

CITY OF GRANITE CITY, ILLINOIS  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

APRIL 30, 2006

Prepared By:  
Scott Oney – Comptroller  
City of Granite City, Illinois

CITY OF GRANITE CITY, ILLINOIS  
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## 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, 2006, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Granite City, Illinois as of April 30, 2006, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The 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 required supplementary information, combining nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information, combining nonmajor fund financial statements and other supplementary information 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 respect in relation to the basic financial statements taken as a whole

*Hughes & Associates, CPA, P.C.*

Hughes & Associates, CPA, P.C.  
Godfrey, Illinois  
November 20, 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, 2006. 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 \$31.9 million. Of this amount, \$8.2 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditor's.
- The City's total net assets increased by \$2.3 million.
- At the close of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$11,982,597. Approximately \$11.6 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 \$6,912,185 or 37% of total general fund expenditures.
- In the City's business-type activities, expenses exceeded revenues and net assets decreased by \$467,004.
- The City continued land acquisition and engineering work to the Pontoon Road overpass project.
- The City completed 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-like 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 6 and 7 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 8 and 10 of this report. Individual data for the "other governmental funds" is provided in the form of combining statements on pages 41 and 42 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 12 to 14 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 15 and 16 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, 2006, the City of Granite City's assets exceeded liabilities (net assets) by \$31.9 million.

Approximately 64% of the City of Granite City's net assets reflect 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 (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$27.2 million) may be used to meet the government's ongoing obligations to citizens and creditors.

### City of Granite City's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 17,767,488	\$ 11,682,708	\$ 7,616,958	\$ 7,754,062
Capital Assets	11,243,340	6,272,074	13,618,696	14,155,822
Total Assets	<u>29,010,828</u>	<u>17,954,782</u>	<u>21,235,654</u>	<u>21,909,884</u>
Long-Term Liabilities Outstanding	4,117,049	1,956,188	5,116,930	5,217,461
Other Liabilities	8,424,473	2,282,885	711,102	817,797
Total Liabilities	<u>12,541,522</u>	<u>4,239,073</u>	<u>5,828,032</u>	<u>6,035,258</u>
Net Assets:				
Invested in Capital Assets, Net				
of Related Debt	10,548,666	3,466,826	8,459,390	8,796,238
Restricted	4,680,004	4,799,529	-	-
Unrestricted	1,240,636	5,449,354	6,948,232	7,078,388
Total Net Assets	<u>\$ 16,469,306</u>	<u>\$ 13,715,709</u>	<u>\$ 15,407,622</u>	<u>\$ 15,874,626</u>

At the end of the current fiscal year, the City of Granite City was 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 \$2,753,597. Revenues and transfers in the governmental activities were \$27,632,051 with the largest amounts coming from property

taxes (\$7,037,808); sales and use taxes (\$3,499,329) and home rule sales tax (\$2,462,640). Total expenditures in the governmental activities were \$24,878,454 with the largest percentage being spent on public safety (\$13,977,352). The business-type activities had a decrease of \$467,004. This represents expenditures over revenues in the wastewater treatment plant fund. Operating revenues increased by approximately \$416,858 to \$5,498,301 with operating expenses increasing by approximately \$451,840 to \$6,046,699. A breakdown of the governmental activities revenues is as follows:

	<u>2006</u>	<u>2005</u>
Property Tax	\$ 7,037,808	\$ 7,044,335
Sales and Use Tax	3,499,329	3,542,659
Home Rule Sales Tax	2,462,640	2,608,176
Operating Grants and Contributions	1,086,463	1,636,697
Charges for Services	3,039,242	2,689,723
Replacement Tax	2,552,508	2,056,964
State Income Tax	2,655,389	2,181,080
Capital Grants and Contributions	2,871,734	2,411,088
Motor Fuel Tax	744,465	915,143
Telecommunications Tax	965,476	881,765
Miscellaneous	423,511	1,344,799
Investment Earnings	273,454	89,057
Other State and Local Taxes	20,032	34,320
	<u>\$ 27,632,051</u>	<u>\$ 27,435,806</u>

The following is a breakdown of the governmental activities expenses:

	<u>2006</u>	<u>2005</u>
General Government	\$ 5,149,383	\$ 4,678,010
Public Safety	13,977,352	11,692,020
Public Works	5,708,365	5,874,022
Interest on Long-Term Debt	43,354	60,065
	<u>\$ 24,878,454</u>	<u>\$ 22,304,117</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 \$11,982,597, an increase of \$2,175,631 in comparison with the prior year. The City again spent a significant amount of money for land purchases and engineering work related to the Pontoon Road overpass project during fiscal year 2006. These improvements are being reimbursed with monies from the State that are being deposited into 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, 2006, the City's general fund had an increase in fund balance of \$1,847,590. At the end of the current fiscal year, unreserved fund balance in the general fund was \$6,912,185, representing 37 percent of total general fund expenditures. This is an increase from the approximately 29 percent in the prior year.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund spent approximately \$18,206,370 in fiscal year 2006 under the budgetary basis of accounting. This amount is well under the City's budgeted expenses of approximately \$18,745,697. In addition, current year receipts were approximately \$20,274,191, which exceeded the budgeted amounts by \$310,158. This resulted in an excess of \$2,067,821 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, 2006 amounts to \$19,008,056 (net of related debt and accumulated depreciation). This investment in capital assets included 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 the City Hall renovation and computer system upgrade.

## **LONG-TERM DEBT**

During fiscal year 2004, the City entered into a loan with IEPA to fund the renovations at the wastewater treatment plant. As of April 30, 2006, the outstanding draws on the new loan were \$3,890,389. The balance on the first IEPA loan that was used to rehabilitate sewer lines was \$1,360,548 at April 30, 2006. Repayment of both loans will be funded with user fees.

The City retired the general obligation bonds that were being paid with property and sales taxes generated in the tax increment-financing district.

During the current fiscal year the city borrowed \$140,863 to finance the acquisition of departmental vehicles.

The City also has several smaller debt obligations with 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 NET ASSETS  
APRIL 30, 2006

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,166,235	\$ 3,860,611	\$ 10,026,846
Investments	695,000	2,737,753	3,432,753
Receivables (Net of Allowance for Uncollectibles)	9,950,655	956,286	10,906,941
Internal Advances to Other Funds	4,027	(4,027)	-
Prepaid Expenses and Deposits	540,609	66,335	606,944
General Real Estate Investment	410,962	-	410,962
Capital Assets (Net of Accumulated Depreciation)	11,243,340	13,618,696	24,862,036
Total Assets	<u>29,010,828</u>	<u>21,235,654</u>	<u>50,246,482</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	401,679	241,387	643,066
Accrued Employee Obligations	462,415	-	462,415
Accrued Vacation Leave	499,526	62,527	562,053
Accrued Interest Payable	3,035	37,053	40,088
Other Accrued Obligations	2,760	-	2,760
Deferred Real Estate Taxes	6,955,618	-	6,955,618
Notes Payable - Current Portion	99,440	370,135	469,575
Total Current Liabilities	<u>8,424,473</u>	<u>711,102</u>	<u>9,135,575</u>
Noncurrent Liabilities:			
Notes Payable - Noncurrent Portion	595,234	4,880,802	5,476,036
Accrued Sick Leave	1,345,562	236,128	1,581,690
Net Pension Obligation	2,176,253	-	2,176,253
Total Noncurrent Liabilities	<u>4,117,049</u>	<u>5,116,930</u>	<u>9,233,979</u>
Total Liabilities	<u>12,541,522</u>	<u>5,828,032</u>	<u>18,369,554</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	10,548,666	8,459,390	19,008,056
Restricted for:			
Redevelopment	4,355,395	-	4,355,395
Other Purposes	324,609	-	324,609
Unrestricted	1,240,636	6,948,232	8,188,868
Total Net Assets	<u>\$ 16,469,306</u>	<u>\$ 15,407,622</u>	<u>\$ 31,876,928</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 5,149,383	\$ 2,008,643	\$ 941,166	\$ 175,000	\$ (2,024,574)	\$ -	\$ (2,024,574)
Public Safety	13,977,352	986,528	145,297	432,000	(12,413,527)	-	(12,413,527)
Public Works	5,708,365	44,071	-	2,264,734	(3,399,560)	-	(3,399,560)
Interest on Long-Term Debt	43,354	-	-	-	(43,354)	-	(43,354)
Total Governmental Activities	24,878,454	3,039,242	1,086,463	2,871,734	(17,881,015)	-	(17,881,015)
<b>Business-Type Activities:</b>							
Wastewater	6,046,699	5,498,301	-	-	(548,398)	(548,398)	(548,398)
Total Business-Type Activities	6,046,699	5,498,301	-	-	(548,398)	(548,398)	(548,398)
<b>Total</b>	<b>\$ 30,925,153</b>	<b>\$ 8,537,543</b>	<b>\$ 1,086,463</b>	<b>\$ 2,871,734</b>	<b>(17,881,015)</b>	<b>(548,398)</b>	<b>(18,429,413)</b>
<b>General Revenues:</b>							
Property Tax, Levied for General Purposes					7,037,808	-	7,037,808
Home Rule Sales Tax					2,462,640	-	2,462,640
Sales and Use Tax					3,499,329	-	3,499,329
Replacement Tax					2,552,508	-	2,552,508
State Income Tax					2,655,389	-	2,655,389
Motor Fuel Tax					744,465	-	744,465
Telecommunications Tax					965,476	-	965,476
Other State and Local Taxes					20,032	-	20,032
Investment Earnings					273,454	219,615	493,069
Miscellaneous					423,511	(138,221)	285,290
Total General Revenues and Transfers					20,634,612	81,394	20,716,006
Change in Net Assets					2,753,597	(467,004)	2,286,593
Net Assets - Beginning					13,715,709	15,874,626	29,590,335
Net Assets - Ending					\$ 16,469,306	\$ 15,407,622	\$ 31,876,928

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
APRIL 30, 2006

	<u>General</u>	<u>Motor</u>	<u>Tax Increment</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Fuel Tax</u>	<u>Financing</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,600,032	\$ 320,438	\$ 1,207,926	\$ 37,839	\$ 6,166,235
Investments	695,000	-	-	-	695,000
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	3,765,868	-	3,189,750	-	6,955,618
Intergovernmental	2,464,072	71,725	46,681	115,439	2,697,917
Other	185,828	67,544	43,748	-	297,120
Due from Other Funds	100,535	-	2,760	-	103,295
Prepaid Expenses and Deposits	540,609	-	-	-	540,609
Rental Real Estate Investment	-	-	2,667,631	-	2,667,631
General Real Estate Investment	-	-	410,962	-	410,962
Total Assets	<u>12,351,944</u>	<u>459,707</u>	<u>7,569,458</u>	<u>153,278</u>	<u>20,534,387</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts Payable	256,817	72,134	6,313	66,415	401,679
Accrued Employee Obligations	462,415	-	-	-	462,415
Due to Other Funds	-	-	15,240	84,028	99,268
Other Accrued Obligations	-	-	2,760	-	2,760
Deferred Revenue	4,395,918	-	3,189,750	-	7,585,668
Total Liabilities	<u>5,115,150</u>	<u>72,134</u>	<u>3,214,063</u>	<u>150,443</u>	<u>8,551,790</u>
Fund Equity:					
Reserved for:					
Prepaid Insurance	324,609	-	-	-	324,609
Unreserved:					
Undesignated	6,912,185	-	-	-	6,912,185
Designated for Redevelopment	-	-	4,355,395	-	4,355,395
Unreserved, Reported in:					
Special Revenue Funds	-	387,573	-	25,468	413,041
Capital Projects Funds	-	-	-	(22,633)	(22,633)
Total Fund Equity	<u>7,236,794</u>	<u>387,573</u>	<u>4,355,395</u>	<u>2,835</u>	<u>11,982,597</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 12,351,944</u>	<u>\$ 459,707</u>	<u>\$ 7,569,458</u>	<u>\$ 153,278</u>	<u>\$ 20,534,387</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS  
YEAR ENDED APRIL 30, 2006

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$ 11,982,597
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	11,243,340
Rental Real Estate Investments are recorded as capital assets and depreciated and not maintained as investment real estate.	(2,667,631)
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(1,845,088)
Long-term debt (e.g., bonds, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental funds.	(694,674)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(2,176,253)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(3,035)
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.	<u>630,050</u>
Net assets of governmental activities	<u>\$ 16,469,306</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2006

	<u>General</u>	<u>Motor</u>	<u>Tax Increment</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Fuel Tax</u>	<u>Financing</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:					
Property Taxes	\$ 4,158,027	\$ -	\$ 2,879,781	\$ -	\$ 7,037,808
Intergovernmental:					
\ Home Rule Sales Tax	2,462,640	-	-	-	2,462,640
\ Sales and Use Tax	3,370,584	-	261,506	-	3,632,090
\ Replacement Tax	2,552,508	-	-	-	2,552,508
\ State Income Tax	2,655,389	-	-	-	2,655,389
Motor Fuel Tax	-	744,465	-	-	744,465
Telecommunications Tax	965,476	-	-	-	965,476
Grants	809,442	2,264,734	175,000	709,021	3,958,197
Other	219,860	-	-	-	219,860
Other Local Taxes	20,032	-	-	-	20,032
Licenses and Permits	600,782	-	-	-	600,782
Charges for Services	2,007,542	-	-	-	2,007,542
Fines and Forfeits	183,187	-	-	27,871	211,058
Investment Earnings	185,381	21,327	64,787	1,959	273,454
Miscellaneous	517,406	-	288,137	3,901	809,444
Total Revenues	<u>20,708,256</u>	<u>3,030,526</u>	<u>3,669,211</u>	<u>742,752</u>	<u>28,150,745</u>
Expenditures:					
Current:					
General Government	3,641,520	-	1,642,513	-	5,284,033
Public Safety	11,506,242	-	-	265,162	11,771,404
Public Works	3,429,355	1,356,867	270,539	488,090	5,544,851
Debt Service:					
Principal	-	-	-	455,302	455,302
Interest	-	-	-	59,963	59,963
Capital Outlay	-	2,387,721	226,770	-	2,614,491
Total Expenditures	<u>18,577,117</u>	<u>3,744,588</u>	<u>2,139,822</u>	<u>1,268,517</u>	<u>25,730,044</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,131,139</u>	<u>(714,062)</u>	<u>1,529,389</u>	<u>(525,765)</u>	<u>2,420,701</u>
Other Financing Sources (Uses):					
Proceeds From Borrowings	140,863	-	-	-	140,863
Operating Transfers In (Out)	(424,412)	-	(448,943)	487,422	(385,933)
Total Other Financing Sources (Uses)	<u>(283,549)</u>	<u>-</u>	<u>(448,943)</u>	<u>487,422</u>	<u>(245,070)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,847,590	(714,062)	1,080,446	(38,343)	2,175,631
Fund Balance - Beginning	5,389,204	1,101,635	3,274,949	41,178	9,806,966
Fund Balance - Ending	<u>\$ 7,236,794</u>	<u>\$ 387,573</u>	<u>\$ 4,355,395</u>	<u>\$ 2,835</u>	<u>\$ 11,982,597</u>

See accompanying notes to the basic financial statements.

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  
YEAR ENDED APRIL 30, 2006

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

Net change in fund balances - total governmental funds	\$ 2,175,631
Governmental funds report capital outlay 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 of capital assets for which funds were expended this year.	2,940,447
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.	(636,812)
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.	(601,330)
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 transactions, 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 these differences in the treatment of long-term debt.	331,048
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.	(1,643,520)
The governmental funds report 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.	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. This is the difference of deferred revenue for the sales and use tax from the beginning and end of the year.	(132,761)
Change in net assets of governmental activities	\$ <u>2,753,597</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND TYPES  
APRIL 30, 2006

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
	<u>Enterprise Fund</u>	<u>Internal</u>
	<u>Wastewater</u>	<u>Service Fund</u>
		<u>Health</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,860,611	\$ -
Investments	2,737,753	-
Accounts Receivable (Net of Allowance for Uncollectibles)	933,823	-
Interest Receivable	22,463	-
Prepaid Expenses	66,335	-
Total Current Assets	7,620,985	-
Noncurrent Assets:		
Capital Assets:		
Building and Improvements	1,728,589	-
Treatment Facility and Lines	29,275,521	-
Vehicles and Equipment	2,448,810	-
	33,452,920	-
Less Accumulated Depreciation	(19,834,224)	-
Net Capital Assets	13,618,696	-
Total Assets	21,239,681	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	241,387	-
Accrued Vacation Leave	62,527	-
Due to Other Funds	4,027	-
Accrued Interest	37,053	-
Notes Payable	370,135	-
Total Current Liabilities	715,129	-
Noncurrent Liabilities:		
Accrued Sick Leave	236,128	-
Notes Payable	4,880,802	-
Total Noncurrent Liabilities	5,116,930	-
Total Liabilities	5,832,059	-
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	8,459,390	-
Unrestricted	6,948,232	-
Total Net Assets	\$ 15,407,622	\$ -

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED APRIL 30, 2006

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u> <u>Internal</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>	<u>Service Fund</u> <u>Health</u>
Operating Revenues:		
Charges for Services	\$ 5,498,301	\$ -
Contributions	-	1,813,956
Total Operating Revenues	<u>5,498,301</u>	<u>1,813,956</u>
Operating Expenses:		
Personal Services	2,188,809	2,036,309
Industrial Pretreatment	83,643	-
Billings & Collection	102,930	-
Sewer Collection	1,319,279	-
Solids Handling	521,656	-
BOD Treatment	370,683	-
Primary Treatment	32,688	-
General and Administration	211,359	-
Dry Weather Pumping	217,028	-
Wet Weather Pumping	59,315	-
Minor Repairs and Capital Outlay	113,243	-
Other	46,330	-
Depreciation	629,772	-
Total Operating Expenses	<u>5,896,735</u>	<u>2,036,309</u>
Operating Income (Loss)	<u>(398,434)</u>	<u>(222,353)</u>
Non-Operating Revenues (Expenses)		
Investment Earnings	219,615	19,094
Interest Expense and Fiscal Charges	(149,964)	-
Total Non-Operating Revenues (Expenses)	<u>69,651</u>	<u>19,094</u>
Change in Net Assets	(328,783)	(203,259)
Other Financing Sources (Uses):		
Operating Transfers In (Out)	(138,221)	524,153
Net Assets (Deficit) - Beginning	<u>15,874,626</u>	<u>(320,894)</u>
Net Assets - Ending	<u>\$ 15,407,622</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>	<u>Internal</u> <u>Service Fund</u> <u>Health</u>
Cash Flows From Operating Activities:		
Cash Received from Users	\$ 5,322,309	\$ -
Cash Received User Funds	-	1,813,956
Cash Paid to Suppliers for Health Claims	-	(2,045,771)
Cash Paid to Suppliers for Goods and Services	(3,635,750)	-
Cash Paid to Employees for Services	(1,731,779)	-
Net Cash Provided (Used) By Operating Activities	<u>(45,220)</u>	<u>(231,815)</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(92,646)	-
Transfers to Other Funds	-	(427,903)
Proceeds from Borrowings	209,580	-
Principal Paid on Borrowings	(303,628)	-
Interest Paid on Borrowings	(127,510)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(314,204)</u>	<u>(427,903)</u>
Cash Flows From Investing Activities:		
Disposition of Investments	156,141	-
Investment Earnings	216,369	19,094
Net Cash Provided (Used In) Investing Activities	<u>372,510</u>	<u>19,094</u>
Net Increase (Decrease) In Cash and Equivalents	13,086	(640,624)
Cash and Equivalents - Beginning	<u>3,847,525</u>	<u>640,624</u>
Cash and Equivalents - Ending	<u>\$ 3,860,611</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (398,434)	\$ (222,353)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation	629,772	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(175,992)	-
(Increase) Decrease in Prepaid Expenses	35,066	-
Increase (Decrease) in Accounts Payable	(203,478)	(9,462)
Increase (Decrease) in Other Liabilities	67,846	-
Net Cash (Used) By Operating Activities	<u>\$ (45,220)</u>	<u>\$ (231,815)</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION TRUST FUNDS  
APRIL 30, 2006

ASSETS

Cash and Cash Equivalents	\$ 5,679,744
Investments	27,467,079
Receivables:	
Property Taxes	650,718
Accrued Interest	95,502
Total Assets	<u>33,893,043</u>

LIABILITIES

Liabilities	
None	-
Total Liabilities	<u>-</u>

NET ASSETS

Held in Trust for Pension Benefits and Other Purposes	<u>\$ 33,893,043</u>
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See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS - PENSION TRUST FUNDS  
APRIL 30, 2006

Additions:

Investment Earnings:

Investment Earnings	\$ 3,241,690
Less: Investment Expense	(80,359)
Net Investment Earnings	<u>3,161,331</u>

Property Taxes	663,337
Replacement Taxes	345,023
Employee Contributions	583,780
Total Additions	<u>4,753,471</u>

Deductions:

Benefit Payments	3,581,329
Contractual Services	68,025
Total Deductions	<u>3,649,354</u>

Change in Net Assets 1,104,117

Net Assets - Beginning 32,788,926

Net Assets - Ending \$ 33,893,043

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 1. 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 provision 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 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. 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.

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.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-Wide Financial Statements*

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

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

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, and 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.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise 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 contribution, 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 on 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. Short-term cash surpluses are generally 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 association or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United State 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 advances to other funds."

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net of an allowance for uncollectible accounts based on managements estimate of collectibility.

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 6, 2005 based upon the expected assessed valuation as of the January 1, 2006. 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 2005 become an enforceable lien in January 2006. The County has not mailed tax bills as of April 30, 2006 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.

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.

Investment in Real Estate

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.

In addition, the City has certain parcels of improved and unimproved real estate, which are rented to businesses within the tax increment financing areas.

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

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2006, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$499,526 and \$1,345,562, respectively. Amounts reflected in the financial statements at April 30, 2006 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$62,527 and \$236,128, 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. The City's policy is to first apply restricted resources and then unrestricted resources as expenses are incurred.

The following are descriptions and amounts of all reserves and designations recorded by the City in the fund financial statements:

Governmental Funds

Reserved for Prepaid Insurance	\$ 324,609
Designated for Development	4,355,395

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 33,893,043
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Estimates

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

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

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:

- 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.
- A public hearing is conducted to obtain taxpayer comments.
- 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).

During the current fiscal year, the City's Motor Fuel Tax Fund and TIF Fund had actual expenditures in excess of the appropriated amounts.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government & Business-Like Activities

At April 30, 2006, the carrying amount of the City's deposits was \$7,541,781 and the bank balance was \$8,369,885. 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.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of April 30, 2006 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)	\$ 4,255,065
Federal National Mortgage Association	1.94	812,753
Federal Home Loan Bank	1.89	<u>850,000</u>
		5,917,818
Deposits as Reported Above		<u>7,541,781</u>
Total Deposits and Investments		<u>\$ 13,459,599</u>
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		\$ 10,026,846
Investments		<u>3,432,753</u>
		<u>\$ 13,459,599</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, 2006, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard &amp; 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

Concentration of Credit Risk

As of April 30, 2006, the City did not have a concentration of credit risk.

Foreign Currency Risk

As of April 30, 2006, the City did not have foreign currency risk.

Fire Pension Fund

At April 30, 2006, the carrying amount of the Fire Pension Fund's deposits was \$4,463,239 and the bank balance was \$4,469,509. 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 Fund's name.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As of April 30, 2006, 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)	\$ 359
Federal Home Loan Mortgage	22.17	23,205
Federal National Mortgage Association	16.24	17,001
Government National Mortgage Association	24.58	4,883,744
U.S.V.A. Vendee Mortgage	22.87	129,251
Mutual Funds	--	<u>7,898,021</u>
		12,951,581
Deposits as Reported Above		<u>4,463,239</u>
Total Deposits and Investments		<u>\$ 17,414,820</u>

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	\$ 4,463,598
Investments	12,951,222
	<u>\$ 17,414,820</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, 2006, the Fire Pension Fund's investments credit ratings were as follows:

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

Concentration of Credit Risk

As of April 30, 2006, the Fire Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	28.04%

Foreign Currency Risk

As of April 30, 2006, the Fire Pension Fund did not have foreign currency risk.

Police Pension Fund

At April 30, 2006, the carrying amount of the Police Pension's deposits was \$78,400 and the bank balance was \$79,465. The deposits were comprised of checking and interest checking accounts.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2006, 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)	\$ 1,137,746
U.S. Treasury Bonds	0.77	1,328,494
U.S. Treasury Strips	5.34	1,883,226
Federal National Mortgage Association	13.13	514,150
Federal Home Loan Bank	11.56	1,394,680
Federal Farm Credit Bank	7.42	495,525
Government National Mortgage Association	26.44	2,228,044
Cook County, IL School District #155 - Municipal Bond	4.59	223,566
Mutual Funds	--	6,448,172
		<hr/>
Deposits as Reported Above		15,653,603
		<hr/>
		78,400
		<hr/>
Total Deposits and Investments		\$ 15,732,003
		<hr/> <hr/>
As Reported in the Combining Statement of Fiduciary Net Assets:		
Cash and Cash Equivalents		\$ 1,216,146
Investments		14,515,857
		<hr/>
		\$ 15,732,003
		<hr/> <hr/>

Interest Rate Risk

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

Credit Risk

As of April 30, 2006, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard &amp; 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
Governmental National Mortgage Association	Not Available	Not Available

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

As of April 30, 2006, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	14.16%
U.S. Treasury Strips	11.97%
Federal Home Loan Bank	8.87%
U.S. Treasury Bonds	8.44%

Foreign Currency Risk

As of April 30, 2006, the Police Pension Fund did not have foreign currency risk.

NOTE 4. RECEIVABLES

Receivables as of April 30, 2006 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	\$ 1,013,714
Ambulance Fees	185,828
Real Estate Taxes	6,955,618
Intergovernmental	2,697,917
Other	133,755
Total Receivables	<u>10,986,832</u>
Allowance for Uncollectible Accounts	<u>(79,891)</u>
Net Total Receivables	<u>\$ 10,906,941</u>

Real estate taxes totaling \$6,955,618 were not available for collection and payment of current liabilities at April 30, 2006 and are reported as deferred revenues.

NOTE 5. 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.

The City 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, 2006 that are to be paid in the subsequent year is \$462,415 and is included in accrued employee obligations.

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 reduction in coverage from the prior year and settlements have not exceeded coverage's in the past three years.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, not being Depreciated:				
Land	\$ 3,006,778	\$ 2,438,700	\$ -	\$ 5,445,478
Capital Assets, being Depreciated:				
Buildings and Improvements	3,878,235	2,731,305	-	6,609,540
Equipment	3,959,917	234,059	-	4,193,976
Vehicles	4,132,408	204,013	-	4,336,421
Total Capital Assets being Depreciated	<u>11,970,560</u>	<u>3,169,377</u>	<u>-</u>	<u>15,139,937</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,227,905	157,964	-	2,385,869
Equipment	3,000,781	205,173	-	3,205,954
Vehicles	3,476,577	273,675	-	3,750,252
Total Accumulated Depreciation	<u>8,705,263</u>	<u>636,812</u>	<u>-</u>	<u>9,342,075</u>
Total Capital Assets being Depreciated, Net	<u>3,265,297</u>	<u>2,532,565</u>	<u>-</u>	<u>5,797,862</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,272,075</u>	<u>\$ 4,971,265</u>	<u>\$ -</u>	<u>\$11,243,340</u>
<u>Business-Type Activities</u>				
Capital Assets:				
Buildings	\$ 1,728,589	\$ -	\$ -	\$ 1,728,589
Treatment Facility	29,182,875	92,646	-	29,275,521
Equipment	1,314,313	-	-	1,314,313
Vehicles	1,134,497	-	-	1,134,497
Total Capital Assets	<u>33,360,274</u>	<u>92,646</u>	<u>-</u>	<u>33,452,920</u>
Less Accumulated Depreciation for:				
Buildings	1,607,317	8,099	-	1,615,416
Treatment Facility	15,455,540	522,016	-	15,977,556
Equipment	1,097,933	63,819	-	1,161,752
Vehicles	1,043,662	35,838	-	1,079,500
Total Accumulated Depreciation	<u>19,204,452</u>	<u>629,772</u>	<u>-</u>	<u>19,834,224</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,155,822</u>	<u>\$ (537,126)</u>	<u>\$ -</u>	<u>\$13,618,696</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 170,619
Public Safety	325,957
Public Works	140,236
Total Depreciation Expense - Governmental Activities	<u>\$ 636,812</u>
<u>Business-Type Activities:</u>	
Wastewater Treatment Plant	<u>\$ 629,772</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 7. LONG-TERM DEBT

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, 2006 is \$1,360,548.

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, 2006, the balance outstanding on the loan was \$3,890,389.

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, 2006 is \$73,381.

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, 2006 is \$518,910.

The City entered into a loan with Ford Motor Credit to purchase two police vehicles. The loan of \$58,610 is to be repaid in three annual installments through December 7, 2008. The annual installments, including interest at 6.40%, are \$16,043. The balance of the loan at April 30, 2006 is \$42,568.

The City entered into a loan with Ford Motor Credit to purchase a truck for the sanitation department. The loan of \$23,206 is to be repaid in three annual installments through August 2008. The annual installments, including interest at 6.15%, are \$6,331. The balance of the loan at April 30, 2006 is \$16,876.

The City entered into a loan with Ford Motor Credit to purchase three Ford Escapes for the Building and Zoning Department. The loan of \$59,047 is to be repaid in three annual installments through August 2008. The annual installments, including interest at 6.15%, are \$16,108. The balance of the loan at April 30, 2006 is \$42,939.

The annual requirements to retire the notes payable as of April 30, 2006 are as follows:

Fiscal Year Ended	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>April 30</u>				
2007	\$ 99,440	\$ 24,284	\$ 370,135	\$ 143,281
2008	103,832	19,890	382,054	133,362
2009	75,189	15,824	394,371	121,044
2010	36,303	12,486	407,102	108,314
2011	37,396	11,397	420,258	95,157
2012-2016	204,495	39,470	1,223,951	331,952
2017-2021	138,019	8,362	1,104,698	195,908
2022-2025	-	-	948,368	52,415
	<u>\$ 694,674</u>	<u>\$ 131,713</u>	<u>\$ 5,250,937</u>	<u>\$ 1,181,433</u>

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 7. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term liabilities for the year ended April 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government Activities:					
Bond and Notes Payable:					
General Obligation Bonds	\$ 295,000	\$ -	\$ 295,000	\$ -	\$ -
Ford Motor Credit	-	140,863	38,480	102,383	32,080
IL Dept of Transportation	582,486		63,576	518,910	33,226
Madison County	131,627		58,246	73,381	34,134
Total	<u>1,009,113</u>	<u>140,863</u>	<u>455,302</u>	<u>694,674</u>	<u>99,440</u>
Other Liabilities:					
Net Pension Obligation	532,733	1,643,520	-	2,176,253	-
Compensated Absences	1,243,758	601,330	-	1,845,088	499,526
Total Other Liabilities	<u>1,776,491</u>	<u>2,244,850</u>	<u>-</u>	<u>4,021,341</u>	<u>499,526</u>
Governmental Activities Long-Term Liabilities	<u>\$ 2,785,604</u>	<u>\$ 2,385,713</u>	<u>\$ 455,302</u>	<u>\$ 4,716,015</u>	<u>\$ 598,966</u>
Business-Type Activities:					
Notes Payable:					
IL EPA (1)	\$ 1,559,291	\$ -	\$ 198,743	\$ 1,360,548	\$ 206,255
IL EPA (2)	3,785,695	209,579	104,885	3,890,389	163,880
Total	<u>5,344,986</u>	<u>209,579</u>	<u>303,628</u>	<u>5,250,937</u>	<u>370,135</u>
Other Liabilities:					
Compensated Absences	<u>230,808</u>	<u>67,847</u>	<u>-</u>	<u>298,655</u>	<u>62,527</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 5,575,794</u>	<u>\$ 277,426</u>	<u>\$ 303,628</u>	<u>\$ 5,549,592</u>	<u>\$ 432,662</u>

NOTE 8. 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](http://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.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 8. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The City's rate for calendar year 2005 was 7.90 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 payrolls on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2005 was 27 years.

For December 31, 2005, the City's annual pension cost of \$359,456 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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 effect 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 2005 actuarial valuation information were based on the 2002-2004-experience study.

Trend Information for IMRF

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 359,456	100%	\$ -
12/31/04	177,300	100%	-
12/31/03	136,872	100%	-

2. Police and Firemen Pension

a. Plan Description and Contributions Information

The Police Pension Plan covers police sworn personnel, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Act 5, Article 3) and may be amended only by the Illinois legislature.

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2006 was \$2,787,075 out of a total payroll of \$11,471,524.

At April 30, 2006, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	62
Current employees:	
Vested	30
Nonvested	22
Total	114

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 8. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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 the Firemen's Pension Plan covers personnel, which is 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 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, 2006 was \$2,922,509 out of total payroll of \$11,471,524.

At April 30, 2006, 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	57
Current Employees:	
Vested	37
Nonvested	<u>14</u>
Total	<u><u>108</u></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.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 8. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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.

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</u> <u>Pension</u>	<u>Firemen's</u> <u>Pension</u>
Annual Required Contribution	\$ 1,377,073	\$ 1,226,782
Interest on Net Pension Obligation	15,632	21,659
Adjustments to Annual Required Contribution	(8,908)	(12,744)
Annual Pension Cost	<u>1,383,797</u>	<u>1,235,697</u>
Contributions Made	<u>600,141</u>	<u>375,833</u>
Increase in Net Pension Obligation	783,656	859,864
Net Pension Obligation Beginning of Year	<u>223,320</u>	<u>309,413</u>
Net Pension Obligation End of Year	<u>\$ 1,006,976</u>	<u>\$ 1,169,277</u>

The annual required contribution for the current year was determined as part of the April 30, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using 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, 2005 was, 28.1699 years.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 8. RETIREMENT AND PENSION FUND COMMITMENTS (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	04/30/06	\$ 1,383,797	72.77%	\$ 1,006,976
	04/30/03	1,125,520	34.32%	309,413
	04/30/01	921,562	100.00%	429,811
Fire Pension	04/30/06	1,235,697	94.62%	1,169,277
	04/30/03	1,270,172	47.07%	223,320
	04/30/01	1,121,815	100.00%	448,986

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	11,676,319
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	\$ 16,041,553
Firemen Pension	17,854,408

NOTE 9. 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. Four 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.

In May of 2005, the Nameoki Village Tax Increment Financing District of the City issued a TIF Revenue Note, Series 2005 for \$700,000 and two Consumer Tax Revenue Notes, Series 2005 (Phase 1 for \$1,400,000 and Phase 2 for \$3,400,000). 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, \$1,280,000, of the Consumer Tax Revenue Notes was retired by \$1,635,000 in Special Business District Sales Tax Revenue Bonds issued by the Southwestern Illinois Development Authority.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 9. TAX INCREMENT FINANCING SPECIAL REVENUE FUND (Continued)

The TIF Revenue Note, Consumer Tax Revenue Notes and the Special Business District Sales Tax Revenue Bonds are payable solely from the incremental taxes or from other taxes generated by the development and are not an obligation of the City.

NOTE 10. 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 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 in percentage of flow and wastewater content, which will reduce the City's operation cost burden. Total revenue earned by the Wastewater Treatment Plant Enterprise Fund from the three regional participants for the year ended April 30, 2006 was \$1,899,815.

NOTE 11. 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>
2007	\$ 5,525
2008	5,525
2009	5,525
2010	5,525
2011	5,525
Thereafter	<u>9,675</u>
Total	<u>\$ 37,300</u>

NOTE 12. CONDUIT DEBT OBLIGATIONS

During the year ended April 30, 2006, the City issued Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of April 30, 2006, there was one series of Industrial Project Revenue Bonds outstanding, with a principal amount payable of \$1,000,000.

NOTE 13. DEFICIT NET ASSETS

The City has deficit net assets in the Capital Projects Fund as of April 30, 2006 of \$22,633.

CITY OF GRANITE CITY, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2006

NOTE 14. TRANSFERS

Transfers are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTE 15. LEASE REVENUE

The City of Granite City leases certain properties to area businesses. These leases are non-cancelable operating leases. A summary of the leases is as follows:

<u>Location</u>	<u>Current Annual Payment</u>	<u>Expiration (Including Extensions)</u>
1411 19th Street	\$ -	Expired
1509 Pontoon Road	42,000	October 2010
1801 State Stret	5,220	December 2009
Iowa & 24th Street	3,900	September 2010
2001 Madison Avenue	226,600	January 2060

Minimum rentals on non-cancelable leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 277,720
2008	275,980
2009	251,500
2010	230,500
2011	228,225
Total	<u>\$ 1,263,925</u>

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED APRIL 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
<b>Receipts:</b>			
Taxes	\$ 15,709,858	\$ 15,709,858	\$ 16,134,006
Intergovernmental Revenue	1,031,965	1,031,965	839,291
Charges for Services	2,035,870	2,035,870	2,200,609
Licenses and Permits	901,970	901,970	600,781
Fines and Forfeits	183,825	183,825	265,998
Investment Earnings	49,000	49,000	185,381
Miscellaneous	51,545	51,545	48,125
Total Receipts	<u>19,964,033</u>	<u>19,964,033</u>	<u>20,274,191</u>
<b>Disbursements</b>			
Mayor	517,723	517,723	529,193
Alderman	133,729	133,729	134,019
Clerk	325,805	325,805	329,916
Treasurer	283,660	283,660	286,773
Financial	2,409,762	2,409,762	1,934,590
Police	5,700,906	5,700,906	5,725,628
Fire	4,763,886	4,763,886	5,112,164
Street and Alley	2,872,614	2,872,614	2,716,667
Sanitation	785,092	785,092	675,005
Public Works	836,664	836,664	658,765
Safety and Risk	73,835	73,835	70,126
Civil Defense	42,021	42,021	33,524
Total Disbursements	<u>18,745,697</u>	<u>18,745,697</u>	<u>18,206,370</u>
Excess of Receipts over Disbursements	<u>\$ 1,218,336</u>	<u>\$ 1,218,336</u>	2,067,821
Change in intergovernmental revenue on modified accrual basis			434,065
Change in accounts payable on modified accrual basis			<u>(370,747)</u>
As reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ 2,131,139</u>

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
MOTOR FUEL TAX FUND  
FOR THE YEAR ENDED APRIL 30, 2006

	<u>Budgeted Amounts</u>		Actual
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
Receipts:			
Intergovernmental:			
Motor Fuel Tax	\$ 917,119	\$ 917,119	\$ 747,055
Grants	-	-	2,427,618
Investment Earnings	9,000	9,000	21,328
Total Receipts	<u>926,119</u>	<u>926,119</u>	<u>3,196,001</u>
Disbursements			
Maintenance	365,000	365,000	541,105
Street Overlay Program	636,000	636,000	564,324
Traffic/Crosswalk Program	19,650	19,650	-
Street Reseal Program	19,492	19,492	-
Engineering	74,519	74,519	62,919
Other	-	-	405,485
Capital Outlay	-	-	2,404,807
Total Disbursements	<u>1,114,661</u>	<u>1,114,661</u>	<u>3,978,640</u>
Excess of Receipts Over Disbursements	<u>\$ (188,542)</u>	<u>\$ (188,542)</u>	(782,639)
Change in motor fuel tax receivable on modified accrual basis			(2,590)
Change in grant receivable on modified accrual basis			(162,886)
Change in accounts payable on modified accrual basis			<u>234,053</u>
As reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ (714,062)</u>

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
TAX INCREMENT FINANCING FUND  
FOR THE YEAR ENDED APRIL 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>
	<u>Original</u>	<u>Final</u>	
<b>Receipts:</b>			
Real Estate Taxes	\$ 1,317,500	\$ 1,317,500	\$ 1,017,049
Real Estate Taxes - GCS	869,885	869,885	795,684
Real Estate Taxes - AS	32,173	32,173	67,637
Real Estate Taxes - Rt 3	711,835	711,835	999,656
Sales Taxes	70,000	70,000	84,749
Local Sales Taxes	60,000	60,000	154,626
Walgreen's Rent	226,600	226,600	245,483
Contract for Deed Payments	8,900	8,900	9,641
Investment Earnings	4,000	4,000	66,380
Bond Issues	5,050,000	5,050,000	7,135,000
Other	4,900	4,900	210,441
<b>Total Receipts</b>	<u>8,355,793</u>	<u>8,355,793</u>	<u>10,786,346</u>
<b>Disbursements</b>			
Downtown TIF			
Bond Payments	314,913	314,913	314,913
Dues	750	750	750
Niedringhaus Project	346,000	346,000	360,792
Computers	120,000	120,000	116,278
Other	-	-	519,055
Granite City Steel TIF	869,885	869,885	795,684
American Steel TIF	32,173	32,173	-
Route 3 TIF			
Easement	2,250	2,250	150
Real Estate Taxes	27,799	27,999	28,708
Lanter Rebate	205,270	205,270	236,939
AB Distribution	20,411	20,411	235,111
Kraft Rebate	73,576	73,576	268,095
Loan Repayments	316,719	316,719	134,030
Other	12,000	12,000	-
Nameoki Village TIF	5,050,000	5,050,000	7,176,859
Other	-	-	27,500
<b>Total Disbursements</b>	<u>7,391,746</u>	<u>7,391,946</u>	<u>10,214,864</u>
<b>Excess of Receipts Over Disbursements</b>	<u>\$ 964,047</u>	<u>\$ 963,847</u>	571,482
Change in revenue on modified accrual basis			17,865
Change in accounts payable on modified accrual basis			361,063
Change in Real Estate Investment			<u>130,036</u>
<b>As reported on the statement of revenues, expenditures and changes in fund balance</b>			<u>\$ 1,080,446</u>

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF POLICE AND FIREMEN'S PENSION  
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
APRIL 30, 2006

	Fiscal Year Valuation					
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Police Pension:</b>						
Actuarial Value of Assets	\$ 15,285,262	\$ 15,433,005	\$ 14,280,601	\$ 15,012,923	\$ 14,455,581	\$ 14,356,789
Actuarial Accrued Liability (AAL)	34,708,648	33,161,001	32,453,157	23,279,088	21,084,914	19,719,157
Unfunded AAL (UAAL)	19,423,386	17,727,996	18,172,556	8,266,165	6,629,333	5,362,368
Funded Ratio	44.04%	46.54%	44.00%	64.49%	68.56%	72.81%
Covered Payroll	2,699,133	2,651,481	2,781,163	2,663,559	2,665,161	2,465,759.00
UAAL as a % of Covered Payroll	719.62%	668.61%	653.42%	310.34%	248.74%	217.47%
<b>Employer Contributions:</b>						
Required	1,226,782	1,122,464	1,139,566	925,179	801,091	677,465
Made	-	375,833	386,296	1,250,583	568,598	760,572
<b>Percentage of Employer Contributions</b>						
Made to Required Contribution	0.00%	33.48%	33.90%	135.17%	70.98%	100.00%
<b>Firemen's Pension:</b>						
Actuarial Value of Assets	17,220,222	\$ 17,196,296	\$ 15,730,725	\$ 16,243,326	\$ 16,326,369	\$ 15,442,827
Actuarial Accrued Liability (AAL)	35,220,804	34,263,848	32,170,731	24,748,970	23,334,316	21,309,392
Unfunded AAL (UAAL)	18,000,582	17,067,552	16,440,006	8,505,644	7,007,947	5,866,565
Funded Ratio	48.89%	50.19%	48.90%	65.63%	69.97%	72.47%
Covered Payroll	2,733,551	2,764,386	2,781,766	2,639,790	2,643,637	2,373,762
UAAL as a % of Covered Payroll	658.51%	617.41%	590.99%	322.21%	265.09%	247.14%
<b>Employer Contributions:</b>						
Required	1,377,073	1,323,855	1,284,845	1,124,986	1,008,176	860,246
Made	-	600,141	597,866	1,479,909	751,525	951,167
<b>Percentage of Employer Contributions</b>						
Made to Required Contribution	0.00%	45.33%	46.53%	131.55%	74.54%	100.00%

Tax revenues based on the 2005 actuarial valuation will be received in fiscal year 2006.

The 2002 actuarial was not used due to the State of Illinois providing the 2003 and 2002 actuarial valuation at the same time; thereby, eliminating the use of the 2002 actuarial valuation.

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

Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Remaining Amortization Period:	28.1699
Asset Valuation Method:	Market
<b>Actuarial Assumptions:</b>	
Interest Rate	7.00%
Salary Progression	5.50%
Cost of Living Adjustments	3.00%

CITY OF GRANITE CITY, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT  
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
APRIL 30, 2006

	Calendar Year Valuation					
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Actuarial Value of Assets	\$ 15,023,927	\$ 14,411,248	\$ 14,992,430	\$ 15,466,974	\$ 15,789,761	\$ 14,842,190
Actuarial Accrued Liability (AAL)	14,409,113	13,928,632	14,220,717	13,573,077	13,206,589	11,819,034
Unfunded AAL (UAAL)	(614,814)	(482,616)	(771,713)	(1,893,897)	(2,583,172)	(3,023,156)
Funded Ratio	104.27%	103.46%	105.43%	113.95%	119.56%	156.58%
Covered Payroll	4,550,082	4,437,281	4,472,941	4,468,700	4,835,549	4,498,811
UAAL as a % of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contributions:						
Required	359,456	177,300	136,872	65,242	61,411	179,952
Made	359,456	177,300	136,872	65,242	61,411	179,952
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, 2005 is \$15,222,045. On a market basis, the funded ratio would be 105.64%.

Digest of Changes - The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 group annuity mortality implemented.
- For regular members, fewer normal and more early retirements are expected to occur.

Actuarial Cost Method: Entry Age Normal Cost

Amortization Method: Level Percentage of Payroll

Remaining Amortization Period: 27 Years

Asset Valuation Method: 5 Year Smoothing

Actuarial Assumptions:

Interest Rate 7.50%  
Salary Progression 4.40 - 15.60%  
Cost of Living Adjustments 3.00%

CITY OF GRANITE CITY, ILLINOIS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 APRIL 30, 2006

	Special Revenue Funds				Total Non-Major Governmental Funds
	Drug Traffic Prevention	Community Development	Total	Capital Projects	
\$ 26,669	\$ -	\$ 26,669	\$ 11,170	\$ -	\$ 37,839
	104,955	104,955	10,484	-	115,439
<u>\$ 26,669</u>	<u>\$ 104,955</u>	<u>\$ 131,624</u>	<u>\$ 21,654</u>	<u>\$ -</u>	<u>\$ 153,278</u>

ASSETS

Cash and Cash Equivalents  
 Receivables:

Intergovernmental  
 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable  
 Due to Other Funds  
 Total Liabilities

201	66,214	66,415	-	-	66,415
1,000	38,741	39,741	44,287	-	84,028
<u>1,201</u>	<u>104,955</u>	<u>106,156</u>	<u>44,287</u>	<u>-</u>	<u>150,443</u>

Fund Balances:

Unreserved  
 Total Fund Balances

25,468	-	25,468	(22,633)	-	2,835
<u>25,468</u>	<u>-</u>	<u>25,468</u>	<u>(22,633)</u>	<u>-</u>	<u>2,835</u>

Total Liabilities and Fund Balances

\$ 26,669	\$ 104,955	\$ 131,624	\$ 21,654	\$ -	\$ 153,278
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CITY OF GRAFTON, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2006

	Special Revenue Funds				Total	Nonmajor Governmental Funds
	Drug Traffic Prevention	Community Development	Total	Capital Projects		
Revenues:						
Intergovernmental	\$ 8,901	\$ 700,120	\$ 709,021	\$ -	\$ -	\$ 709,021
Fines and Forfeitures	27,871	-	27,871	-	-	27,871
Investment Earnings	1,158	-	1,158	801	-	1,959
Miscellaneous	3,901	-	3,901	-	-	3,901
Total Revenues	41,831	700,120	741,951	801	-	742,752
Expenditures:						
Public Safety	53,132	212,030	265,162	-	-	265,162
Public Works	-	488,090	488,090	-	-	488,090
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	515,265	515,265
Total Expenditures	53,132	700,120	753,252	-	515,265	1,268,517
Revenues Over (Under) Expenditures	(11,301)	-	(11,301)	801	(515,265)	(525,765)
Other Financing Sources (Uses):						
Operating Transfer in (out)	-	-	-	(27,843)	515,265	487,422
Total other Financing sources (uses)	-	-	-	(27,843)	515,265	487,422
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	(11,301)	-	(11,301)	(27,042)	-	(38,343)
Fund Balances - Beginning	36,769	-	36,769	4,409	-	41,178
Fund Balance - Ending	\$ 25,468	\$ -	\$ 25,468	\$ (22,633)	\$ -	\$ 2,835

CITY OF GRANITE CITY, ILLINOIS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
APRIL 30, 2006

	Pension Trust Funds		
	Police	Firemen	Total
Assets:			
Cash and Cash Equivalents	\$ 1,216,146	\$ 4,463,598	\$ 5,679,744
Investments	14,515,857	12,951,222	27,467,079
Receivables:			
Property Taxes	243,185	407,533	650,718
Accrued Interest	72,802	22,700	95,502
Total Assets	16,047,990	17,845,053	33,893,043
Liabilities			
None	-	-	-
Total Liabilities	-	-	-
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	\$ 16,047,990	\$ 17,845,053	\$ 33,893,043

CITY OF GRANITE CITY, ILLINOIS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED APRIL 30, 2006

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Firemen</u>	
Additions			
Investment Earnings:			
Investment Earnings:	\$ 1,510,492	\$ 1,731,198	\$ 3,241,690
Less: Investment Expense	(39,664)	(40,695)	(80,359)
Net Investment Earnings	<u>1,470,828</u>	<u>1,690,503</u>	<u>3,161,331</u>
Property Taxes	248,045	415,292	663,337
Replacement Taxes	132,858	212,165	345,023
Employee Contributions	307,457	276,323	583,780
Total Additions	<u>2,159,188</u>	<u>2,594,283</u>	<u>4,753,471</u>
Deductions:			
Benefit Payments	1,770,248	1,811,081	3,581,329
Contractual Services	37,732	30,293	68,025
Total Deductions	<u>1,807,980</u>	<u>1,841,374</u>	<u>3,649,354</u>
Change in Net Assets	351,208	752,909	1,104,117
Net Assets - Beginning	<u>15,696,782</u>	<u>17,092,144</u>	<u>32,788,926</u>
Net Assets - Ending	<u>\$ 16,047,990</u>	<u>\$ 17,845,053</u>	<u>\$ 33,893,043</u>

CITY OF GRANITE CITY, ILLINOIS  
 COMBINING BALANCE SHEET  
 TAX INCREMENT FINANCING FUNDS  
 APRIL 30, 2006

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	Totals
<b>Assets</b>							
Cash	\$ 995,729	\$ 67,637	\$ -	\$ 133,569	\$ 5,515	\$ 5,476	\$ 1,207,926
Receivables:							
Property Taxes	1,072,851	86,781	832,762	1,029,579	167,777	-	3,189,750
Intergovernmental Receivable	24,132	-	-	-	22,549	-	46,681
Development Loans	41,875	-	-	-	-	-	41,875
Accrued Interest	1,873	-	-	-	-	-	1,873
Due from Other Funds	-	-	-	-	2,760	-	2,760
Rental Real Estate Investment	2,667,631	-	-	-	-	-	2,667,631
General Real Estate Investment	318,059	-	-	92,903	-	-	410,962
Total Assets	5,122,150	154,418	832,762	1,256,051	198,601	5,476	7,569,458

**Liabilities and Fund Balance**

<b>Liabilities:</b>							
Accounts Payable	6,313	-	-	-	-	-	6,313
Due to Other Funds	2,760	-	-	12,480	-	-	15,240
Due to Other Governments	-	-	-	-	2,760	-	2,760
Deferred Revenues:							
Property Taxes	1,072,851	86,781	832,762	1,029,579	167,777	-	3,189,750
Total Liabilities	1,081,924	86,781	832,762	1,042,059	170,537	-	3,214,063
<b>Fund Balance:</b>							
Unreserved:							
Designated for Redevelopment	4,040,226	67,637	-	213,992	28,064	5,476	4,355,395
Total Fund Balance	4,040,226	67,637	-	213,992	28,064	5,476	4,355,395
Total Liabilities and Fund Balance	5,122,150	154,418	832,762	1,256,051	198,601	5,476	7,569,458

CITY OF GRANITE CITY, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 TAX INCREMENT FINANCING FUNDS  
 FOR THE FISCAL YEAR ENDED APRIL 30, 2006

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	Totals
<u>Revenues:</u>							
Property Taxes	\$ 1,017,049	\$ 67,637	\$ 795,684	\$ 999,411	\$ -	\$ -	\$ 2,879,781
Grants	175,000	-	-	-	-	-	175,000
Intergovernmental	191,605	-	-	-	69,901	-	261,506
Investment Earnings	45,029	-	-	19,736	22	-	64,787
Miscellaneous	252,718	-	-	2,443	-	32,976	288,137
Total Revenues	<u>1,681,401</u>	<u>67,637</u>	<u>795,684</u>	<u>1,021,590</u>	<u>69,923</u>	<u>32,976</u>	<u>3,669,211</u>
<u>Expenditures:</u>							
General Government	8,464	-	795,684	769,006	41,859	27,500	1,642,513
Public Works	270,539	-	-	-	-	-	270,539
Capital Outlay	226,770	-	-	-	-	-	226,770
Total Expenditures	<u>505,773</u>	<u>-</u>	<u>795,684</u>	<u>769,006</u>	<u>41,859</u>	<u>27,500</u>	<u>2,139,822</u>
Excess of Revenues over Expenditures	1,175,628	67,637	-	252,584	28,064	5,476	1,529,389
Other Financing Sources (Uses):							
Operating Transfers From (To) other Funds	(314,913)	-	-	(134,030)	-	-	(448,943)
Total Other Financing Sources (Uses)	<u>(314,913)</u>	<u>-</u>	<u>-</u>	<u>(134,030)</u>	<u>-</u>	<u>-</u>	<u>(448,943)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	860,715	67,637	-	118,554	28,064	5,476	1,080,446
Fund Balance - Beginning	3,179,511	-	-	95,438	-	-	3,274,949
Fund Balance - Ending	\$ 4,040,226	\$ 67,637	\$ -	\$ 213,992	\$ 28,064	\$ 5,476	\$ 4,355,395

# Hughes & Associates

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## 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 basic financial statements of the City of Granite City, Illinois for the year ended April 30, 2006, and have issued our report thereon dated November 20, 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. 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.

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.

*Hughes & Associates, CPA, P.C.*

Hughes & Associates, CPA, P.C.  
November 20, 2006