

C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF GRANITE CITY, ILLINOIS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

APRIL 30, 2005

233 East Center Drive
P.O. Box 416
Alton, Illinois 62002
(618) 465-7717 St. Louis (314) 355-2586
Fax (618) 465-7710



PCPS
THE AICPA ALLIANCE FOR CPA FIRMS

One Westbury Drive
Suite 420
St. Charles, Missouri 63301-2567
(636) 723-7611 St. Louis (636) 947-1008
Fax (636) 947-4558

CITY OF GRANITE CITY, ILLINOIS

APRIL 30, 2005

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CITY OF GRANITE CITY, ILLINOIS

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C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Tefteller
Kevin J. Tepen

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council of the City of
Granite City, 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 City of Granite City, Illinois as of and for the year ended April 30, 2005, 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 Granite City, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Granite City, Illinois as of April 30, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2006, on our consideration of the City of Granite City, Illinois's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis , budgetary comparison information and schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 City of Granite City's basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Granite City, Illinois. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

C. J. Schlem & Company, LLC.
Certified Public Accountants

April 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Granite City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended April 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Granite City exceeded its liabilities at the close of the most recent fiscal year by \$29.6 million. Of this amount, \$12.5 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4.8 million.
- At the close of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$9,806,966. Approximately \$8.3 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,007,437 or 29% of total general fund expenditures.
- In the City's business-type activities, expenses exceeded revenues and net assets decreased by \$377,174.
- The City continued land acquisition and engineering work to the Pontoon Road overpass project.
- The City continued phase 2 renovation work at the wastewater treatment plant that is being funded through a low interest loan from the IEPA.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for nonmajor governmental funds and other information helpful in understanding the finances of the City of Granite City.

The first two statements in the report are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The government-wide financial statements distinguish functions of the City of Granite 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 include general government, public safety and public works. The business-type activities are comprised of the wastewater treatment plant fund.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Types of funds include governmental, proprietary and fiduciary.

Governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The City of Granite City maintains seven individual governmental funds; three are considered to be major funds: the general fund, the motor fuel tax fund and the TIF (tax increment financing) fund. Information on major funds is presented separately; data from the other four funds is combined and included in "Other Governmental Funds". Governmental fund statements can be found on pages 11 to 14 of this report. Individual data for the "other governmental funds" is provided in the form of combining statements on pages 49 and 50 of this report.

Proprietary fund statements offer short and long-term financial information about the activities the City operates like businesses. For the City of Granite City, the wastewater treatment plant fund and the health fund are the proprietary funds. The basic financial statements for these funds can be found on pages 15 to 17 of this report.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, such as the police and firemen pension funds. 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 programs. The basic fiduciary fund statements can be found on pages 18 and 19 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

Over time, net assets may serve as a useful indicator of a government's financial position. At April 30, 2005, the City of Granite City's assets exceeded liabilities (net assets) by \$29.6 million.

Approximately 40% of the City of Granite City's net assets reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt that is still outstanding. The City of Granite City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Granite 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.

An additional portion of the City of Granite City's net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Granite City's Net Assets

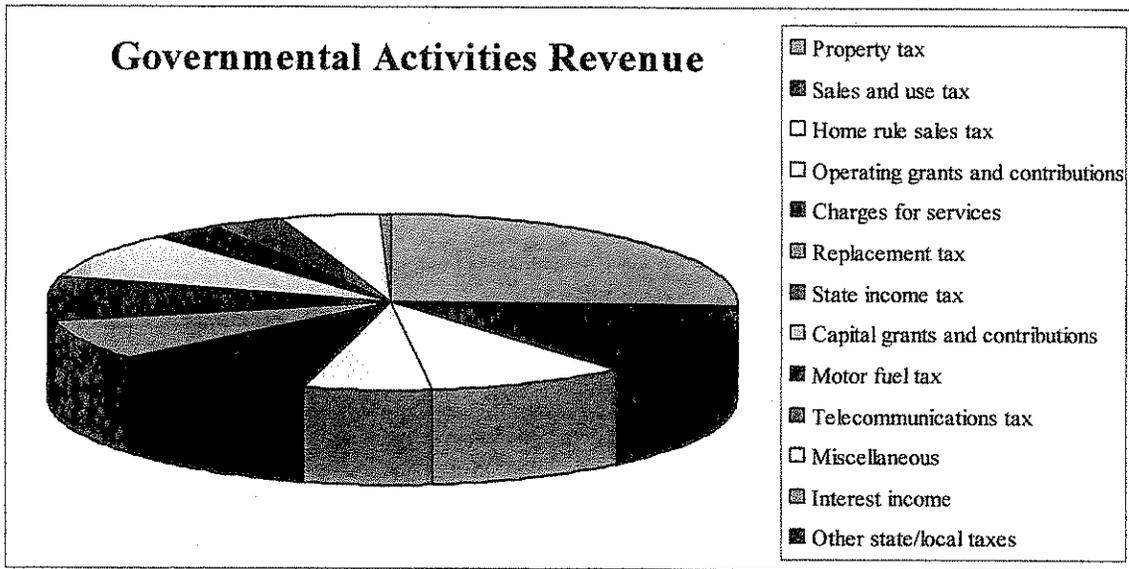
	Governmental Activities		Business-type Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 11,412,708	\$ 9,104,773	\$ 7,754,062	\$ 7,732,670
Capital assets	6,272,074	3,968,407	14,155,822	12,892,471
Total assets	<u>17,684,782</u>	<u>13,073,180</u>	<u>21,909,884</u>	<u>20,625,141</u>
Long-term liabilities outstanding	1,956,188	1,855,706	5,217,461	2,964,349
Other liabilities	2,282,885	2,633,454	817,797	1,408,992
Total liabilities	<u>4,239,073</u>	<u>4,489,160</u>	<u>6,035,258</u>	<u>4,373,341</u>
Net assets:				
Invested in capital assets, net of related debt	3,466,826	2,542,370	8,796,238	9,902,141
Restricted	4,799,529	4,286,305	-	48,046
Unrestricted	5,449,354	1,755,345	7,078,388	6,301,613
Total net assets	<u>\$ 13,715,709</u>	<u>\$ 8,584,020</u>	<u>\$ 15,874,626</u>	<u>\$ 16,251,800</u>

At the end of the current fiscal year, the City of Granite City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

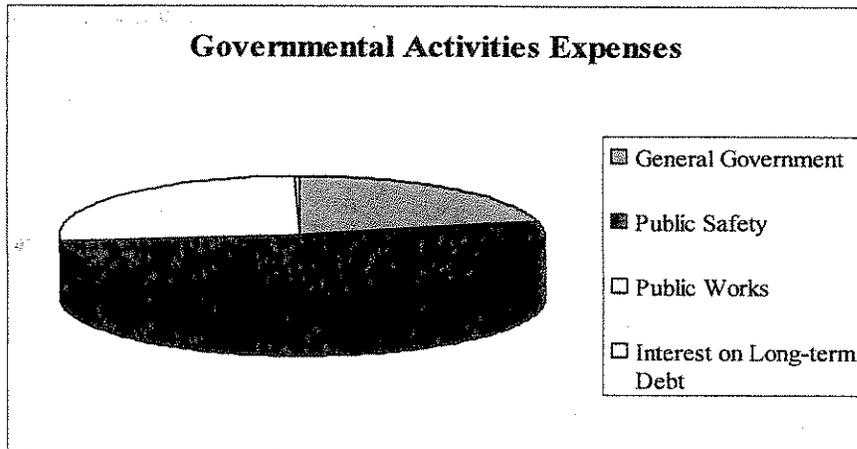
Governmental activities increased the City of Granite City's net assets by approximately \$5.1 million. Revenues and transfers in the governmental activities were \$27.4 million with the largest amounts coming from property taxes (\$7.0 million), sales and use taxes (\$3.5 million) and home rule sales tax (\$2.6 million). Total expenditures in the governmental activities were \$22.3 million with the largest percentage being spent on public safety (\$11.7 million). The business-type activities had a decrease of \$377,174. This represents revenues over expenditures in the wastewater treatment plant fund. Operating revenues increased by approximately \$483,000 to \$5,081,443 with operating expenses increasing by approximately \$1,235,000 to \$5,594,859. A breakdown of the governmental activities revenues in list and chart formats follows:

	<u>2005</u>	<u>2004</u>
Property Tax	\$ 7,044,335	\$ 6,630,925
Sales and use tax	3,542,659	3,781,043
Home rule sales tax	2,608,176	2,828,839
Operating grants and contributions	1,636,697	2,679,798
Charges for services	2,689,723	2,577,802
Replacement tax	2,056,964	1,756,011
State income tax	2,181,080	1,722,666
Capital grants and contributions	2,411,088	1,347,405
Motor fuel tax	915,143	890,354
Telecommunications tax	881,765	859,522
Miscellaneous	1,344,799	757,203
Interest income	89,057	37,120
Other state/local taxes	34,320	28,584
	<u>\$ 27,435,806</u>	<u>\$ 25,897,272</u>



A similar list and chart is presented to show a breakdown of the governmental activities expenses.

	<u>2005</u>	<u>2004</u>
General Government	\$ 4,678,010	\$ 4,319,732
Public Safety	11,692,020	13,142,979
Public Works	5,874,022	5,355,952
Interest on Long-term Debt	60,065	81,482
	<u>\$ 22,304,117</u>	<u>\$ 22,900,145</u>



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As of the end of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$9.8 million, an increase of \$1.8 million in comparison with the prior year. The City again spent significant amount of money for land purchases and engineering work related to the Pontoon Road overpass project during fiscal year 2005. These improvements are being reimbursed with monies from the State that are being deposited to the motor fuel tax fund.

The general fund is the chief operating fund of the City of Granite City. For the year ended April 30, 2005, the City's general fund had a increase in fund balance of approximately \$1,263,000. At the end of the current fiscal year, unreserved fund balance in the general fund was \$5.0 million, representing 29 percent of total general fund expenditures. This is an increase from the approximately 20% in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund spent approximately \$16.68 million in fiscal year 2005 under the budgetary basis of accounting. This amount is well under the City's budgeted expenses of approximately \$18.26 million. In addition, current year receipts were approximately \$19.08 million which exceeded the budgeted amounts by approximately \$450,000. This resulted in an excess of approximately \$2.0 million dollars in the General Fund using the budgetary basis of accounting.

CAPITAL ASSETS

The City of Granite City's investment in capital assets for its governmental and business-type activities as of April 30, 2005 amounts to \$12.2 million (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Purchase of land and engineering costs related to Pontoon Road overpass project.
- Major expenditures related to phase 2 of the renovations at the wastewater treatment plant.

LONG-TERM DEBT

At April 30, 2005, the City of Granite City had total general obligation bond debt outstanding of \$295,000. All of the bonds are secured by specified revenue sources and backed by the taxing powers of the City (i.e., TIF alternate revenue bonds).

During fiscal year 2004, the City entered into a second loan with IEPA to fund the renovations at the wastewater treatment plant. As of April 30, 2005, the outstanding draws on the new loan was \$3,785,695. The balance on the first IEPA loan that was used to rehabilitate sewer lines is \$1,555,291. Repayment of both loans will be funded with user fees.

The City retired the revenue bonds that were being paid with user fees collecting in the wastewater treatment plant fund.

The City also has several smaller debt obligations with some principal obligations extending until fiscal year 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Granite City's finances 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 Comptroller's Office, 2000 Edison Avenue, Granite City, IL 62040.

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2005

Functions/Programs	Program revenues			Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental	Business-type
					activities	activities
Governmental activities:						
General government	\$ 4,678,010	\$ 1,506,378	\$ -	\$ 175,000	\$ (2,996,632)	\$ (2,996,632)
Public safety	11,692,020	1,101,495	676,818	35,800	(9,877,907)	(9,877,907)
Public works	5,874,022	81,850	959,879	2,200,288	(2,632,005)	(2,632,005)
Interest on long-term debt	60,065	-	-	-	(60,065)	(60,065)
Total governmental activities	22,304,117	2,689,723	1,636,697	2,411,088	(15,566,609)	(15,566,609)
Business-type activities:						
Sewer	5,594,859	5,081,443	-	-	\$ (513,416)	(513,416)
Total Business-type activities	5,594,859	5,081,443	-	-	(513,416)	(513,416)
Total	\$ 27,898,976	\$ 7,771,166	\$ 1,636,697	\$ 2,411,088	(15,566,609)	(16,080,025)

General revenues:						
Property tax, levied for general purposes						7,044,335
Home rule sales tax						2,608,176
Sales and use tax						3,542,659
Replacement tax						2,056,964
State income tax						2,181,080
Motor fuel tax						915,143
Telecommunications tax						881,765
Other state and local taxes						34,320
Unrestricted investment earnings					136,242	225,299
Miscellaneous						1,344,799
Total general revenues and transfers					136,242	20,834,540
Change in net assets					(377,174)	4,754,515
Net assets - beginning					16,251,800	24,835,820
Net assets - ending					\$ 15,874,626	\$ 29,590,335

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

CITY OF GRANITE CITY, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2005

	<u>General Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 3,035,330	\$ 1,157,709	\$ 424,742	\$ 80,403	\$ 4,698,184
Investments	-	-	298,000	-	298,000
Receivables (net, where applicable, of allowances for uncollectibles):					
Property taxes	3,551,937	-	2,871,867	-	6,423,804
Intergovernmental	2,175,279	304,743	160,749	157,409	2,798,180
Accrued interest	-	-	1,873	-	1,873
Other	-	-	49,716	-	49,716
Due from other funds	926,563	-	2,760	-	929,323
Prepaid expenses	381,767	-	-	-	381,767
Temporary investment in land and purchase options	-	-	2,948,558	-	2,948,558
Total assets	<u>\$ 10,070,876</u>	<u>\$ 1,462,452</u>	<u>\$ 6,758,265</u>	<u>\$ 237,812</u>	<u>\$ 18,529,405</u>
 <u>Liabilities and Fund Equity</u>					
Liabilities:					
Vouchers payable	\$ 527,673	\$ 360,817	\$ 432,700	\$ 100,028	\$ 1,421,218
Due to other funds	-	-	15,240	96,606	111,846
Due to other governments	-	-	2,760	-	2,760
Deferred revenue	4,153,999	-	3,032,616	-	7,186,615
Total liabilities	<u>4,681,672</u>	<u>360,817</u>	<u>3,483,316</u>	<u>196,634</u>	<u>8,722,439</u>
Fund equity:					
Fund balance:					
Reserved for:					
Prepaid insurance	381,767	-	-	-	381,767
Encumbrances	-	1,101,635	-	-	1,101,635
Unreserved:					
Undesignated	5,007,437	-	-	-	5,007,437
Designated for redevelopment	-	-	3,274,949	-	3,274,949
Unreserved, reported in:					
Special revenue funds	-	-	-	36,769	36,769
Capital projects funds	-	-	-	4,409	4,409
Total fund equity	<u>5,389,204</u>	<u>1,101,635</u>	<u>3,274,949</u>	<u>41,178</u>	<u>9,806,966</u>
Total liabilities and fund equity	<u>\$ 10,070,876</u>	<u>\$ 1,462,452</u>	<u>\$ 6,758,265</u>	<u>\$ 237,812</u>	<u>\$ 18,529,405</u>

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

CITY OF GRANITE CITY, ILLINOIS

RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2005

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 9,806,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	6,272,074
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(1,243,758)
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(1,009,113)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(532,733)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(19,644)
Inclusion of the net effect for combining balances related to the Internal Service Fund - Health Fund	(320,894)
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes.	762,811
Net assets of governmental activities	<u>\$ 13,715,709</u>

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

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2005

	General Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 4,230,328	\$ -	\$ 2,814,007	\$ -	\$ 7,044,335
Intergovernmental:					
Home rule sales tax	2,374,345	-	-	-	2,374,345
Sales and use tax	3,091,281	-	129,465	-	3,220,746
Replacement tax	2,056,964	-	-	-	2,056,964
State income tax	2,181,080	-	-	-	2,181,080
Motor fuel tax	-	915,143	-	-	915,143
Telecommunications tax	804,786	-	-	-	804,786
Grants	223,146	-	175,000	2,454	400,600
Other	288,621	2,647,174	-	897,045	3,832,840
Other local taxes	18,368	-	-	-	18,368
Licenses and permits	906,699	-	-	-	906,699
Charges for services	1,967,564	-	-	-	1,967,564
Fines and forfeits	176,303	-	-	8,985	185,288
Interest	47,845	15,309	25,098	805	89,057
Miscellaneous	488,156	-	845,898	10,745	1,344,799
Total revenues	18,855,486	3,577,626	3,989,468	920,034	27,342,614
Expenditures:					
Current:					
General government	2,986,948	-	1,736,058	-	4,723,006
Public safety	10,904,969	-	-	367,660	11,272,629
Public works	3,020,801	1,849,684	802,177	558,181	6,230,843
Debt service:					
Principal	-	-	-	393,081	393,081
Interest	-	-	-	64,264	64,264
Capital outlay	301,511	1,937,174	595,618	-	2,834,303
Total expenditures	17,214,229	3,786,858	3,133,853	1,383,186	25,518,126
Excess (deficiency) of revenues over expenditures	1,641,257	(209,232)	855,615	(463,152)	1,824,488
Other financing sources (uses):					
Operating transfers in (out)	(378,494)	-	(89,640)	468,134	-
Total other financing sources (uses)	(378,494)	-	(89,640)	468,134	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,262,763	(209,232)	765,975	4,982	1,824,488
Fund balance at beginning of year	4,126,441	1,310,867	2,508,974	36,196	7,982,478
Fund balance at end of year	\$ 5,389,204	\$ 1,101,635	\$ 3,274,949	\$ 41,178	\$ 9,806,966

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

CITY OF GRANITE CITY, 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, 2005

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

Net change in fund balances - total governmental funds \$ 1,824,488

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year 2,303,666

The amount of compensated absences is not recorded as expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending compensated absences balances that has been included in the statement of activities. 69,028

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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. 397,280

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. (532,733)

The governmental funds reports the activity in the internal service fund as a separate fund. The statement of activities includes the internal service fund in the activities of the governmental funds and reports the net activity as a reduction of current year expenses in the allocated functional expense category. 437,236

The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes. This is the difference of deferred revenue for the sales and use tax from the beginning and end of the year. 632,724

Change in net assets of governmental activities \$ 5,131,689

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

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2005

	<u>Enterprise Fund</u> <u>Sewer</u>	<u>Internal</u> <u>Service Fund</u> <u>Health</u>
Operating revenues:		
Charges for services	\$ 5,074,668	\$ -
Special assessments	6,775	-
Contributions	-	2,776,840
Total operating revenues	<u>5,081,443</u>	<u>2,776,840</u>
Operating expenses:		
Personal services	2,426,763	2,350,654
Contractual service	1,314,331	-
Supplies	347,491	-
Materials/chemicals	131,779	-
Heat, light and power	730,800	-
Depreciation	581,050	-
Total operating expenses	<u>5,532,214</u>	<u>2,350,654</u>
Operating income	<u>(450,771)</u>	<u>426,186</u>
Nonoperating revenues (expenses):		
Interest income	136,242	11,050
Interest expense and fiscal charges	(62,645)	-
Total nonoperating revenues (expenses)	<u>73,597</u>	<u>11,050</u>
Change in net assets	(377,174)	437,236
Net assets (deficit) at beginning of year	<u>16,251,800</u>	<u>(758,130)</u>
Net assets (deficit) at end of year	<u>\$ 15,874,626</u>	<u>\$ (320,894)</u>

The notes are an integral part of the financial statements

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS - PENSION TRUST FUNDS FOR THE YEAR ENDED APRIL 30, 2005

Additions:

Property taxes	\$ 723,851
Employee contributions	518,168
Investment earnings:	
Investment earnings	2,016,456
Less: investment expense	(89,324)
Net investment earnings	<u>1,927,132</u>
Total additions	<u>3,169,151</u>

Deductions:

Benefit payments	3,348,954
Contractual services	35,960
Total deductions	<u>3,384,914</u>

Change in net assets (215,763)

Net assets at beginning of year 33,004,689

Net assets at end of year \$ 32,788,926

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

CITY OF GRANITE CITY, ILLINOIS

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Granite City, Illinois (the City) was incorporated March 9, 1896 under the provisions of "an act to provide for the incorporation of cities and villages". The City is a Home Rule Unit under the provisions of Article 7 of the Illinois Constitution of 1970. The City operates under the aldermanic-city form of government and provides the following services as authorized by its charter: public safety (police, fire and ambulance), highways and streets, sanitation, public improvements, planning and zoning, wastewater treatment and general administrative services.

The financial statements of the City of Granite City (government) 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's financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2005

	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Service Fund</u>
	<u>Health</u>	
Cash flows from operating activities:		
Cash received from users	\$ 5,580,461	\$ -
Cash received from user funds	-	2,776,840
Cash paid to suppliers for health claims	-	(2,596,366)
Cash paid to suppliers for goods and services	(3,852,113)	-
Cash paid to employees for services	(1,821,902)	-
Net cash provided (used) by operating activities	<u>(93,554)</u>	<u>180,474</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,772,177)	-
Proceeds from loan	2,498,456	-
Principal paid on bond maturities	(27,000)	-
Principal paid on loan	(191,504)	-
Interest paid on bonds	(905)	-
Interest paid on loan	(63,662)	-
Net cash (used) by capital and related financing activities	<u>443,208</u>	<u>-</u>
Cash flows from investing activities:		
Sale (purchase) of investments	1,565,422	-
Interest on investments	134,473	11,050
Net cash provided (used) by investing activities	<u>1,699,895</u>	<u>11,050</u>
Net increase (decrease) in cash and cash equivalents	2,049,549	191,524
Cash and cash equivalents at beginning of year	1,797,976	449,100
Cash and cash equivalents at end of year	<u>\$ 3,847,525</u>	<u>\$ 640,624</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ (450,771)	\$ 426,186
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	581,050	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	499,018	-
(Increase) decrease in prepaid expenses	(34,514)	-
Increase (decrease) in vouchers payable	(694,078)	(245,712)
Increase (decrease) in other liabilities	5,741	-
Total adjustments	<u>357,217</u>	<u>(245,712)</u>
Net cash provided by operating activities	<u>\$ (93,554)</u>	<u>\$ 180,474</u>

The accompanying notes are an integral part of the financial statements . . .

CITY OF GRANITE CITY, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2005

Assets:

Cash and cash equivalents	\$ 2,467,657
Investments	29,552,889
Receivables:	
Property taxes	618,332
Accrued interest	150,048
Total assets	<u>32,788,926</u>

Liabilities:

None	-
Total liabilities	<u>-</u>

Net assets:

Held in trust for pension benefits and other purposes	<u>\$ 32,788,926</u>
--	----------------------

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

CITY OF GRANITE CITY, 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. For the most part, the effect of interfund activity has been removed from these statements. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(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

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

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally 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 compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental taxes, licenses and interest 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 funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor fuel tax fund accounts for the taxes and reimbursements received and amounts paid related to motor fuel tax expenses.

The tax increment financing fund accounts for incremental taxes and other revenues as well as all expenses related to improvements and promotional costs related to the tax increment financing areas.

The government reports the following major proprietary fund:

The wastewater treatment plant enterprise fund accounts for all activities related to the billing, administration, distribution and collection processes of the wastewater treatment plant. The City operates the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The pension trust funds account for the activities of the police and firemen's pension funds, which accumulate 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

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

of the Governmental Accounting Standards Board. 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of 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. All short-term cash surpluses are maintained in Sweep accounts in the individual funds.

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

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

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 Illinois Funds and repurchase agreements of government securities. The pension trust funds 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.

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 "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 intergovernmental and property tax receivables are shown net of an allowance for uncollectible amounts. All accounts receivable related to the enterprise fund are shown at current realizable amounts based on current billings and collections. Any allowance for uncollectible amounts is considered immaterial.

Unbilled sewer utility receivables related to the business-type activities 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 7, 2004 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 2004 become an enforceable lien in January 2005. Because this tax levy will be used to pay expenses budgeted in fiscal year 2006, no part of this tax levy is shown as a receivable as of April 30, 2005 in the statement of net assets. The County has not mailed tax bills as of April 30, 2005 and past mailing practices of the County have generally been subsequent to April 30 of each year. The City receives significant distributions of tax receipts beginning in late June or early July of each year

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Temporary investment in land and purchase options

Through the use of tax increment financing, the City has purchased several parcels of land to be held for resale to developers or individuals in an effort to create future economic growth within the tax increment financing areas of the City.

Capital assets

Capital assets, which include property, buildings, equipment and vehicles, are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and 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 assets 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 75
Treatment facility	20 - 50
Equipment	5 - 18
Vehicles	5 - 10

Compensated absences

Under terms of the various City ordinances and negotiated contracts, City employees are granted vacation based on continuous employment service. Employee vacations vest as of their anniversary date. Employees are entitled to sick leave based on completed months of service. The City's policies and negotiated contract provisions

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

regarding sick leave permit employees to accumulate a maximum accumulation of sick leave, usually ninety days. The City cancels accumulated sick leave on the date of employee termination, except in the case of qualified retirement or employee death wherein 50% of the accumulated sick leave is paid.

At April 30, 2005, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$441,416 and \$802,342, respectively. Amounts reflected in the financial statements at April 30, 2005 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$54,705 and \$176,104, respectively

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term 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 the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund equity

In the fund financial statements, 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.

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

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

<u>Governmental funds</u>	
Reserved for prepaid insurance	\$ 381,767
Reserved for encumbrances	1,101,635
Designated for development	3,274,949
<u>Fiduciary funds</u>	
Reserved for employees' pension benefits	\$ 32,788,926

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.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

Each year the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the fiscal year commencing May 1. The operating budgets include proposed expenditures and the means of financing them. The budgets are legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Annual budgets for Special Revenue Funds are not formally adopted by ordinance at the beginning of the fiscal year, but are approved throughout the fiscal year by formal resolution of the City Council or by City Council approval for the payment of expenditures. Operations in these funds are controlled by project budgets.

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

- o Prior to May 15, the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- o A public hearing is conducted to obtain taxpayer comments.

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

- Prior to August 1, the budget is legally enacted through passage of an ordinance.
- The City Comptroller is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- Budgets for all funds are adopted on the cash basis. For financial statement presentation, budgeted amounts are also presented on the cash basis.

The major differences between the budgetary and GAAP basis of accounting are:

- Revenues are recorded when received in cash (budgetary) as opposed to when they are measurable and available (GAAP).
- Expenditures are recorded when paid or when a liability has been incurred which has been budgeted to be paid with expendable financial resources (budgetary), as opposed to when the obligation is incurred (GAAP).

The City had no funds with actual expenditures in excess of the appropriated amounts.

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government & Business-Like Activities

At April 30, 2005, the carrying amount of the City's deposits was \$7,695,795 and the bank balance was \$7,968,545. The deposits were comprised of checking, interest checking, savings, money market 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, 2005, \$54,189 of the City's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

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

As of April 30, 2005, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	14.00 (Days)	\$ 3,198,572
Federal National Mortgage Association	3.32	565,000
Federal Home Loan Bank	4.35	549,110
Federal Home Loan Mortgage	2.47	<u>99,750</u>
		4,412,432
Deposits as reported above		<u>7,965,795</u>
Total deposits and investments		<u>\$ 12,378,227</u>
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		\$ 9,186,333
Investments		<u>3,191,894</u>
		<u>\$ 12,378,227</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, 2005, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage	AAA	Aaa

Concentration of Credit Risk. As of April 30, 2005, the City's did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2005, the City did not have foreign currency risk.

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

Fire Pension Fund

At April 30, 2005, the carrying amount of the Fire Pension Fund's deposits was \$670,047 and the bank balance was \$659,096. The deposits were comprised of interest checking, money market and certificates of deposit.

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

As of April 30, 2005, the City's Fire Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	14.00 (Days)	\$ 1,167,619
U.S. Treasury Notes	0.8	1,527,300
Federal National Mortgage Association	4.78	23,522
Government National Mortgage Association	25.12	5,752,820
U.S.V.A. Vendee Mortgage	23.76	185,394
Mutual Funds	--	<u>7,302,046</u>
		15,958,701
Deposits as reported above		<u>670,047</u>
Total deposits and investments		<u>\$ 16,628,748</u>
As Reported in the Combining Statement of Fiduciary Net Assets:		
Cash and Cash Equivalents		\$ 1,837,665
Investments		<u>14,791,083</u>
		<u>\$ 16,628,748</u>

Interest Rate Risk. The Fire 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, 2005, the Fire Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Federal National Mortgage Association	AAA	Aaa
U.S.V.A. Vendee Mortgage	Not Rated	Not Rated

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

Concentration of Credit Risk. As of April 30, 2005, the Fire Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	34.60%
U.S. Treasury Note	9.18%

Foreign Currency Risk. As of April 30, 2005, the Fire Pension Fund did not have foreign currency risk

Police Pension Fund

At April 30, 2005, the carrying amount of the Police Pension's deposits was \$45,934 and the bank balance was \$35,778. The deposits were comprised of checking and interest checking accounts.

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, 2005, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	14.00 (days)	\$ 584,058
U.S. Treasury Bonds	11.05	1,004,750
U.S. Treasury Strips	4.08	1,865,161
Federal National Mortgage Association	14.31	549,112
Federal Home Loan Bank	12.60	1,489,663
Federal Farm Credit Bank	8.46	521,656
Government National Mortgage Association	27.08	2,718,698
Cook County, IL School District #155 - Municipal Bond	5.59	223,497
Mutual Funds	--	6,389,269
		15,345,864
Deposits as reported above		45,934
Total deposits and investments		<u>\$15,391,798</u>
As Reported in the Combining Statement of Fiduciary Net Assets:		
Cash and Cash Equivalents		\$ 629,992
Investments		14,761,806
		<u>\$15,391,798</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.

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

Credit Risk. As of April 30, 2005, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Cook County, IL School District #155 - Municipal Bond	--	Aaa
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa

Concentration of Credit Risk. As of April 30, 2005, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	17.66%
U.S. Treasury Strips	12.12%
Federal Home Loan Bank	9.68%
U.S. Treasury Bonds	6.53%

Foreign Currency Risk. As of April 30, 2005, the Police Pension Fund did not have foreign currency risk.

NOTE 4: RECEIVABLES

Receivables as of April 30, 2005 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Other Major Funds</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Receivables:</u>					
Interest	\$ -	\$ 1,873	\$ 19,217	\$ -	\$ 21,090
Accounts	-	-	757,831	-	757,831
Intergovernmental	2,175,279	465,492	-	157,409	2,798,180
Other	-	49,716	-	-	49,716
Net Total Receivables	<u>\$ 2,175,279</u>	<u>\$ 517,081</u>	<u>\$ 777,048</u>	<u>\$ 157,409</u>	<u>\$ 3,626,817</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. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ 6,423,804	\$ --
Intergovernmental taxes receivable	762,811	--

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,481,168	\$ 1,580,675	\$ -	\$ 3,061,843
Capital assets, being depreciated:				
Buildings and improvements	3,345,883	952,117	-	4,298,000
Equipment	3,284,708	178,748	-	3,463,456
Vehicles	4,067,253	122,763	35,981	4,154,035
Total capital assets being depreciated	<u>10,697,844</u>	<u>1,253,628</u>	<u>35,981</u>	<u>11,915,491</u>
Less accumulated depreciation for:				
Buildings and improvements	2,321,587	96,275	-	2,417,862
Equipment	2,630,671	170,676	-	2,801,347
Vehicles	3,258,346	263,686	35,981	3,486,051
Total accumulated depreciation	<u>8,210,604</u>	<u>530,637</u>	<u>35,981</u>	<u>8,705,260</u>
Total capital assets, being depreciated, net	<u>2,487,240</u>	<u>722,991</u>	<u>-</u>	<u>3,210,231</u>
Governmental activities capital assets, net	<u>\$ 3,968,408</u>	<u>\$ 2,303,666</u>	<u>\$ -</u>	<u>\$ 6,272,074</u>
<u>Business-type activities</u>				
Capital assets:				
Buildings	\$ 1,728,589	\$ -	\$ -	\$ 1,728,589
Treatment facility	27,392,895	1,789,980	-	29,182,875
Equipment	1,259,892	54,421	-	1,314,313
Vehicles	1,134,497	-	-	1,134,497
Total capital assets	<u>31,515,873</u>	<u>1,844,401</u>	<u>-</u>	<u>33,360,274</u>
Less accumulated depreciation for:				
Buildings	1,599,218	8,099	-	1,607,317
Treatment facility	15,012,734	442,806	-	15,455,540
Equipment	1,032,234	65,699	-	1,097,933
Vehicles	979,216	64,446	-	1,043,662
Total accumulated depreciation	<u>18,623,402</u>	<u>581,050</u>	<u>-</u>	<u>19,204,452</u>
Business-type activities capital assets, net	<u>\$ 12,892,471</u>	<u>\$ 1,263,351</u>	<u>\$ -</u>	<u>\$ 14,155,822</u>

Depreciation expense was charged to the various functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 47,771
Public safety	334,779
Public works	<u>148,087</u>
Total depreciation expense - governmental activities	<u>\$ 530,637</u>
<u>Business-type activities:</u>	
Wastewater treatment plant	<u>\$ 581,050</u>

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

NOTE 6: 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 governmental activities. The City has the following outstanding bond issue:

General Obligation Bonds

\$1,435,000 General Obligation Tax Increment Refunding Bonds, Series 1998 dated April 1, 1998, due in one final annual installment of \$295,000 on March 1, 2006; interest at 6.75%. The bonds were issued to refund the callable portion of the City's outstanding Taxable General Obligation Tax Increment Bonds, Series 1991A. Principal and interest on these bonds will be paid from certain property and sales tax incremental revenues of the Tax Increment Financing Special Revenue Funds.

The annual requirements to retire general obligation debt as of April 30, 2005 are as follows:

Fiscal Year Ended	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 295,000	\$ 19,913	\$ 314,913

Notes/Capital Leases Payable

The City was awarded a \$3,558,682 loan in July, 1990 through the State of Illinois Environmental Protection Agency Water Pollution Control Revolving Fund. This loan financed a program of rehabilitation of Nameoki Area sewers by means of cured-in-place linings inserted into sewer lines which were identified as being routinely below the water table and susceptible to infiltration and collapse. Payments are due semiannually on February 1 and August 1 through February 2012, including interest at 3.745%. The balance of the loan at April 30, 2005 is \$1,559,291.

The City was awarded a second loan of \$3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water on August 12, 2003. This loan financed the upgrade of the City's Regional Wastewater Treatment Facilities. Payments are due semiannually on January 27 and July 27 through January 2025, including interest at 2.50%. As of April 30, 2005, the balance outstanding on the loan was \$3,785,695, which includes accrued interest of \$72,225.

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

The City entered into a loan with Madison County Community Development (MCCD) for infrastructure in the new industrial park. The loan of \$300,000 is to be repaid in 120 monthly installments through September 2007 of \$3,037 including interest at 4.00%. The balance of the loan at April 30, 2005 is \$102,878.

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park. The loan of \$725,914 is to be repaid by twenty annual installments through May 24, 2019. The annual installments, including interest at 3.00%, are \$48,793. The balance of the loan at April 30, 2005 is \$582,486.

The City entered into a loan with Madison County Community Development (MCCD) for infrastructure improvements on October 12, 2000. The loan of \$161,407 is to be repaid in 65 monthly installments through March 12, 2006 of \$2,784, including interest at 4.00%. The balance of the loan at April 30, 2005 is \$28,749.

The annual requirements to retire the notes payable as of April 30, 2005 are as follows:

Fiscal Year Ended April 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 93,000	\$ 21,546	\$ 303,628	\$ 81,728
2007	66,532	18,709	370,135	145,281
2008	68,896	16,345	382,055	133,362
2009	34,222	14,571	394,372	121,044
2010	35,249	13,544	407,102	108,315
2011 - 2015	192,756	51,208	1,439,262	372,935
2016 - 2020	223,458	20,507	1,077,591	223,017
2021 - 2025	-	-	970,841	80,483
	<u>\$ 714,113</u>	<u>\$ 156,430</u>	<u>\$ 5,344,986</u>	<u>\$ 1,266,165</u>

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

The following is a summary of changes in long-term liabilities for the year ended April 30, 2005.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Government Activities:</u>					
Bond and notes payable:					
General obligation debt	\$ 560,000	\$ -	\$ 265,000	\$ 295,000	\$ 295,000
Notes payable	842,194	-	128,081	714,113	93,000
Total bonds and notes payable	1,402,194	-	393,081	1,009,113	388,000
Other liabilities:					
Net pension obligation	-	532,733	-	532,733	-
Compensated absences	1,312,786	-	69,028	1,243,758	441,416
Total other liabilities	1,312,786	532,733	69,028	1,776,491	441,416
Governmental activities long-term liabilities	<u>\$ 2,714,980</u>	<u>\$ 532,733</u>	<u>\$ 462,109</u>	<u>\$ 2,785,604</u>	<u>\$ 829,416</u>
<u>Business-type Activities:</u>					
Bond and notes payable:					
Revenue bonds	\$ 27,000	\$ -	\$ 27,000	\$ -	\$ -
Notes payable	2,965,809	2,570,681	191,504	5,344,986	303,628
Total bonds and notes payable	2,992,809	2,570,681	218,504	5,344,986	303,628
Other liabilities:					
Compensated absences	214,916	15,892	-	230,808	54,705
Business-type activities long-term liabilities	<u>\$ 3,207,725</u>	<u>\$ 2,586,573</u>	<u>\$ 218,504</u>	<u>\$ 5,575,794</u>	<u>\$ 358,333</u>

NOTE 7: RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

The City's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF, an agent multi-employer defined benefit plan, acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state

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

statute. The City is required to contribute at an actuarially determined rate. The City's rate for calendar year 2004 was 3.99 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 10 years.

For December 31, 2004, the City's annual pension cost of \$177,047 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40 percent to 11.60 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.00 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15.00 percent corridor. The assumptions used for the 2004 actuarial valuation information were based on the 1999-2001 experience study.

Trend Information for IMRF

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ 177,047	100%	\$ -
12/31/03	136,872	100%	-
12/31/02	65,242	100%	-

2. Police and Firemen Pension

a) Plan Description and Contributions 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.

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

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, 2005 was \$2,699,133 out of a total payroll of \$10,517,951.

At April 30, 2005, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	59
Current employees:	
Vested	31
Nonvested	<u>21</u>
Total	<u>111</u>

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 a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years to a maximum of 75% of such monthly 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 retirement 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 original pension and 3% annually thereafter.

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 without accumulated interest. The City is required to contribute the remaining amounts 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.

Fire-sworn personnel are covered by the Firemen's 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 mandated by Illinois Compiled Statutes (Chapter 40, Act 5, Article 4) and may be amended only by the

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

Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firemen's Pension Plan for the year ended April 30, 2005 was \$2,733,551 out of a total payroll of \$10,517,951.

At April 30, 2005, the Firemen's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	56
Current employees:	
Vested	34
Nonvested	<u>17</u>
Total	<u>107</u>

The following is a summary of the Firefighters' Pension Plan as provided for in the Illinois Compiled Statutes:

The Firemen's 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 a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

The monthly pension of a firefighter 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 original pension and 3% annually thereafter.

Covered employees are required to contribute 9.455% of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts (not less than 8.045%) 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 Firemen's Pension Plan is fully funded.

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

b) Summary of Significant Accounting Policies and Plan Asset Matters

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.

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 and 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:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual required contribution	\$ 1,139,566	\$ 1,284,845
Interest on net pension obligation	(32,236)	(33,674)
Adjustment to annual required contribution	<u>18,190</u>	<u>19,001</u>
Annual pension cost	1,125,520	1,270,172
Contributions made	<u>386,296</u>	<u>597,866</u>
Increase (decrease) in net pension obligation	739,224	672,306
Net pension obligation beginning of year	<u>(429,811)</u>	<u>(448,986)</u>
Net pension obligation end of year	<u>\$ 309,413</u>	<u>\$ 223,320</u>

The annual required contribution for the current year was determined as part of the April 30, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.5% 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 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, 2003, was 30.1699 years.

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

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>
Police Pension	04/30/03	\$ 1,125,520	34.32%	\$ 309,413
	04/30/01	921,562	100.00%	(429,811)
	04/30/00	788,981	72.07%	(100,790)
Fire Pension	04/30/03	\$ 1,270,172	47.07%	\$ 223,320
	04/30/01	1,121,815	100.00%	(448,986)
	04/30/00	996,136	75.44%	(90,892)

d) Concentration

The City has a concentration of 5% or more investments in the following organizations:

Police Pension:

Oakmark Fund	\$ 1,418,684
Longleaf Partners	1,047,647
Growth Fund of America	870,223

Fire Pension:

The Illinois Funds	1,167,619
Growth Fund of America	1,233,822
Oakmark Fund	1,171,320
Washington Mutual	1,051,331

e) Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 15,696,782
Firemen Pension	\$ 17,092,144

NOTE 9: RISK MANAGEMENT

On May 1, 1987, the City adopted a self-insured group health insurance program, which is administered by a service agent. The Health Service Fund is responsible for collecting interfund premiums for covered employees and retirees, paying benefit claims and administrative expenses, and purchasing certain insurance policies. Medical claims exceeding a Specific Stop Loss or a maximum annual liability (Aggregate Stop Loss) are covered through a private insurance carrier. Fund revenues are received as contribution premiums from other funds and are planned to match the total of expenses of insurance premiums for coverage obtained, claims resulting from the self-insurance program and administrative expenses. The City has discontinued the self-insured group health insurance program in the current year

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

The City also began a self-insured workers' compensation program in 2001 by which the City pays claims from general revenues up to a certain amount at which point the City carries excess coverage. The liability for claims experienced as of April 30, 2005 that are to be paid in the subsequent year is \$144,914 and is included in accounts payable.

The City is also 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

NOTE 10: TAX INCREMENT FINANCING SPECIAL REVENUE FUND

On July 1, 1986, the City adopted and approved a Tax Increment Redevelopment Plan and Project and ordinances adopting Tax Increment Financing, aimed at financing, through incremental property and sales taxes, the public improvements of a plan to revitalize and develop a designated Redevelopment Project area in the City's Downtown Central Business District. On September 23, 1997, the City adopted and approved an Industrial Park Conservation Area Redevelopment Plan that also will use Tax Increment Financing to develop the project area along Route 3 as an industrial park. Three additional TIF Districts have also been formed that allows the incremental taxes to be returned to the business that generates the increment as a reimbursement for capital outlay until expiration of the TIF or a predetermined minimum dollar amount is reimbursed by the City.

The City issued \$2,000,000 aggregate General Obligation Tax Increment Bonds (see Note 6) in July 1991, to provide financing for planned and future public improvements and development in the project area. These bonds have since been partially refunded in April 1998. Incremental property and sales taxes have been dedicated to provide for payment of the bond's yearly debt service.

NOTE 11: WASTEWATER TREATMENT PLANT ENTERPRISE FUND

Regionalization of Wastewater Treatment Plant

Pursuant to an intergovernmental cooperation agreement originally agreed to in April 1984 between the City; the Metro East Sanitary District; Madison County, Illinois; and the Village of Glen Carbon, Illinois, the Wastewater Treatment Plant began to accept and treat wastewater from the Lansdown Service Area of the Metro East Sanitary District, Madison County Special Service Area No. 1, and from the Village of Glen Carbon, Illinois. The participants have agreed to purchase wastewater treatment services from the

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

City at rates and charges established by the Granite City Regional Treatment Board. The rates and charges are intended to allocate the cost of services provided to each participant based on percentage of flow and wastewater content, which will reduce the City's operational cost burden. Total revenue earned by the Wastewater Treatment Plant Enterprise Fund from the three regional participants for the year ended April 30, 2005 was \$1,836,310.

NOTE 12: COMMITMENTS

A commitment under a lease agreement for the wastewater treatment plant provides for minimum annual rental payments as follows:

Year Ending <u>April 30,</u>	Land <u>Facilities</u>
2006	\$ 5,525
2007	5,525
2008	5,525
2009	5,525
2010	5,525
Thereafter	<u>15,200</u>
Total	<u>\$ 42,825</u>

NOTE 13: DEFICIT NET ASSETS

The City has deficit net assets in the Health Service Internal Service Fund as of April 30, 2005 of \$320,894.

NOTE 14: SUBSEQUENT EVENT

Subsequent to April 30, 2005, the City issued a TIF Revenue Note, Series 2005 and two Consumer Tax Revenue Notes, Series 2005 (Phase 1 and 2). These notes were issued for the purpose of paying a portion of the costs of redevelopment projects in the Nameoki TIF and Business Districts. A portion of the Consumer Tax Revenue Notes was retired by bonds issued by the Southwestern Illinois Development Authority. The remaining debt will be payable solely from the incremental taxes or from other taxes generated by the development and is not an indebtedness of the City.

CITY OF GRANITE CITY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
 FOR THE YEAR ENDED APRIL 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)
	Original	Budget	
Receipts:			
Property taxes	\$ 4,220,988	\$ 4,220,988	\$ 4,230,368
Intergovernmental:			
Home rule sales tax	2,680,000	2,680,000	2,664,918
Sales and use tax	3,361,000	3,361,000	3,369,801
Replacement tax	1,575,000	1,575,000	1,978,182
State income tax	2,018,000	2,018,000	2,284,785
Telecommunications tax	810,000	810,000	869,604
Grants	185,000	185,000	223,146
Other	343,000	343,000	277,070
Other local taxes	15,000	15,000	18,368
Licenses and permits	930,070	930,070	906,699
Charges for services	2,219,017	2,219,017	1,986,210
Fines and forfeits	192,300	192,300	176,303
Interest	10,000	10,000	47,845
Miscellaneous	62,645	62,645	42,813
Total receipts	<u>18,622,020</u>	<u>18,622,020</u>	<u>19,076,112</u>
Disbursements			
Current:			
General government	4,230,799	4,230,799	2,901,704
Public safety	10,700,293	10,700,293	10,397,550
Public works	2,973,619	2,973,619	3,013,971
Capital outlay	352,219	352,219	370,416
Total disbursements	<u>18,256,930</u>	<u>18,256,930</u>	<u>16,683,641</u>
Excess of receipts over disbursements	<u>365,090</u>	<u>365,090</u>	<u>2,392,471</u>
Other financing sources (uses):			
Operating transfers in (out)	<u>(364,355)</u>	<u>(364,355)</u>	<u>(378,494)</u>
Excess of receipts and other financing sources over disbursements	<u>\$ 735</u>	<u>\$ 735</u>	<u>2,013,977</u>
Change in budgeted reimbursements between funds			(7,134)
Change in intergovernmental revenue on modified accrual basis			(658,835)
Change in insurance expenses on modified accrual basis			(85,245)
As reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ 1,262,763</u>

CITY OF GRANITE CITY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2005

	<u>Budgeted Amounts</u>		Actual
	<u>Original</u>	<u>Budget</u>	<u>(Budgetary Basis)</u>
Receipts:			
Intergovernmental			
Motor fuel tax	\$ 907,923	\$ 907,923	\$ 907,923
Grants	3,411,375	3,411,375	3,411,375
Interest	15,309	15,309	15,309
Total receipts	<u>4,334,607</u>	<u>4,334,607</u>	<u>4,334,607</u>
Disbursements:			
Current:			
Public works	225,829	225,829	1,849,684
Capital outlay	2,777,184	2,777,184	1,742,499
Total disbursements	<u>3,003,013</u>	<u>3,003,013</u>	<u>3,592,183</u>
Excess of receipts over disbursements	<u>\$ 7,337,620</u>	<u>\$ 7,337,620</u>	<u>742,424</u>
Change in motor fuel tax receivable on modified accrual basis			7,220
Change in grant receivable on modified accrual basis			(764,201)
Change in accounts payable on modified accrual basis			(194,675)
As reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ (209,232)</u>

CITY OF GRANITE CITY, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
 TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED APRIL 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis)
	Original	Budget	
Receipts:			
Property taxes	\$ 2,814,007	\$ 2,814,007	\$ 2,814,007
Intergovernmental	304,465	304,465	304,465
Interest	25,098	25,098	25,098
Reimbursements/other	218,866	218,866	218,866
Total receipts	<u>3,362,436</u>	<u>3,362,436</u>	<u>3,362,436</u>
Disbursements:			
Current:			
General government	1,736,058	1,736,058	1,736,058
Public works	479,041	479,041	479,041
Capital outlay	595,616	595,618	595,618
Total disbursements	<u>2,810,715</u>	<u>2,810,717</u>	<u>2,810,717</u>
Excess of receipts over disbursements	<u>551,721</u>	<u>551,719</u>	<u>551,719</u>
Other financing sources (uses):			
Operating transfers out	<u>(89,640)</u>	<u>(89,640)</u>	<u>(89,640)</u>
Total other financing sources (uses)	<u>(89,640)</u>	<u>(89,640)</u>	<u>(89,640)</u>
Excess of receipts and other financing sources over disbursements and other financing (uses)	<u>\$ 462,081</u>	<u>\$ 462,079</u>	<u>462,079</u>
Change in accounts payable on modified accrual basis			(323,136)
Change in development loans receivable on modified accrual basis			(7,572)
Change in intergovernmental receivable on modified accrual basis			634,604
As reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ 765,975</u>

CITY OF GRANITE CITY, ILLINOIS

**SCHEDULE OF POLICE AND FIREMENS' PENSION
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
APRIL 30, 2005**

	Fiscal Year Valuation					
	<u>2004</u>	<u>2003</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Police Pension:						
Actuarial Value of Assets	\$ 15,433,005	\$ 14,280,601	\$ 15,012,923	\$ 14,455,581	\$ 14,356,789	\$ 13,139,077
Actuarial Accrued Liability (AAL)	33,161,001	32,453,157	23,279,088	21,084,914	19,719,157	18,697,057
Unfunded AAL (UAAL)	17,727,996	18,172,556	8,266,165	6,629,333	5,362,368	5,557,980
Funded Ratio	46.54%	44.00%	64.49%	68.56%	72.81%	70.27%
Covered Payroll	2,651,481	2,781,163	2,663,559	2,665,161	2,465,759	2,355,495
UAAL as a % of Covered Payroll	668.61%	653.42%	310.34%	248.74%	217.47%	235.96%
Employer Contributions:						
Required	1,122,464	1,139,566	925,179	801,091	677,465	687,308
Made	-	386,296	1,250,583	568,598	760,572	765,202
Percentage of Employer Contributions Made to Required Contribution	0.00%	33.90%	135.17%	70.98%	100.00%	100.00%
Firemens' Pension:						
Actuarial Value of Assets	\$ 17,196,296	\$ 15,730,725	\$ 16,243,326	\$ 16,326,369	\$ 15,442,827	\$ 14,239,885
Actuarial Accrued Liability (AAL)	34,263,848	32,170,731	24,748,970	23,334,316	21,309,392	21,210,483
Unfunded AAL (UAAL)	17,067,552	16,440,006	8,505,644	7,007,947	5,866,565	6,970,598
Funded Ratio	50.19%	48.90%	65.63%	69.97%	72.47%	67.14%
Covered Payroll	2,764,386	2,781,766	2,639,790	2,643,637	2,373,762	2,327,500
UAAL as a % of Covered Payroll	617.41%	590.99%	322.21%	265.09%	247.14%	299.49%
Employer Contributions:						
Required	1,323,855	1,284,845	1,124,986	1,008,176	860,246	918,306
Made	-	597,866	1,479,909	751,525	951,167	1,015,998
Percentage of Employer Contributions Made to Required Contribution	0.00%	46.53%	131.55%	74.54%	100.00%	100.00%

2004 is the last reported year due to receiving tax revenue from the 2005 actuarial valuation in the fiscal year ended April 30, 2007. The 2002 actuarial was not used due to the State of Illinois now providing actuarial reports on a timely basis. This resulted with the 2002 and 2003 actuarials being received at the same time; thereby, eliminating the use of the 2002 actuarial valuation.

Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Remaining Amortization Period:	29.1699
Asset Valuation Method:	Market
Actuarial Assumptions:	
Interest Rate	7.5%
Salary Progression	5.5%
Cost of Living Adjustments	3.0%

CITY OF GRANITE CITY, ILLINOIS

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
APRIL 30, 2005

	Calendar Year Valuation					
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Actuarial Value of Assets	\$ 14,411,248	\$ 14,992,430	\$ 15,466,974	\$ 15,789,761	\$ 14,842,190	\$ 13,175,717
Actuarial Accrued Liability (AAL)	13,928,632	14,220,717	13,573,077	13,206,589	11,819,034	10,477,618
Unfunded AAL (UAAL)	(482,616)	(771,713)	(1,893,897)	(2,583,172)	(3,023,156)	(2,698,099)
Funded Ratio	103.46%	105.43%	113.95%	119.56%	125.58%	125.75%
Covered Payroll	4,437,281	4,472,941	4,468,700	4,835,549	4,498,811	4,174,108
UAAL as a % of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contributions:						
Required	177,047	136,872	65,242	61,411	179,952	312,222
Made	177,047	136,872	65,242	61,411	179,952	312,222
Percentage of Employer Contributions						
Made to Required Contribution	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$14,446,390. On a market basis, the funded ratio would be 103.72%.

Digest of Changes - The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study. The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For regular members, fewer normal and early retirements are expected to occur.

Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Remaining Amortization Period:	10 Years
Asset Valuation Method:	5 Year Smoothing
Actuarial Assumptions:	
Interest Rate	7.5%
Salary Progression	4.4 - 15.6%
Cost of Living Adjustments	3.0%

CITY OF GRANITE CITY, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2005

	Special Revenue Funds		Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Traffic Prevention	Community Development	Capital Projects	Debt Service	
		Total			
Cash and cash equivalents	\$ 37,932	\$ -	\$ 42,471	\$ -	\$ 80,403
Receivables:					
Intergovernmental	-	146,925	10,484	-	157,409
Total assets	\$ 37,932	\$ 146,925	\$ 52,955	\$ -	\$ 237,812
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Vouchers payable	\$ 163	\$ 95,769	\$ 4,259	\$ -	\$ 100,028
Due to other funds	1,000	51,319	44,287	-	96,606
Total liabilities	1,163	146,925	48,546	-	196,634
Fund balance:					
Unreserved	36,769	-	4,409	-	41,178
Total fund balance	36,769	-	4,409	-	41,178
Total liabilities and fund balance	\$ 37,932	\$ 146,925	\$ 52,955	\$ -	\$ 237,812

CITY OF GRANITE CITY, ILLINOIS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2005

	Special Revenue Funds			Capital Project Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Drug Traffic Prevention	Community Development	Total	Capital Projects	Debt Service	
Revenues:						
Intergovernmental	\$ 2,454	\$ 897,045	\$ 899,499	\$ -	\$ -	\$ 899,499
Fines and forfeits	8,985	-	8,985	-	-	8,985
Interest	447	-	447	358	-	805
Reimbursements/other	10,745	-	10,745	-	-	10,745
Total Revenues	22,631	897,045	919,676	358	-	920,034
Expenditures:						
Current:						
Public safety	19,408	348,252	367,660	-	-	367,660
Public works	-	512,993	512,993	45,188	-	558,181
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	457,345	457,345
Total expenditures	19,408	861,245	880,653	45,188	457,345	1,383,186
Excess (deficiency) of revenues over expenditures	3,223	35,800	39,023	(44,830)	(457,345)	(463,152)
Other financing sources (uses):						
Operating transfers in (out)	-	(35,800)	(35,800)	46,589	457,345	468,134
Total other financing sources (uses)	-	(35,800)	(35,800)	46,589	457,345	468,134
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	3,223	-	3,223	1,759	-	4,982
Fund balance at beginning of year	33,546	-	33,546	2,650	-	36,196
Fund balance at end of year	\$ 36,769	\$ -	\$ 36,769	\$ 4,409	\$ -	\$ 41,178

CITY OF GRANITE CITY, ILLINOIS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
APRIL 30, 2005

	Pension Trust Funds		Total
	Police	Firemen	
Assets:			
Cash and cash equivalents	\$ 629,992	\$ 1,837,665	\$ 2,467,657
Investments	14,761,806	14,791,083	29,552,889
Receivables:			
Property taxes	238,115	380,217	618,332
Accrued interest	66,869	83,179	150,048
Total assets	<u>15,696,782</u>	<u>17,092,144</u>	<u>32,788,926</u>
Liabilities:			
None	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net assets:			
Held in trust for pension benefits and other purposes	<u>\$ 15,696,782</u>	<u>\$ 17,092,144</u>	<u>\$ 32,788,926</u>

CITY OF GRANITE CITY, ILLINOIS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED APRIL 30, 2005

	Pension Trust Funds		Total
	Police	Firemen	
Additions:			
Property taxes	\$ 279,616	\$ 444,235	\$ 723,851
Employee contributions	259,787	258,381	518,168
Investment earnings:			
Investment earnings	1,041,980	974,476	2,016,456
Less: investment expense	(40,262)	(49,062)	(89,324)
Net investment earnings	1,001,718	925,414	1,927,132
Total additions	1,541,121	1,628,030	3,169,151
Deductions:			
Benefit payments	1,648,312	1,700,642	3,348,954
Contractual services	19,328	16,632	35,960
Total deductions	1,667,640	1,717,274	3,384,914
Change in net assets	(126,519)	(89,244)	(215,763)
Net assets, beginning of year	15,823,301	17,181,388	33,004,689
Net assets, end of year	\$ 15,696,782	\$ 17,092,144	\$ 32,788,926

CITY OF GRANITE CITY, ILLINOIS
TAX INCREMENT FINANCING FUNDS

COMBINING BALANCE SHEET

APRIL 30, 2005

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	Totals
<u>Assets</u>						
Cash	\$ 406,690	-	-	\$ 18,052	-	\$ 424,742
Investments	298,000	-	-	-	-	298,000
Receivables:						
Property taxes	1,008,890	67,637	795,684	999,656	-	2,871,867
Intergovernmental receivable	160,749	-	-	-	-	160,749
Development loans	49,716	-	-	-	-	49,716
Accrued interest	1,873	-	-	-	-	1,873
Due from other funds	-	-	-	-	2,760	2,760
Temporary investment in land and purchase options	2,855,655	-	-	92,903	-	2,948,558
Total assets	\$ 4,781,573	\$ 67,637	\$ 795,684	\$ 1,110,611	\$ 2,760	\$ 6,758,265
<u>Liabilities and Fund Balance</u>						
Liabilities:						
Vouchers payable	\$ 429,663	-	-	\$ 3,037	-	\$ 432,700
Due to other funds	2,760	-	-	12,480	-	15,240
Due to other governments	-	-	-	-	2,760	2,760
Deferred revenues:						
Property taxes	1,008,890	67,637	795,684	999,656	-	2,871,867
Intergovernmental	160,749	-	-	-	-	160,749
Total liabilities	1,602,062	67,637	795,684	1,015,173	2,760	3,483,316
Fund balance:						
Unreserved:						
Designated for redevelopment	3,179,511	-	-	95,438	-	3,274,949
Total fund balance	3,179,511	-	-	95,438	-	3,274,949
Total liabilities and fund balance	\$ 4,781,573	\$ 67,637	\$ 795,684	\$ 1,110,611	\$ 2,760	\$ 6,758,265

CITY OF GRANITE CITY, ILLINOIS
TAX INCREMENT FINANCING FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

FOR THE FISCAL YEAR ENDED APRIL 30, 2005

	<u>TIF District #1</u>	<u>TIF District #2</u>	<u>TIF District #3</u>	<u>TIF District #4</u>	<u>TIF District #5</u>	<u>Totals</u>
Revenues:						
Property taxes	\$ 1,031,419	\$ 52,597	\$ 942,712	\$ 787,279	\$ -	\$ 2,814,007
Grants	175,000	-	-	-	-	175,000
Intergovernmental	129,465	-	-	-	-	129,465
Interest	21,128	-	-	3,970	-	25,098
Reimbursements/other	843,780	-	-	2,118	-	845,898
Total revenues	<u>2,200,792</u>	<u>52,597</u>	<u>942,712</u>	<u>793,367</u>	<u>-</u>	<u>3,989,468</u>
Expenditures:						
General government	30,147	52,597	942,712	710,602	-	1,736,058
Public works	802,177	-	-	-	-	802,177
Capital outlay	595,618	-	-	-	-	595,618
Total expenditures	<u>1,427,942</u>	<u>52,597</u>	<u>942,712</u>	<u>710,602</u>	<u>-</u>	<u>3,133,853</u>
Excess of revenues over expenditures	772,850	-	-	82,765	-	855,615
Other financing sources (uses):						
Operating transfers from (to) other funds	(4,399)	-	-	(85,241)	-	(89,640)
Total other financing sources (uses)	<u>(4,399)</u>	<u>-</u>	<u>-</u>	<u>(85,241)</u>	<u>-</u>	<u>(89,640)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	768,451	-	-	(2,476)	-	765,975
Fund balance at beginning of year	2,411,060	-	-	97,914	-	2,508,974
Fund balance at end of year	<u>\$ 3,179,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,438</u>	<u>\$ -</u>	<u>\$ 3,274,949</u>

CITY OF GRANITE CITY, ILLINOIS

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)

FOR THE FISCAL YEAR ENDED APRIL 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED APRIL 30, 2004

		<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)	<u>Actual</u>
General government:				
Executive:				
Personal services	\$ 332,847	\$ 325,373	\$ 7,474	\$ 413,578
Supplies	6,400	5,159	1,241	6,080
Other services and charges	45,800	100,536	(54,736)	43,264
Total executive	<u>385,047</u>	<u>431,068</u>	<u>(46,021)</u>	<u>462,922</u>
Clerk:				
Personal services	230,639	229,530	1,109	220,112
Supplies	61,200	78,795	(17,595)	60,281
Other services and charges	2,600	3,920	(1,320)	2,714
Capital outlay	-	-	-	1,125
Total clerk	<u>294,439</u>	<u>312,245</u>	<u>(17,806)</u>	<u>284,232</u>
Legislative:				
Personal services	113,839	115,175	(1,336)	113,725
Supplies	4,650	4,076	574	4,028
Other services and charges	12,850	12,140	710	1,034
Total legislative	<u>131,339</u>	<u>131,391</u>	<u>(52)</u>	<u>118,787</u>
Treasurer:				
Personal services	212,556	212,194	362	192,614
Supplies	47,000	55,671	(8,671)	45,906
Other services and charges	5,650	6,699	(1,049)	5,830
Total treasurer	<u>265,206</u>	<u>274,564</u>	<u>(9,358)</u>	<u>244,350</u>

CITY OF GRANITE CITY, ILLINOIS

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)

FOR THE FISCAL YEAR ENDED APRIL 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED APRIL 30, 2004

		<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	Variance - favorable (unfavorable)	<u>Actual</u>
Financial administration:				
Personal services	1,167,368	546,534	620,834	983,238
Supplies	39,300	36,040	3,260	36,950
Other services and charges	1,948,100	1,169,862	778,238	1,513,580
Total financial administration	<u>3,154,768</u>	<u>1,752,436</u>	<u>1,402,332</u>	<u>2,533,768</u>
Total general government	<u>4,230,799</u>	<u>2,901,704</u>	<u>1,329,095</u>	<u>3,644,059</u>
Public safety:				
Police:				
Personal services	4,840,952	4,708,454	132,498	5,614,774
Supplies	179,300	198,232	(18,932)	186,721
Other services and charges	224,000	222,051	1,949	240,219
Capital outlay	261,176	272,630	(11,454)	59,937
Total police	<u>5,505,428</u>	<u>5,401,367</u>	<u>104,061</u>	<u>6,101,651</u>
Fire:				
Personal services	4,564,005	4,378,835	185,170	5,401,066
Supplies	82,500	84,360	(1,860)	70,357
Other services and charges	170,000	174,416	(4,416)	130,809
Capital outlay	34,970	32,832	2,138	12,702
Total fire	<u>4,851,475</u>	<u>4,670,443</u>	<u>181,032</u>	<u>5,614,934</u>
Civil defense:				
Personal services	20,032	20,032	-	19,733
Supplies	9,200	13,797	(4,597)	5,237
Other services and charges	2,350	2,627	(277)	7,535
Capital outlay	-	-	-	544
Total civil defense	<u>31,582</u>	<u>36,456</u>	<u>(4,874)</u>	<u>33,049</u>

CITY OF GRANITE CITY, ILLINOIS

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (BUDGETARY BASIS)

FOR THE FISCAL YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
			<u>Actual</u>
Engineering:			
Personal services	360,736	372,571	(11,835)
Supplies	176,700	150,075	26,625
Other services and charges	11,000	12,306	(1,306)
Capital outlay	11,250	12,726	(1,476)
Total engineering	<u>559,686</u>	<u>547,678</u>	<u>12,008</u>
Safety:			
Personal services	47,677	49,930	(2,253)
Supplies	5,800	8,252	(2,452)
Other services and charges	6,041	1,612	4,429
Capital outlay	-	-	-
Total safety	<u>59,518</u>	<u>59,794</u>	<u>(276)</u>
Total public safety	<u>11,007,689</u>	<u>10,715,738</u>	<u>291,951</u>
Public works:			
Streets and sewers:			
Personal services	1,620,166	1,694,961	(74,795)
Supplies	553,500	518,008	35,492
Other services and charges	123,800	138,279	(14,479)
Capital outlay	29,000	35,606	(6,606)
Total streets and sewers	<u>2,326,466</u>	<u>2,386,854</u>	<u>(60,388)</u>
Sanitation:			
Personal services	390,153	382,969	7,184
Supplies	50,200	53,960	(3,760)
Other services and charges	235,800	225,794	10,006
Capital outlay	15,823	16,622	(799)
Total sanitation	<u>691,976</u>	<u>679,345</u>	<u>12,631</u>
Total public works	<u>3,018,442</u>	<u>3,066,199</u>	<u>(47,757)</u>
	<u>\$ 18,256,930</u>	<u>\$ 16,683,641</u>	<u>\$ 1,573,289</u>
			<u>\$ 18,934,660</u>



C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Teffeller
Kevin J. Tepen

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

To the Honorable Mayor and
City Council of the City of
Granite City, Illinois

We have audited the general purpose financial statements of the City of Granite City, Illinois for the year ended April 30, 2005, and have issued our report thereon dated April 11, 2006. The financial statements are the responsibility of the City of Granite City, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Granite City, Illinois is responsible for the government'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 State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our tests indicate that for the items tested, the City of Granite City, Illinois, complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142. Nothing came to our attention that caused us to believe that, for the items not tested, the City of Granite City, Illinois was not in compliance with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

233 East Center Drive
P.O. Box 416
Alton, Illinois 62002
(618) 465-7717 St. Louis (314) 355-2586
Fax (618) 465-7710

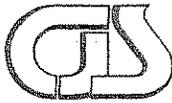


One Westbury Drive
Suite 420
St. Charles, Missouri 63301-2567
(636) 723-7611 St. Louis (636) 947-1008
Fax (636) 947-4558

This report is intended solely for the information and use of management, others within the organization, the City Council and the Illinois Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

C.J. Schlosser & Company LLC
Certified Public Accountants

April 11, 2006



C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Tefteller
Kevin J. Tepen

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

To the City Council
City of Granite City, 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 City of Granite City, Illinois, as of and for the year ended April 30, 2005, which collectively comprise the City of Granite City, Illinois's basic financial statements and have issued our report thereon dated April 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Granite City, Illinois's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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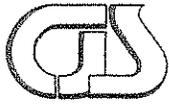
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St. Charles, Missouri 63301-2567
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objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

C. J. Schlosser & Company, LLC
Certified Public Accountants

April 11, 2006



C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Granite City, Illinois

Compliance

We have audited the compliance of City of Granite City, Illinois, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2005. The City of Granite City, Illinois's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of City of Granite City, Illinois's management. Our responsibility is to express an opinion on City of Granite City, Illinois's compliance based on our audit.

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

In our opinion, City of Granite City, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended April 30, 2005.

Internal Control Over Compliance

The management of City of Granite City, Illinois, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Granite City, Illinois's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the City Council, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

April 11, 2006

CITY OF GRANITE CITY, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2005

<u>Grantor and Program Title</u>	<u>Federal CFDA No.</u>	<u>Project or Grant No.</u>	<u>Award Period</u>	<u>Major Program</u>	<u>Expenditures</u>
<u>Environmental Protection Agency:</u>					
Infrastructure Financial Assistance	66.458	L17-1517	08/01/03 - 10/27/05	*	\$ 903,592
<u>Department of Justice:</u>					
Domestic Violence Protocol Implementation Program	16.588	600052	06/01/03 - 12/31/04		91,607
					<u>\$ 995,199</u>

See notes to schedule of expenditures of federal awards

CITY OF GRANITE CITY, ILLINOIS

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Granite City, Illinois. The City's reporting entity is defined in Note 1 to the City's financial statements.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

Relationship to Basic Financial Statements

Federal awards received are reflected in the City's financial statements.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended April 30, 2005.

Subrecipient Monitoring

The City did not pass through any federal funds to subrecipients during the year ended April 30, 2005.

CITY OF GRANITE CITY, ILLIONIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
APRIL 30, 2005

Part 1 -- Summary of Auditor's Results

- a) An unqualified opinion was issued in the report on the financial statements.
- b) No reportable conditions in internal control were disclosed by the audit of the financial statements of the City.
- c) The audit did not disclose any noncompliance which is material to the financial statements of the City.
- d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements of the City.
- e) An unqualified opinion was issued in the report on compliance for major programs.
- f) The audit did not disclose any audit findings that are required to be reported under Section .510(a).
- g) The City's major program is the Illinois Environmental Protection Agency Infrastructure Financial Assistance – CFDA #66.458.
- h) The dollar threshold to distinguish between Type A and Type B programs is \$300,000.
- i) The City does not qualify as a low-risk auditee under Section .530.

Part 2 -- The City has no findings to the financial statements that are required to be reported in accordance with GAGAS.

Part 3 -- The City has no findings or questioned costs for Federal awards.