

McGladrey & Pullen

Certified Public Accountants

Village of Matteson, Illinois

Tax Increment Financing Area Fund Report

April 30, 2007

Contents

Independent Auditor's Report	1 - 2
Financial Statements	
Tax Incremental Finance District - Debt Service Funds:	
Balance Sheets	3
Schedules of Revenues, Expenditures and Changes in Fund Balances	4
Tax Incremental Finance District - Capital Projects Funds:	
Balance Sheets	5
Schedules of Revenues, Expenditures and Changes in Fund Balances	6
Notes to Balance Sheets and Schedules	7 - 12
Independent Auditor's Report on Compliance	13

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have submitted, under separate cover, the financial statements of the Village of Matteson, Illinois for the year ended April 30, 2007, and our report thereon, dated January 9, 2009, is as follows:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Matteson, Illinois, as of and for the year ended April 30, 2007, 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 \$18,738,930, \$13,932,085 and \$5,609,989, respectively, as of April 30, 2007, and total additions to net assets/revenues of \$2,284,754, \$1,951,283 and \$2,086,722, respectively, for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Police and Firefighters' Pension Funds and the Matteson Public Library, are based solely on the reports of the other auditors.

Except as discussed in the following paragraph, 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.

The Village's pension information is incomplete. The Village did not obtain or perform a complete actuarial valuation of either the Police Pension or Firefighters' Pension Funds and the Notes to the Financial Statements do not contain all disclosures required by accounting principles generally accepted in the United States of America. In addition, the Village did not record a net pension liability or asset for either Fund. We were not able to satisfy ourselves by other auditing procedures as to the fairness of the net pension liability or asset as of April 30, 2007.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the net pension liability or asset or disclosures for the Police and Firefighters' Pension Funds, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Matteson, Illinois, as of April 30, 2007, 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 and the other auditors information which includes management's discussion and analysis (pages 3-13), budgetary comparison information (page 72) and pension related information (pages 69-71) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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 and individual fund financial statements listed in the table of contents as supplementary information 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying balance sheets and schedules of revenues, expenditures and changes in fund balance are presented for purposes of additional analysis and are not required parts 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

Chicago, Illinois
January 9, 2009

Village of Matteson, Illinois
Tax Incremental Finance District - Debt Service Funds

Balance Sheets
April 30, 2007

	1996 Village Hall/ Village Green TIF III Bonds	1997B Village Hall/ Village Green TIF III Bonds	Tax Incremental Finance District IV Debt Service Fund
Assets			
Cash and cash equivalents	\$ -	\$ 30,221	\$ 896,429
Receivables, Property taxes	-	10,023	-
Due from other Village funds	-	-	3,066,484
Total assets	\$ -	\$ 40,244	\$ 3,962,913
Liabilities and Fund Balances			
Liabilities:			
Due to other Village funds	\$ -	\$ 27,619	\$ -
Unearned revenue	-	10,023	-
Total liabilities	-	37,642	-
Fund Balances, reserved for debt service	-	2,602	3,962,913
Total liabilities and fund balances	\$ -	\$ 40,244	\$ 3,962,913

See Notes to Balance Sheets and Schedules.

Village of Matteson, Illinois
Tax Incremental Finance District - Debt Service Funds

Schedules of Revenues, Expenditures and Changes in Fund Balances
Year Ended April 30, 2007

	1996 Village Hall/ Village Green TIF III Bonds	1997B Village Hall/ Village Green TIF III Bonds	Tax Incremental Finance District IV Debt Service Fund
Revenues:			
Property taxes	\$ 241,945	\$ 20,064	\$ -
Interest	7,674	1,238	102,538
Total revenues	249,619	21,302	102,538
Expenditures,			
Debt service:			
Principal retirement	360,000	-	-
Interest and fees	19,991	18,413	-
Total expenditures	379,991	18,413	-
Excess (deficiency) of revenues over (under) expenditures	(130,372)	2,889	102,538
Other financing sources (uses):			
Transfer in	106,044	-	-
Total other financing sources (uses)	106,044	-	-
Change in fund balance	(24,328)	2,889	102,538
Fund balances (deficit):			
May 1, 2006	24,328	(287)	3,860,375
April 30, 2007	\$ -	\$ 2,602	\$ 3,962,913

See Notes to Balance Sheets and Schedules.

Village of Matteson, Illinois
Tax Incremental Finance District - Capital Projects Funds

Balance Sheets
April 30, 2007

	Tax Incremental Finance District I	Tax Incremental Finance District II	Tax Incremental Finance District III	Tax Incremental Finance District IV
Assets				
Cash and cash equivalents	\$ 5,028	\$ -	\$ 80,685	\$ 4,049,787
Receivables, miscellaneous	823	223	155	-
Total assets	\$ 5,851	\$ 223	\$ 80,840	\$ 4,049,787
Liabilities and Fund Balances				
Liabilities:				
Due to the other Village funds	\$ 5,851	\$ -	\$ 80,840	\$ 3,117,391
Accounts payable	-	223	-	465
Total liabilities	5,851	223	80,840	3,117,856
Fund Balances, unreserved	-	-	-	931,931
Total liabilities and fund balances	\$ 5,851	\$ 223	\$ 80,840	\$ 4,049,787

See Notes to Balance Sheets and Schedules.

Village of Matteson, Illinois
Tax Incremental Finance District - Capital Projects Funds

Schedules of Revenues, Expenditures and Changes in Fund Balances
Year Ended April 30, 2007

	Tax Incremental Finance District I	Tax Incremental Finance District II	Tax Incremental Finance District III	Tax Incremental Finance District IV
Revenues:				
Property taxes	\$ 1,355,518	\$ 448,003	\$ -	\$ -
Interest	34,619	28,411	-	35,813
Total revenues	1,390,137	476,414	-	35,813
Expenditures:				
General Government	75,279	-	-	24,236
Debt service:				
Principal retirement	-	-	-	860,000
Interest and fees	-	-	-	366,956
Capital outlay	-	-	-	19
Total expenditures	75,279	-	-	1,251,211
Excess (deficiency) of revenues over (under) expenditures	1,314,858	476,414	-	(1,215,398)
Other financing sources (uses):				
Transfer in	-	-	80,685	2,783,643
Transfer (out)	(2,251,428)	(1,457,145)	-	(130,685)
Total other financing sources (uses)	(2,251,428)	(1,457,145)	80,685	2,652,958
Change in fund balance	(936,570)	(980,731)	80,685	1,437,560
Fund balances (deficits):				
May 1, 2006	936,570	980,731	(80,685)	(505,629)
April 30, 2007	\$ -	\$ -	\$ -	\$ 931,931

See Notes to Balance Sheets and Schedules.

Village of Matteson, Illinois
Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 1. Summary of Significant Accounting Policies

The balance sheets and schedules present only the financial position and results of operations of the Tax Incremental Finance Districts of the Village of Matteson, Illinois (the Village).

The operations of the Tax Incremental Finance Districts are accounted for through capital projects and debt service funds of the Village of Matteson, Illinois. Currently, only Tax Incremental Finance District I, Tax Incremental Finance District III and Tax Incremental Finance IV have debt service funds as only these Districts have outstanding debt. The following describes the various Districts:

Tax Incremental Finance District I: The District was created to implement the Redevelopment Plan and Redevelopment Project at the Southgate Commerce Center and was established by Village ordinances on April 12, 1989.

Tax Incremental Finance District II: The District was created to implement the Redevelopment Plan and Redevelopment Project at Lincoln Mall established by Village ordinances on September 19, 1994.

Tax Incremental Finance District III: The District was created to implement the Redevelopment Plan and Redevelopment Project within the Matteson Commons area established by Village ordinances on July 3, 1995.

Tax Incremental Finance District IV: The District was created to implement the Redevelopment Plan and Redevelopment Project at Lincoln Mall and surrounding vicinity established by Village ordinances on April 7, 2004.

Basis of Accounting: The financial statements are prepared on the modified accrual basis of accounting. Revenue is recognized when it becomes both measurable and available, and expenditures generally are recognized when the related liability is incurred.

Property Taxes: The Village annually establishes a legal right to revenue from property tax assessments upon enactment of a tax levy ordinance by the Village Board. Property taxes are recognized as a receivable at the time they are levied. All property taxes for debt service have been abated. Property tax revenues represent incremental property tax receipts on taxable property within the tax incremental financing district for capital projects.

Property taxes are levied in December of each year. Tax bills are mailed at least 30 days prior to the collection deadline. Property tax installments are due in March and September in the year following the levy date. Property taxes are billed and collected by the County Treasurer of Cook County, Illinois.

Village of Matteson, Illinois
Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 2. Deposits and Investments

For the year ended April 30, 2007, the Village adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3.

Investments

As of April 30, 2007, the Financing Districts have the following investments:

Investment Type	Fair Value	Investment Maturity in Less Than 1 Year
Illinois Funds	\$ 5,062,150	\$ 5,062,150

The Illinois Funds are shown as maturing in less than one year because the weighted average maturity of the pool is less than one year.

Interest Rate Risk – The Village’s investment policy does not specifically identify limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Illinois Funds Investment Pool is not registered with the SEC. The pool is sponsored by the Treasurer of the State of Illinois, in accordance with State law. The fair value of the position in the Pool is the same as the value of the Pool shares.

Credit Risk – State statutes authorize the Village to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, repurchase agreements (under certain statutory restrictions), commercial paper rated within the three highest classifications by at least two standard rating services, the Illinois Funds and the Illinois Metropolitan Investment Fund. The Village’s investments in the Illinois Funds were rated AAA by Standard & Poor’s. The Village’s investment policy does not address credit risk.

Concentration of Credit Risk – Concentration of credit risk is the Village’s risk when more than 5% of the Village’s investments are with a single issuer. The Village’s investment policy does not restrict the amount of investments in any one issuer. All of the Village’s investments are in Illinois Funds.

Custodial Credit Risk – For an investment, this is the risk that, in the event of failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Illinois Funds held by the Village are not subject to custodial credit risk. The Village’s investment policy does not address custodial credit risk for investments.

Village of Matteson, Illinois
 Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 3. Long-Term Debt

General Obligation TIF III Bond Series 1997B

The Village issued general obligation bonds on February 1, 1997 to provide financing for the purpose of constructing a new Village Hall and the Village Green. The bonds are due serially on December 1 through 2014, bearing interest at 5.00% to 5.125%. The Village has pledged future tax incremental finance property tax revenues within Redevelopment Project Area #3 (TIF #3) for the repayment of these bonds. Debt service requirements for these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending April 30:		
2008	\$ -	\$ 17,813
2009	-	17,813
2010	-	17,813
2011	-	17,813
2012	-	17,813
2013	100,000	17,813
2014	125,000	12,813
2015	125,000	6,406
	<u>\$ 350,000</u>	<u>\$ 126,097</u>

General Obligation Refunding Bond Series 2004A

The Village issued general obligation bonds on October 1, 2004 to provide for the refunding of the Series 1997A general obligation bonds. The bonds are due serially on December 1 through 2011, bearing interest at 2.25% to 3.50%. The Village has pledged incremental property tax revenues for the repayment of these bonds. Debt service requirements for these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending April 30:		
2008	\$ 405,000	\$ 65,639
2009	415,000	55,514
2010	425,000	44,931
2011	445,000	31,119
2012	460,000	16,100
	<u>\$ 2,150,000</u>	<u>\$ 213,303</u>

Village of Matteson, Illinois
Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 3. Long-Term Debt (continued)

Tax Increment Revenue Bonds, Series 2004C

The Village issued tax increment revenue bonds on October 1, 2004 to provide financing for capital improvements within Redevelopment Project Area #4 (TIF #4). The bonds are due serially on December 1 through 2017, bearing interest at 3.00% to 5.50%. The Village has pledged future tax incremental finance property tax revenues from TIF #4 for the repayment of these bonds. Debt service requirements for these bonds are as follows:

<u>Year ending April 30:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 895,000	\$ 336,856
2009	925,000	303,294
2010	965,000	263,981
2011	1,005,000	222,969
2012	1,055,000	173,975
2013	1,110,000	121,225
2014	215,000	65,725
2015	225,000	53,900
2016	240,000	41,525
2017	250,000	28,325
2018	265,000	14,575
	<u>\$ 7,150,000</u>	<u>\$ 1,626,350</u>

Village of Matteson, Illinois
Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 4. Interfund Balances

Individual interfund balances relating to the TIF Funds for the year ended April 30, 2007 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Village Fund:		
Tax Incremental Finance District IV Capital Projects Fund	\$ 50,907	\$ -
1997B Village Hall/Village Green TIF III Bonds Debt Service Fund	27,619	-
Tax Incremental Finance District I Capital Projects Fund	5,851	-
Tax Incremental Finance District III Capital Projects Fund	80,840	-
Capital Project Funds:		
Tax Incremental Finance District IV Capital Projects Fund, General	-	50,907
Tax Incremental Finance District IV Debt Service Fund	-	3,066,484
Tax Incremental Finance District I Capital Projects Fund, General	-	5,851
Tax Incremental Finance District III Capital Projects Fund, General	-	80,840
Debt Service Funds:		
Tax Incremental Finance District IV Debt Service Fund, Tax Incremental Finance District IV Capital Projects Fund	3,066,484	-
1997B Village Hall/Village Green TIF III Bonds Debt Service Fund, General	-	27,619
	<u>\$ 3,231,701</u>	<u>\$ 3,231,701</u>

Interfund debt reflects operating loans, which are expected to be repaid in the following fiscal year.

Village of Matteson, Illinois
Tax Incremental Finance Districts

Notes to Balance Sheets and Schedules

Note 4. Interfund Balances (continued)

The interfund transfers in and out relating to the TIF Funds for the year ended April 30, 2007, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Village Fund:		
Tax Incremental Finance District IV Capital Projects Fund	\$ 50,000	\$ -
1996 Village Hall/Village Green TIF III Bonds Debt Service Fund	-	106,044
Capital Project Funds:		
Tax Incremental Finance District IV Capital Projects Fund, General	-	50,000
Tax Incremental Finance District I Capital Projects Fund	1,326,498	-
Tax Incremental Finance District II Capital Projects Fund	1,457,145	-
Tax Incremental Finance District III Capital Projects Fund	-	80,685
Tax Incremental Finance District I Capital Projects Fund, Tax Incremental Finance District IV Capital Projects Fund 2004A General Obligation Refunding Bonds	-	1,326,498 924,930
Tax Incremental Finance District II Capital Projects Fund, Tax Incremental Finance District IV Capital Projects Fund	-	1,457,145
Tax Incremental Finance District III Capital Projects Fund, Tax Incremental Finance District IV Capital Projects Fund,	80,685	-
Debt Service Funds:		
2004A General Obligation Refunding Bonds		
Tax Incremental Finance District I Capital Projects Fund	924,930	-
1996 Village Hall/Village Green TIF III Bonds Debt Service Fund General	106,044	-
	<u>\$ 3,945,302</u>	<u>\$ 3,945,302</u>

Transfers are used to move receipts restricted to debt service from the fund collecting the receipts to the debt service fund.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance

To the Honorable President and
Board of Trustees
Village of Matteson, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Matteson, Illinois, as of and for the year ended April 30, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 9, 2009.

We have also audited the Village's compliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142). The management of the Village of Matteson, Illinois is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

We conducted our audit of compliance 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Village of Matteson, Illinois' compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Matteson, Illinois' compliance with those requirements.

In our opinion, the Village of Matteson, Illinois complied, in all material respects, with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142).

McGladrey & Pullen, LLP

Chicago, Illinois
January 9, 2009