

Village of Matteson, Illinois

Annual Financial Report
Year Ended April 30, 2005

Village of Matteson, Illinois

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable President and
Members of the Board of Trustees
Village of Matteson, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Matteson, Illinois, as of and for the year ended April 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Matteson, Illinois. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police or Firefighters' Pension Funds, both fiduciary fund types, or the Matteson Public Library, a discretely presented component unit, which statements reflect total assets of \$16,220,392, \$11,234,626 and \$4,012,954, respectively, as of April 30, 2005, and total additions to net assets/revenues of \$1,326,360, \$1,036,209 and \$1,547,167, respectively, for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police and Firefighters' Pension Funds and the Matteson Public Library, is based solely on the reports of the other auditors.

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 opinions.

As described in Note 13 to the basic financial statements, the general fund beginning fund balance has been restated for a prior period error in the application of accounting principles.

In our opinion, based on our audit and the reports of other auditors, 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 Village of Matteson, Illinois, as of April 30, 2005 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.

The required supplementary information which includes management's discussion and analysis (pages 3-10), budgetary comparison information (pages 59-79) and pension related information (pages 56-58) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Matteson, Illinois. The combining fund financial statements and other schedules listed in the table of contents as supplemental data are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Mokena, Illinois
August 5, 2005, except for Note 15,
as to which the date is March 31, 2006.

Management Discussion and Analysis (MD&A)

Village of Matteson, Illinois

Management's Discussion and Analysis

April 30, 2005

The Village of Matteson's (the "Village") management discussion and analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Village's financial activity, (3) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Village's financial statements (beginning on page 11).

Using the Financial Section of this Comprehensive Annual Report

For the past 20 years, the primary focus of local governmental financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified and for the first time the Village's financial statements present two kinds of statements, each with a different snapshot of the Village's finances. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the Village's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see pages 11-13) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement, for the first time, combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see page 13) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the Village's basic services, including police, public works, engineering and administration. Shared state sales, local utility and shared state income taxes finance the majority of these services. The Business-type Activities reflect private sector type operations (Water), where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model's) fund types.

The Governmental Funds (see pages 14-17) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

Village of Matteson, Illinois

Management's Discussion and Analysis

April 30, 2005

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police and Firefighters Pension, see pages 22-23). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

While the Business-type Activities column on the Business-type Fund Financial Statements (see pages 18-21) is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 15 and 17). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide financial statements).

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – roads, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that these assets be valued and reported within the Governmental column of the Government-wide Financial Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Village has chosen to depreciate assets over their useful lives. If a road project is considered maintenance – a recurring cost that does not extend the road's original useful life or expand its capacity – the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

Financial Analysis of the Village as a Whole

In accordance with GASB Statement No. 34, the Village is not required to restate prior periods for the purpose of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of Government-wide information will be presented.

Government-Wide Financial Statements

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$83.2 million as of April 30, 2005.

A significant portion of the Village's net assets (78.5%) reflects its investment in capital assets (i.e., land, streets and bridges, storm sewers, water mains, buildings and vehicles), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Village'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.

Village of Matteson, Illinois

Management's Discussion and Analysis
April 30, 2005

Table 1

Statement of Net Assets
As of April 30, 2005
(in millions)

	Governmental Activities	Business-Type Activities	Total Primary Government
Current Assets	\$24.1	\$.9	\$25.0
Non Current Assets	<u>\$89.7</u>	<u>\$4.1</u>	<u>\$93.8</u>
Total Assets	\$113.8	\$5.0	\$118.8
Current Liabilities	\$10.3	\$(.4)	\$9.9
Non Current Liabilities	<u>\$25.7</u>	<u>\$-</u>	<u>\$25.7</u>
Total Liabilities	\$36.0	\$(.4)	\$35.6
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$61.2	\$4.1	\$65.3
Restricted	\$12.4	-	\$12.4
Unrestricted	<u>\$4.1</u>	<u>\$1.3</u>	<u>\$5.5</u>
Total Net Assets	<u>\$77.7</u>	<u>\$5.4</u>	<u>\$83.2</u>

For more detailed information see the Statement of Net Assets (pages 11-12).

The Village's combined net assets (which is the Village's bottom line) decreased to \$83.2 million from \$87.7 million primarily this year as a result of the additional capital spending within Governmental Activities. Net assets of the Village's governmental activities were \$78.0 million. The Village's unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, were \$4.1 million.

The net assets of business-type activities decreased to \$5.4 million from \$5.5 million. The Village can use the unrestricted net assets of \$1.3 million to finance the continuing operation of its water system.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Village of Matteson, Illinois

Management's Discussion and Analysis

April 30, 2005

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

Current Year Impacts

The Village's total net assets decreased \$4.5 million and can be attributed to several things, including additional capital spending related to Lincoln Mall development .

The following chart compares the revenue and expenses for the current fiscal year.

Table 2

Changes in Net Assets

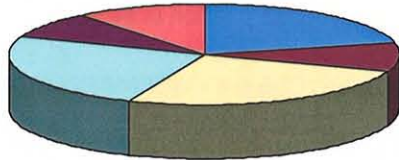
For the Fiscal Year Ended April 30, 2005
(in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
REVENUES			
Program Revenues			
Charges for Services	\$5.5	\$3.4	\$8.9
Operating Grants & Contributions	\$2.3	-	\$3.3
General Revenues			
Property Taxes	\$6.3	-	\$6.3
Other Taxes	\$8.9	-	\$8.9
Transfers	\$1.4	\$(1.4)	-
Other	<u>\$1.4</u>	<u>-</u>	<u>\$1.4</u>
Total Revenues	\$25.8	\$2.0	\$27.8
EXPENSES			
General Government	\$16.3	-	\$16.3
Public Safety	\$9.7	-	\$9.7
Public Works	\$1.9	\$2.1	\$4.0
Parks and Recreation	\$1.4	-	\$1.4
Interest & Expense	<u>\$.9</u>	<u>-</u>	<u>\$.9</u>
Total Expenses	\$30.2	\$2.1	\$32.3
CHANGE IN NET ASSETS	<u>\$(4.4)</u>	<u>\$(.1)</u>	<u>\$(4.5)</u>
ENDING NET ASSETS	<u>\$77.8</u>	<u>\$5.4</u>	<u>\$83.2</u>

Village of Matteson, Illinois

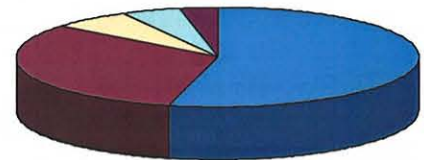
Management's Discussion and Analysis April 30, 2005

2005 Governmental Activities Revenue



■ Charges for Services
■ Sales Tax
■ Other Taxes
■ Operating Grants and Contributions
■ Property Tax
■ Other

2005 Governmental Activities Expense



■ General Government
■ Public Safety
■ Public Works
■ Parks and Recreation
■ Other

There are eight basic impacts on revenues and expenses as reflected below:

Normal Impacts

Revenues:

Economic Condition – which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Village Board approved rates – while certain tax rates are set by statute, the Village Board has significant authority to impose and periodically increase/decrease rates (water, wastewater, impact fee, building fees, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment income – the Village's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses:

Introduction of New Programs – within the functional expense categories (Public Safety, Public Works, General Government, etc.) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the Village Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 80% of the Village's operating costs.

Village of Matteson, Illinois

Management's Discussion and Analysis April 30, 2005

Salary Increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

Current Year Impacts

Revenues:

For the fiscal year ended April 30, 2005, revenues from all activities totaled \$27.8 million. The Village has a very diversified revenue structure and depends on several key revenue sources to help pay for the services we provide.

In addition to the Village increasing its property tax in 2005 compared to previous years, we saw the tax rate per \$100 of equalized assessed valuation (EAV) rise as well. This was due to a significant increase in the EAV due to Cook County's tri-annual reassessment. The 2004 EAV (used by the County in calculating 2005 tax bills) increased to \$408 million from \$357 million in 2003. Property tax revenue increased approximately \$6.3 million from the previous year.

Investment returns were up slightly in 2005 due to increased interest rates and positive performance experienced in the stock market.

The Village raised water and sewer rates in 2005.

Expenses:

The Village's total expenses for all activities for the year ended April 30, 2005 were \$32.4 million.

Financial Analysis of the Village's Funds

Governmental Funds

At April 30, 2005, the governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$17.0 million. Expenditures exceeded revenues before other financing sources/(uses) by \$8.1 million. The primary reason for this was the capital development going on in the Village's new T.I.F. district, along with several other ongoing capital projects within the Village. Much of this spending came from bonds issued in previous years. The net effect of bonds issued and refunded in 2005 was \$10.0 million, while transfers to the governmental funds from business-type funds were \$1.4 million during the year. These factors contributed to an increase in fund balance of \$3.2 million for all governmental funds in 2005.

General Fund Budgetary Highlights

During the fiscal year the Village Board prepared year-end budget adjustments in order to provide formal spending authority for activity that took place during the year that was not anticipated when the original budget document was prepared. Below is a table that reflects the original and revised budget and the actual for the revenues and expenditures for the General Fund.

Village of Matteson, Illinois

Management's Discussion and Analysis
April 30, 2005

Table 3
General Fund Budgetary Highlights
For the Year Ended April 30, 2005
(in millions)

General Fund	Original Budget	Amended Budget	Actual
Revenues			
Taxes	\$12.8	\$12.7	\$12.2
Other	3.5	3.8	4.2
Total	\$16.3	\$16.5	\$16.4
Expenditures	\$16.6	\$17.8	\$16.0
Change in Fund Balance (before transfers)	\$(0.3)	\$(1.3)	\$0.4

Actual General Corporate Fund revenues came in at budget for 2005.

Capital Assets

At the end of the fiscal year 2005, the Village had a combined total of capital assets of \$93.5 million (after accumulated depreciation of \$37.0 million) invested in a broad range of capital assets including land, buildings, vehicles, streets, bridges, water mains, storm sewers and sanitary sewer lines. (See Table 4 below). This amount represents a net decrease (including additions and deletions) of just over \$.4 million.

Table 4
Total Capital Assets
Net of Depreciation
For the Year Ended April 30, 2006
(in millions)

	Balance May 1, 2004	Net Additions/ Deletions	Balance April 30, 2005
Land	\$30.3	\$1.7	\$32.0
Buildings	\$9.0	\$(.3)	\$8.7
Vehicles and Equipment	\$3.9	\$(.2)	\$3.7
Streets and Bridges	\$25.6	\$(.8)	\$24.8
Storm Sewers	\$18.5	\$(.5)	\$18.0
Water Mains	\$1.8	\$(.1)	\$1.7
Sanitary Sewers	<u>\$4.7</u>	<u>\$(.1)</u>	<u>\$4.6</u>
Total Capital Assets	<u>\$93.8</u>	<u>\$(.3)</u>	<u>\$93.5</u>

Village of Matteson, Illinois

Management's Discussion and Analysis

April 30, 2005

Debt Outstanding

At year-end, the Village had \$27.8 million in general obligation bonds and certificates outstanding. (More detailed information about the Village's long-term liabilities is presented in Note 6 to the financial statements.)

- The Village continued to pay down its debt, retiring \$9.0 million of outstanding bonds.
- The Village issued \$15.5 million in new General Obligation bonds to defease debt and fund capital projects.
- The Village's general obligations bonds have carried a rating of AAA from Moody's.
- The state limits the amount of general obligation debt the Village can issue to 8.625% of the assessed value of all taxable property within the Village's limits. Outstanding debt is significantly below the current limit of \$35.2 million.

Economic Factors

The financial condition of the Federal and State governments has had a dramatic effect on the Village of Matteson during 2005 and is expected to continue into 2006. Grant assistance is extremely competitive and previously reliable state shared revenues (especially the income tax) have been materially reduced. The Village will need to look internally and consider increasing other revenue sources and/or reduce expenditures until these larger governments get their acts in order.

Another area of concern is the local labor market. The unemployment rate has increased from 4.8% in 2000 to the current 6.8%.

Home values and permit fees revenue have increased significantly over the past few years.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Gregory Meyers, Budget Officer, Village of Matteson, 4900 Village Commons, Matteson, Illinois 60443.

Basic Financial Statements

Government – Wide Financial Statements (GWFS)

Village of Matteson, Illinois

Statement of Net Assets
April 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Matteson Public Library
Assets				
Current				
Cash and equivalents	\$ 17,256,777	\$ 474,062	\$ 17,730,839	\$ 1,026,126
Investments	294,951	-	294,951	-
Receivables				
Property taxes	2,856,527	-	2,856,527	601,430
Accounts	192,939	422,504	615,443	-
Intergovernmental	2,665,810	-	2,665,810	-
Miscellaneous	258,644	-	258,644	16,147
Inventories	23,046	-	23,046	-
Prepays	581,405	14,233	595,638	-
Total current assets	24,130,099	910,799	25,040,898	1,643,703
Noncurrent				
Net pension asset	283,977	-	283,977	-
Capital assets, not being depreciated	29,832,055	29,780	29,861,835	300,000
Capital assets, net of accumulated depreciation	59,562,580	4,043,512	63,606,092	2,069,251
Total noncurrent assets	89,678,612	4,073,292	93,751,904	2,369,251
Total assets	\$ 113,808,711	\$ 4,984,091	\$ 118,792,802	\$ 4,012,954

See Notes to Financial Statements.

Village of Matteson, Illinois

Statement of Net Assets - Continued
April 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Matteson Public Library
Liabilities				
Current				
Accounts payable	\$ 2,463,518	\$ 137,123	\$ 2,600,641	\$ 20,691
Accrued payroll	487,914	10,813	498,727	24,663
Deposits	11,122	-	11,122	-
Internal balances	1,207,211	(598,754)	608,457	-
Deferred revenue	2,936,397	-	2,936,397	-
General obligation bonds	2,335,000	-	2,335,000	-
General obligation debt certificates	300,000	-	300,000	-
Compensated absences	591,503	3,390	594,893	22,054
Total current liabilities	10,332,665	(447,428)	9,885,237	67,408
Noncurrent				
General obligation bonds, net of bond issuance losses and costs of \$405,602	24,969,398	-	24,969,398	-
General obligation debt certificates	630,000	-	630,000	-
Compensated absences	126,942	15,796	142,738	-
Total noncurrent liabilities	25,726,340	15,796	25,742,136	-
Total liabilities	36,059,005	(431,632)	35,627,373	67,408
Net Assets				
Invested in capital assets, net of related debt	61,185,575	4,073,292	65,258,867	2,369,251
Restricted for:				
Debt service	5,859,479	-	5,859,479	57,172
Capital projects	4,858,146	-	4,858,146	-
Special revenue	1,723,067	-	1,723,067	-
Unrestricted	4,123,439	1,342,431	5,465,870	1,519,123
Total net assets	\$ 77,749,706	\$ 5,415,723	\$ 83,165,429	\$ 3,945,546

See Notes to Financial Statements.

Village of Matteson, Illinois

Statement of Activities
Year Ended April 30, 2005

Functions/Programs	Primary Government						Component Unit Matteson Public Library
	Program Revenues			Net (Expense), Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities							
General government	\$ 16,301,190	\$ 5,346,972	\$ 396,261	\$ (10,557,957)	\$ -	\$ (10,557,957)	\$ (1,066,310)
Public safety	9,713,214	-	1,973,650	(7,739,564)	-	(7,739,564)	-
Public works	1,857,025	-	-	(1,857,025)	-	(1,857,025)	-
Parks and recreation	1,454,410	158,990	-	(1,295,420)	-	(1,295,420)	-
Interest, amortization and fees	938,557	-	-	(938,557)	-	(938,557)	(7,685)
Total governmental activities	30,264,396	5,505,962	2,369,911	(22,388,523)	-	(22,388,523)	(1,073,995)
Business-type activities							
Water	2,109,612	3,414,232	-	-	1,304,620	1,304,620	-
Total	\$ 32,374,008	\$ 8,920,194	\$ 2,369,911	(22,388,523)	1,304,620	(21,083,903)	(1,073,995)
			General revenues				
			Taxes:				
			Sales	6,692,470	-	6,692,470	-
			Property	6,343,498	-	6,343,498	1,457,217
			Other	2,184,188	-	2,184,188	15,742
			Interest	184,864	8,503	193,367	12,413
			Net transfers	1,410,334	(1,410,334)	-	-
			Miscellaneous	1,178,183	-	1,178,183	61,795
			Total general revenues	17,993,537	(1,401,831)	16,591,706	1,547,167
			Change in net assets	(4,394,986)	(97,211)	(4,492,197)	473,172
			Net assets:				
			May 1, 2004	82,144,692	5,512,934	87,657,626	3,472,374
			April 30, 2005	<u>\$ 77,749,706</u>	<u>\$ 5,415,723</u>	<u>\$ 83,165,429</u>	<u>\$ 3,945,546</u>

See Notes to Financial Statements.

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Fund Financial Statements

Village of Matteson, Illinois

Balance Sheet - Governmental Funds
April 30, 2005

	General Fund	Tax Incremental Finance District IV Debt Service Fund	Tax Incremental Finance District IV Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and equivalents	\$ 4,933,431	\$ 4,966,820	\$ 3,773,675	\$ 3,582,851	\$ 17,256,777
Investments	235,148	-	-	59,803	294,951
Receivables:					
Property taxes	2,439,326	-	-	417,201	2,856,527
Accounts	163,754	-	-	29,185	192,939
Intergovernmental	2,586,378	-	-	79,432	2,665,810
Miscellaneous	112,271	-	-	146,373	258,644
Due from other funds	596,214	-	-	1,363,398	1,959,612
Inventories	23,046	-	-	-	23,046
Prepays	414,970	-	-	166,435	581,405
Total assets	\$ 11,504,538	\$ 4,966,820	\$ 3,773,675	\$ 5,844,678	\$ 26,089,711
Liabilities					
Accounts payable	\$ 2,200,321	\$ -	\$ 76,127	\$ 187,070	\$ 2,463,518
Accrued payroll and taxes	484,668	-	-	3,246	487,914
Deposits	11,122	-	-	-	11,122
Due to other funds	1,884,101	-	49,115	1,233,607	3,166,823
Deferred revenue	2,507,516	-	-	428,881	2,936,397
Compensated absences	22,109	-	-	-	22,109
Total liabilities	7,109,837	-	125,242	1,852,804	9,087,883
Fund Balances					
Reserved for inventories	23,046	-	-	-	23,046
Reserved for prepaids	414,970	-	-	166,435	581,405
Reserved for debt service	-	4,966,820	-	892,659	5,859,479
Unreserved					
General fund	3,956,685	-	-	-	3,956,685
Special revenue funds	-	-	-	1,723,067	1,723,067
Capital projects funds	-	-	3,648,433	1,209,713	4,858,146
Total fund balances	4,394,701	4,966,820	3,648,433	3,991,874	17,001,828
Total liabilities and fund balances	\$ 11,504,538	\$ 4,966,820	\$ 3,773,675	\$ 5,844,678	\$ 26,089,711

See Notes to Financial Statements.

Village of Matteson, Illinois

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
April 30, 2005

Total fund balances-governmental funds	\$ 17,001,828
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	89,394,635
The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.	283,977
Unamortized bond issuance losses and costs are recorded as a contra liability in the Statement of Net Assets, but are recorded as expenditures in the funds.	405,602
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These activities consist of:	
General obligation bonds	(27,710,000)
General obligation debt certificates	(930,000)
Compensated absences	(696,336)
Net assets of governmental activities	<u>\$ 77,749,706</u>

See Notes to Financial Statements.

Village of Matteson, Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended April 30, 2005

	General Fund	Tax Incremental Finance District IV Debt Service Fund	Tax Incremental Finance District IV Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes	\$ 6,692,470	\$ -	\$ -	\$ -	\$ 6,692,470
Property taxes	3,338,608	-	-	3,004,890	6,343,498
Developer contributions	-	-	-	629,415	629,415
Other taxes	2,184,188	-	-	-	2,184,188
Licenses and permits	1,366,590	-	-	308,908	1,675,498
Charges for services	1,824,596	-	-	997,708	2,822,304
Intergovernmental	9,785	-	-	386,476	396,261
Fines and forfeitures	210,110	-	-	9,645	219,755
Interest	35,088	31,233	2,271	116,272	184,864
Recreation programs	158,990	-	-	-	158,990
Special projects	-	-	-	1,973,650	1,973,650
Miscellaneous	582,560	-	74,864	520,759	1,178,183
Total revenues	16,402,985	31,233	77,135	7,947,723	24,459,076
Expenditures:					
Current:					
General government	6,125,198	-	46,920	142,896	6,315,014
Administrative office, fiscal services and general services	1,332,958	-	-	-	1,332,958
Housing and human relations	3,075	-	-	-	3,075
Community relations	344,833	-	-	-	344,833
Public safety	5,953,999	-	-	-	5,953,999
Public works	782,297	-	-	375,214	1,157,511
Parks and recreation	906,555	-	-	-	906,555
Capital equipment	414,368	-	-	-	414,368
Special projects	164,863	-	-	2,000,065	2,164,928
Debt service:					
Principal retirement	8,061	1,155,000	-	1,515,000	2,678,061
Interest and fees	-	66,369	-	769,687	836,056
Bond issuance costs	-	51,348	-	127,092	178,440
Capital outlay	-	-	8,010,977	2,315,255	10,326,232
Total expenditures	16,036,207	1,272,717	8,057,897	7,245,209	32,612,030
Excess revenues or (expenditures)	366,778	(1,241,484)	(7,980,762)	702,514	(8,152,954)
Other financing sources (uses):					
Debt issuance	-	10,000,000	-	6,235,000	16,235,000
Premium (discount) on debt issuance	-	(101,696)	-	33,471	(68,225)
Payment to escrow agent	-	-	-	(6,141,379)	(6,141,379)
Transfers in	2,951,458	1,155,000	12,068,296	3,560,738	19,735,492
Transfers out	(1,191,893)	(4,845,000)	(190,000)	(12,098,265)	(18,325,158)
Excess revenues and other financing sources or (expenditures and other financing uses)	2,126,343	4,966,820	3,897,534	(7,707,921)	3,282,776
Fund balances:					
May 1, 2004, as restated	2,268,358	-	(249,101)	11,699,795	13,719,052
April 30, 2005	\$ 4,394,701	\$ 4,966,820	\$ 3,648,433	\$ 3,991,874	\$ 17,001,828

See Notes to Financial Statements.

Village of Matteson, Illinois

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended April 30, 2005

Net change in fund balances-total governmental funds		\$ 3,282,776
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Current year additions	2,460,238	
Depreciation expense	<u>(2,681,409)</u>	(221,171)
<p>Retirements of capital assets are not reflected in the governmental funds, but are a reduction in net assets in the Statement of Net Assets.</p>		
		(62,681)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		2,678,061
<p>Proceeds from issuance of long-term debt is reported as revenue in the funds while it is recorded as an increase in long-term liabilities in the Statement of Net Assets, net of payment to escrow agent.</p>		
General obligation bond proceeds	(16,235,000)	
Premium (discount) on bond issuance	68,225	
Payment to escrow agent	<u>6,141,379</u>	(10,025,396)
<p>Amortization of bond issuance losses and costs are recorded in the Statement of Activities and are not reflected in the funds, while bond issuance costs incurred are recorded in the funds, but are recorded as a contra liability in the Statement of Net Assets.</p>		
Amortization of bond issuance costs	(51,154)	
Bond issuance costs incurred	<u>127,092</u>	75,938
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Change in pension assets		(161,058)
Change in compensated absences		<u>38,545</u>
Change in net assets of governmental activities		<u>\$ (4,394,986)</u>

Village of Matteson, Illinois

Statement of Net Assets - Enterprise Fund
 April 30, 2005

	Business-Type Activities
	Water Fund
Assets	
Current	
Cash and equivalents	\$ 474,062
Accounts receivable	422,504
Internal balances	598,754
Prepays	14,233
Total current assets	<u>1,509,553</u>
Noncurrent	
Capital assets:	
Land	29,780
Buildings and improvements	1,495,065
Machinery, furniture and equipment	2,640,978
Water distribution system	2,755,449
Less accumulated depreciation	<u>(2,847,980)</u>
Total noncurrent assets	<u>4,073,292</u>
Total assets	<u><u>\$ 5,582,845</u></u>
Liabilities	
Current	
Accounts payable	\$ 137,123
Accrued payroll	10,813
Compensated absences	3,390
Total current liabilities	<u>151,326</u>
Noncurrent	
Compensated absences	15,796
Total liabilities	<u>167,122</u>
Net Assets	
Invested in capital assets	4,073,292
Unrestricted	<u>1,342,431</u>
Total net assets	<u><u>\$ 5,415,723</u></u>

See Notes to Financial Statements.

Village of Matteson, Illinois

Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Fund
 Year Ended April 30, 2005

	Business-Type Activities <u>Water Fund</u>
Operating revenues:	
Water sales	\$ 3,039,083
Water meter sales	104,340
Fines and forfeitures	62,898
Miscellaneous	207,911
Total operating revenues	<u>3,414,232</u>
Operating expenses:	
Operations	1,933,451
Depreciation	176,161
Total operating expenses	<u>2,109,612</u>
Operating income	1,304,620
Nonoperating revenues, Investment income	<u>8,503</u>
Income before transfers	1,313,123
Transfers (out)	<u>(1,410,334)</u>
Change in net assets	(97,211)
Net assets:	
May 1, 2004	<u>5,512,934</u>
April 30, 2005	<u>\$ 5,415,723</u>

See Notes to Financial Statements.

Village of Matteson, Illinois

Statement of Cash Flows – Enterprise Fund
Year Ended April 30, 2005

	Business-Type Activities
	<u>Water Fund</u>
Cash flows from operating activities	
Cash received from residents for services	\$ 3,354,741
Payments to employees	(420,444)
Payments to suppliers	(1,508,767)
Net cash provided by operating activities	<u>1,425,530</u>
Cash flows from noncapital financing activities	
(Increase) in internal balances	(10,814)
Transfers out	(1,410,334)
Net cash (used in) noncapital financing activities	<u>(1,421,148)</u>
Cash flows from capital and related financing activities	
Capital assets purchased	<u>(117,318)</u>
Cash flows from investing activities	
Cash receipts from interest income	<u>8,503</u>
Net (decrease) in cash and equivalents	(104,433)
Cash and equivalents:	
May 1, 2004	<u>578,495</u>
April 30, 2005	<u>\$ 474,062</u>

(Continued)

Village of Matteson, Illinois

Statement of Cash Flows – Enterprise Fund - Continued
Year Ended April 30, 2005

	Business-Type Activities
	<u>Water Fund</u>
<hr/>	
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,304,620
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	176,161
Changes in assets and liabilities	
Accounts receivable	(59,491)
Prepays	(10,845)
Accounts payable	20,535
Accrued payroll and compensated absences	(5,450)
Total adjustments	<u>120,910</u>
Net cash provided by operating activities	<u>\$ 1,425,530</u>

See Notes to Financial Statements.

Village of Matteson, Illinois

Combined Statement of Fiduciary Net Assets
Pension Trust Funds
April 30, 2005

Assets

Cash and cash equivalents	\$ 1,541,026
Investments	25,144,110
Accrued interest receivable	160,300
Prepaid expense	1,125
Due from other funds	<u>608,457</u>
Total assets	<u>\$ 27,455,018</u>

Liabilities

Accounts payable	\$ 8,094
Net Assets	
Held in trust for pension benefits	<u>27,446,924</u>
Total liabilities and net assets	<u>\$ 27,455,018</u>

See Notes to Financial Statements.

Village of Matteson, Illinois

Combined Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended April 30, 2005

Additions

Contributions:

Employer	\$ 709,966
Participants	444,973
Total contributions	<u>1,154,939</u>

Investment income

Net appreciation in fair value of investments	523,439
Interest	684,191
Net investment income	<u>1,207,630</u>

Total additions	<u>2,362,569</u>
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Deductions

Administration	58,538
Pension benefits and refunds	1,053,950
Total deductions	<u>1,112,488</u>

Net increase	1,250,081
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Net assets held in trust for pension benefits:

May 1, 2004	<u>26,196,843</u>
April 30, 2005	<u>\$ 27,446,924</u>

See Notes to Financial Statements.