ 246,274</u> | <u>\$ 88,735</u> | <u>\$ (3,643,700)</u> | <u>\$ 322,036</u> | <u>\$ 2,500</u> | <u>\$ 324,536</u> | <u>\$ (2,984,155)</u> |

CITY OF MASCOUTAH, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
APRIL 30, 2011

| <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 | \$ 12,796 | \$ 42,651 | \$ 2,520 | \$ 107,429 | \$ 538 | \$ 854,284 | \$ 242,280 | \$ 144,049 | \$ 1,741 | \$ 1,408,288 |
| Receivables (Net of Allowance for Doubtful Accounts): | | | | | | | | | | |
| Property Tax | 114,000 | 182,000 | 178,000 | - | - | - | 299,000 | 201,000 | - | 974,000 |
| Intergovernmental Accounts | - | - | - | 13,913 | - | - | - | - | - | 13,913 |
| | 39 | 16,076 | 33,187 | - | - | - | - | - | - | 49,302 |
| Restricted Cash and Investments | 91,925 | - | - | - | - | - | - | - | - | 91,925 |
| Total Assets | \$ 218,760 | \$ 240,727 | \$ 213,707 | \$ 121,342 | \$ 538 | \$ 854,284 | \$ 541,280 | \$ 345,049 | \$ 1,741 | \$ 2,537,428 |
| <u>Liabilities and Fund Balance</u> | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accrued Payroll and Benefits | \$ - | \$ 1,077 | \$ 3,175 | \$ - | \$ - | \$ - | \$ 2,375 | \$ - | \$ - | \$ 6,627 |
| Accounts Payable | - | - | 12,316 | - | - | - | 3,456 | 43,533 | - | 59,305 |
| Due to Other Funds | - | 454,576 | 565,000 | - | 205,200 | - | 12,817 | - | 13,629 | 1,251,222 |
| Deferred Revenue | 114,000 | 182,000 | 178,000 | - | - | - | 299,000 | 201,000 | - | 974,000 |
| Total Liabilities | 114,000 | 637,653 | 758,491 | - | 205,200 | - | 317,648 | 244,533 | 13,629 | 2,291,154 |
| Fund Balance (Deficit): | | | | | | | | | | |
| Reserved | 91,925 | - | - | - | - | - | 61,254 | - | - | 153,179 |
| Unreserved | 12,835 | (396,926) | (544,784) | 121,342 | (204,662) | 854,284 | 162,378 | 100,516 | (11,888) | 93,095 |
| Total Fund Balance (Deficit) | 104,760 | (396,926) | (544,784) | 121,342 | (204,662) | 854,284 | 223,632 | 100,516 | (11,888) | 246,274 |
| Total Liabilities and Fund Balance | \$ 218,760 | \$ 240,727 | \$ 213,707 | \$ 121,342 | \$ 538 | \$ 854,284 | \$ 541,280 | \$ 345,049 | \$ 1,741 | \$ 2,537,428 |

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, 2011

| | Fire | Playground & Recreation | Ambulance | Motor Fuel Tax | TIF #1 | TIF #2B | Public Library | Illinois Municipal Retirement | Special Service Area | Total |
|--|-------------------|----------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|-------------------------------------|----------------------------|-------------------|
| Revenues: | | | | | | | | | | |
| Property Tax | \$ 108,329 | \$ 175,152 | \$ 282,826 | \$ - | \$ 143,315 | \$ 607,372 | \$ 285,683 | \$ 200,055 | \$ 1,741 | \$ 1,804,473 |
| Intergovernmental | - | - | - | 203,906 | - | - | 6,883 | - | - | 210,789 |
| Licenses, Permits and Fees | 13,575 | 11,934 | - | - | - | - | 3,672 | - | - | 29,181 |
| Charges for Services | - | 150,887 | 231,248 | - | - | - | 1,641 | - | - | 383,776 |
| Fines and Forfeitures | - | - | - | - | - | - | 6,310 | - | - | 6,310 |
| Investment Income | 1,437 | 100 | 44 | 74 | 10 | 10,962 | 265 | 173 | - | 13,065 |
| Contributions | - | - | - | - | - | - | 6,636 | - | - | 6,636 |
| Miscellaneous | - | 5,078 | - | - | - | - | 5,242 | - | - | 10,320 |
| Total Revenues | 123,341 | 343,151 | 514,118 | 203,980 | 143,325 | 618,334 | 316,332 | 200,228 | 1,741 | 2,464,550 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public Safety | 72,487 | - | - | - | - | - | - | - | - | 72,487 |
| Streets and Highways | - | - | - | 112,123 | - | - | - | - | - | 112,123 |
| Development | - | - | - | - | 24,774 | 339,708 | - | - | - | 364,482 |
| Health & Welfare | - | - | 539,762 | - | - | - | - | - | - | 539,762 |
| Cultural and Recreational | - | 218,430 | - | - | - | - | 288,681 | - | - | 507,111 |
| Debt Service: | | | | | | | | | | |
| Principal | - | 24,978 | 22,585 | - | - | - | - | - | - | 47,563 |
| Interest and Fiscal Charges | - | 43,548 | 1,118 | - | - | - | - | - | 13,629 | 58,295 |
| Capital Outlay | 27,620 | - | - | - | 200,002 | 121,925 | - | - | 14,115 | 363,662 |
| Total Expenditures | 100,107 | 286,956 | 563,465 | 112,123 | 224,776 | 461,633 | 288,681 | - | 27,744 | 2,065,485 |
| Excess (Deficiency) of Revenues Over Expenditures | 23,234 | 56,195 | (49,347) | 91,857 | (81,451) | 156,701 | 27,651 | 200,228 | (26,003) | 399,065 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Proceeds From Debt | - | - | - | - | - | - | - | - | 14,115 | 14,115 |
| Operating Transfers In | - | - | 29,857 | - | - | - | - | - | - | 29,857 |
| Operating Transfers Out | - | - | - | - | (69,504) | - | - | (131,978) | - | (201,482) |
| Total Other Financing Sources (Uses) | - | - | 29,857 | - | (69,504) | - | - | (131,978) | 14,115 | (157,510) |
| Net Change in Fund Balances | 23,234 | 56,195 | (19,490) | 91,857 | (150,955) | 156,701 | 27,651 | 68,250 | (11,888) | 241,555 |
| Fund Balance (Deficit), Beginning of Year | 81,526 | (453,121) | (525,294) | 29,485 | (53,707) | 697,583 | 195,981 | 32,266 | - | 4,719 |
| Fund Balance (Deficit), End of Year | \$ 104,760 | \$ (396,926) | \$ (544,784) | \$ 121,342 | \$ (204,662) | \$ 854,284 | \$ 223,632 | \$ 100,516 | \$ (11,888) | \$ 246,274 |

CITY OF MASCOUTAH, ILLINOIS

SCHEDULE OF TAX RATES, EXTENSIONS AND COLLECTIONS APRIL 30, 2011

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|----------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Assessed Valuation | \$ 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 | \$ 51,173,361 |
| Tax Rates: | | | | | | | | | | |
| General | \$ 0.3515 | \$ 0.3252 | \$ 0.2932 | \$ 0.2707 | \$ 0.2850 | \$ 0.2114 | \$ 0.2176 | \$ 0.2028 | \$ 0.1926 | \$ 0.1848 |
| Playground | 0.1638 | 0.1688 | 0.1648 | 0.0826 | 0.0891 | 0.1080 | 0.1201 | 0.1298 | 0.1309 | 0.1280 |
| Fire Protection | 0.1030 | 0.1044 | 0.0882 | 0.0930 | 0.0842 | 0.1021 | 0.1135 | 0.1226 | 0.1236 | 0.1114 |
| Ambulance | 0.1604 | 0.1652 | 0.1411 | 0.1367 | 0.1089 | 0.1321 | 0.1469 | 0.1587 | 0.1600 | 0.1564 |
| Police Pension | 0.1794 | 0.1768 | 0.1492 | 0.1076 | 0.1161 | 0.1354 | 0.1447 | 0.1432 | 0.1388 | 0.1370 |
| IMRF | 0.1817 | 0.1928 | 0.1803 | 0.1665 | 0.1382 | 0.1611 | 0.1448 | 0.1325 | 0.1285 | 0.1220 |
| Bond and Interest | 0.2360 | 0.2537 | 0.2397 | 0.2270 | 0.2421 | 0.2271 | 0.2428 | 0.2523 | 0.1285 | 0.1220 |
| Library | 0.2700 | 0.2754 | 0.2517 | 0.2533 | 0.2737 | 0.3168 | 0.3361 | 0.3463 | 0.3487 | 0.3410 |
| | \$ 1.6458 | \$ 1.6623 | \$ 1.5082 | \$ 1.3374 | \$ 1.3373 | \$ 1.3940 | \$ 1.4665 | \$ 1.4882 | \$ 1.3516 | \$ 1.3026 |
| Tax Extensions: | | | | | | | | | | |
| General | \$ 389,766 | \$ 340,113 | \$ 299,071 | \$ 249,174 | \$ 231,442 | \$ 141,495 | \$ 130,945 | \$ 112,891 | \$ 101,224 | \$ 94,572 |
| Playground | 181,632 | 176,541 | 168,100 | 76,032 | 72,356 | 72,287 | 72,273 | 72,253 | 68,795 | 65,502 |
| Fire Protection | 114,213 | 109,187 | 89,966 | 85,604 | 68,377 | 68,338 | 68,301 | 68,245 | 64,958 | 57,007 |
| Ambulance | 177,862 | 172,775 | 143,925 | 125,829 | 88,435 | 88,418 | 88,400 | 88,340 | 84,089 | 80,035 |
| Police Pension | 198,930 | 184,907 | 152,188 | 99,043 | 94,282 | 90,626 | 87,076 | 79,712 | 72,947 | 70,107 |
| IMRF | 201,481 | 201,641 | 183,910 | 153,260 | 112,229 | 107,828 | 87,137 | 73,756 | 67,534 | 62,432 |
| Bond and Interest | 261,692 | 265,334 | 244,500 | 208,949 | 196,603 | 152,003 | 146,110 | 140,443 | 67,534 | 62,432 |
| Library | 299,393 | 288,029 | 256,740 | 233,157 | 222,265 | 212,042 | 202,178 | 192,769 | 183,262 | 174,502 |
| Total | \$ 1,824,969 | \$ 1,738,527 | \$ 1,538,400 | \$ 1,231,048 | \$ 1,085,989 | \$ 933,037 | \$ 882,420 | \$ 828,409 | \$ 710,343 | \$ 666,589 |
| Tax Collections | \$ - | \$1,724,723.00 | \$ 1,524,461 | \$ 1,236,866 | \$ 1,079,295 | \$ 931,226 | \$ 882,162 | \$ 826,864 | \$ 705,541 | \$ 662,699 |
| Percentage Collected | 0.00% | 99.21% | 99.09% | 100.47% | 99.38% | 99.81% | 99.97% | 99.81% | 99.32% | 99.42% |

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, 2011, and have issued our report thereon dated August 2, 2011. 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. Schlosser & Company, L.L.C.
Certified Public Accountants

August 2, 2011