

CITY OF GRANITE CITY, ILLINOIS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

APRIL 30, 2013

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
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Note Disclosures

The City has omitted disclosures required by Governmental Accounting Standards Board *Statement 45 Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount by which this disclosure would affect the financial statements is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information (pages 39 to 42) and schedules of funding progress and employer contributions (pages 43 to 44) be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Granite City, Illinois' basic financial statements as a whole. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, notes to the schedule of expenditures of federal awards, and schedule of findings and questioned costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements and schedules and the schedule of expenditures of federal awards, notes to the schedule of expenditures of federal awards, and schedule of findings and questioned costs are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We have also issued our report dated December 18, 2013, on the City of Granite City, Illinois' compliance with State of Illinois Public Act 85-1142 (page 53). The purpose of that report is to describe the scope of our testing on compliance with Subsection (q) of Illinois Compiled Statutes 65 of (ILCS) 5/11-74.4-3 of the Illinois' Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142).

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the City of Granite City, Illinois' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Granite City, Illinois' internal control over financial reporting and compliance.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
December 18, 2013

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 756,677	\$ 904,165	\$ 1,660,842
Certificates of Deposit	1,229,253	796,467	2,025,720
Restricted Investments	3,050,773	1,340,185	4,390,958
Investments	230,211	183,727	413,938
Receivables (Net of Allowance for Uncollectibles)	18,366,860	2,028,743	20,395,603
Internal Advances to Other Funds	(126,587)	126,587	-
Prepaid Expenses and Deposits	220,605	45,606	266,211
Total Current Assets	<u>23,727,792</u>	<u>5,425,480</u>	<u>29,153,272</u>
Noncurrent Assets:			
General Real Estate Investment	1,385,076	-	1,385,076
Capital Assets (Net of Accumulated Depreciation)	48,796,435	29,895,028	78,691,463
Total Noncurrent Assets	<u>50,181,511</u>	<u>29,895,028</u>	<u>80,076,539</u>
Total Assets	<u>73,909,303</u>	<u>35,320,508</u>	<u>109,229,811</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	744,552	2,375,039	3,119,591
Accrued Workman's Compensation	2,346,994	-	2,346,994
Accrued Vacation Leave	664,332	118,583	782,915
Accrued Interest Payable	241,158	65,496	306,654
Other Accrued Obligations	22,760	-	22,760
Deferred Gain on Sale	173,033	-	173,033
Deferred Real Estate Taxes	14,337,437	-	14,337,437
Bonds/Notes Payable - Current Portion (Net of Unamortized Costs)	1,113,606	723,814	1,837,420
Total Current Liabilities	<u>19,643,872</u>	<u>3,282,932</u>	<u>22,926,804</u>
Noncurrent Liabilities:			
Bonds/Notes Payable - Noncurrent Portion (net of Unamortized Costs)	16,759,765	13,988,471	30,748,236
Accrued Sick Leave	2,599,254	206,462	2,805,716
Net Pension Obligation	20,453,459	-	20,453,459
Total Noncurrent Liabilities	<u>39,812,478</u>	<u>14,194,933</u>	<u>54,007,411</u>
Total Liabilities	<u>59,456,350</u>	<u>17,477,865</u>	<u>76,934,215</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	30,923,064	15,182,743	46,105,807
Restricted for:			
Debt Service	2,461,269	-	2,461,269
Development Loans	300,537	-	300,537
Drug Traffic Prevention	65,998	-	65,998
Redevelopment	4,955,484	1,340,185	6,295,669
Unrestricted:	<u>(24,253,399)</u>	<u>1,319,715</u>	<u>(22,933,684)</u>
Total Net Position	<u>\$ 14,452,953</u>	<u>\$ 17,842,643</u>	<u>\$ 32,295,596</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 10,006,311	\$ 1,095,286	\$ 706,514	\$ -	\$ (8,204,511)	\$ -	\$ (8,204,511)
Cinema	572,711	579,765	-	-	7,054	-	7,054
Public Safety	18,638,294	1,590,178	531,144	-	(16,516,972)	-	(16,516,972)
Public Works	5,552,505	515,576	792,337	254,396	(3,990,196)	-	(3,990,196)
Interest on Long-Term Debt	1,180,906	-	-	-	(1,180,906)	-	(1,180,906)
Total Governmental Activities	<u>35,950,727</u>	<u>3,780,805</u>	<u>2,029,995</u>	<u>254,396</u>	<u>(29,885,531)</u>	<u>-</u>	<u>(29,885,531)</u>
Business-Type Activities:							
Wastewater	6,319,796	7,012,029	-	311,861	-	1,004,094	1,004,094
Total Business-Type Activities	<u>6,319,796</u>	<u>7,012,029</u>	<u>-</u>	<u>311,861</u>	<u>-</u>	<u>1,004,094</u>	<u>1,004,094</u>
Total	<u>\$ 42,270,523</u>	<u>\$ 10,792,834</u>	<u>\$ 2,029,995</u>	<u>\$ 566,257</u>	<u>(29,885,531)</u>	<u>1,004,094</u>	<u>(28,881,437)</u>
General Revenues:							
Property Tax, Levied for General Purposes					15,064,514	-	15,064,514
Home Rule Sales Tax					2,842,174	-	2,842,174
Sales and Use Tax					4,038,785	-	4,038,785
Replacement Tax					2,548,774	-	2,548,774
State Income Tax					2,824,237	-	2,824,237
Telecommunications Tax					1,124,335	-	1,124,335
Other State and Local Taxes					57,850	-	57,850
Investment Earnings					93,600	63,539	157,139
Miscellaneous					1,322,221	-	1,322,221
Total General Revenues and Transfers					<u>29,916,490</u>	<u>63,539</u>	<u>29,980,029</u>
Loss on Refinancing						-	-
Change in Net Position					30,959	1,067,633	1,098,592
Net Position - Beginning					<u>15,016,836</u>	<u>16,620,269</u>	<u>31,637,105</u>
Restatement of Beginning - Net Position (Note 22)					(594,842)	(151,088)	(745,930)
Net Position - Ending					<u>\$ 14,452,953</u>	<u>\$ 17,536,814</u>	<u>\$ 31,989,767</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2013

	<u>General</u> <u>Fund</u>	<u>Tax Increment</u> <u>Financing</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,765	\$ 579,319	\$ 175,593	\$ 756,677
Restricted Investments	-	3,050,773	-	3,050,773
Certificates of Deposit	3,669	1,190,837	34,747	1,229,253
Investments	359	116,454	113,398	230,211
Receivables (Net of Allowances for Uncollectibles):				
Property Taxes	5,453,461	8,883,976	-	14,337,437
Intergovernmental	3,045,867	173,640	64,387	3,283,894
Other	438,094	307,435	-	745,529
Due from Other Funds	4,047,158	2,760	10,484	4,060,402
Prepaid Expenses	220,605	-	-	220,605
Rental Real Estate Investment	-	2,667,631	-	2,667,631
General Real Estate Investment	-	1,385,076	-	1,385,076
Total Assets	<u>13,210,978</u>	<u>18,357,901</u>	<u>398,609</u>	<u>31,967,488</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	528,141	8,142	208,269	744,552
Accrued Employee Obligations	2,346,994	-	-	2,346,994
Due to Other Funds	339,042	1,572,700	2,275,247	4,186,989
Other Accrued Obligations	20,000	2,760	-	22,760
Deferred Gain on Sale	-	173,033	-	173,033
Deferred Revenue	6,614,497	8,883,976	-	15,498,473
Total Liabilities	<u>9,848,674</u>	<u>10,640,611</u>	<u>2,483,516</u>	<u>22,972,801</u>
Fund Balance:				
Nonspendable:				
Prepaid Expenses	220,605	-	-	220,605
Restricted for:				
Redevelopment	-	4,955,484	-	4,955,484
Development Loans	-	300,537	-	300,537
Drug Traffic Prevention	-	-	65,998	65,998
Debt Service	-	2,461,269	-	2,461,269
Unassigned	3,141,699	-	(2,150,905)	990,794
Total Fund Balance	<u>3,362,304</u>	<u>7,717,290</u>	<u>(2,084,907)</u>	<u>8,994,687</u>
 Total Liabilities and Fund Balance	<u>\$ 13,210,978</u>	<u>\$ 18,357,901</u>	<u>\$ 398,609</u>	<u>\$ 31,967,488</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, 2013

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$	8,994,687
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.		48,796,435
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.		(3,263,586)
Long-term debt (e.g., bonds, net of unamortized costs, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental		(20,296,336)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.		(20,453,459)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.		(241,158)
The governmental funds report deferred amount on refunding of bonds are not reported on the balance sheet of the governmental funds.		2,422,965
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>1,161,036</u>
Net position of governmental activities	\$	<u><u>14,452,953</u></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, 2013

	<u>General</u>	<u>Tax Increment</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Financing</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
Revenues:				
Property Taxes	\$ 6,551,072	\$ 8,513,442	\$ -	\$ 15,064,514
Intergovernmental:				
Home Rule Sales Tax	2,824,413	-	-	2,824,413
Sales and Use Tax	3,881,505	137,540	-	4,019,045
Replacement Tax	2,548,774	-	-	2,548,774
State Income Tax	3,114,683	-	-	3,114,683
Motor Fuel Tax	-	-	792,337	792,337
Telecommunications Tax	1,128,018	-	-	1,128,018
Grants	534,260	-	745,264	1,279,524
Other	426,959	-	-	426,959
Other Local Taxes	57,850	-	-	57,850
Licenses and Permits	734,362	-	-	734,362
Charges for Services	2,349,294	-	-	2,349,294
Fines and Forfeits	446,422	-	30,307	476,729
Investment Earnings	54,005	39,286	309	93,600
Miscellaneous	1,017,854	302,617	1,750	1,322,221
Total Revenues	<u>25,669,471</u>	<u>8,992,885</u>	<u>1,569,967</u>	<u>36,232,323</u>
Expenditures:				
Current:				
General Government	3,794,555	5,447,777	195,941	9,438,273
Cinema	572,711	-	-	572,711
Public Safety	14,663,705	-	186,759	14,850,464
Public Works	4,570,643	-	706,479	5,277,122
Debt Service:				
Principal	-	1,185,000	582,316	1,767,316
Interest	-	1,314,217	59,850	1,374,067
Bond Issuance Costs	-	351,609	-	351,609
Capital Outlay	-	397,878	196,820	594,698
Total Expenditures	<u>23,601,614</u>	<u>8,696,481</u>	<u>1,928,165</u>	<u>34,226,260</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,067,857</u>	<u>296,404</u>	<u>(358,198)</u>	<u>2,006,063</u>
Other Financing Sources (Uses):				
Refunding Bonds Issued	122,471	9,820,000	-	9,942,471
Payment to Refunded Bond Escrow Agent	-	(10,977,265)	-	(10,977,265)
Bond Premium	-	186,580	-	186,580
Operating Transfers In (Out)	(326,182)	(216,772)	542,954	-
Total Other Financing Sources (Uses)	<u>(203,711)</u>	<u>(1,187,457)</u>	<u>542,954</u>	<u>(848,214)</u>
Net Change in Fund Balance	1,864,146	(891,053)	184,756	1,157,849
Fund Balance - Beginning	<u>1,498,158</u>	<u>8,608,343</u>	<u>(2,269,663)</u>	<u>7,836,838</u>
Fund Balance - Ending	<u>\$ 3,362,304</u>	<u>\$ 7,717,290</u>	<u>\$ (2,084,907)</u>	<u>\$ 8,994,687</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, 2013

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

Net change in fund balances - total governmental funds	\$ 1,157,849
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.	1,063,713
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.	(1,223,561)
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 balance that has been included in the statement of activities.	(18,205)
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.	2,489,541
Interest accrued but not paid is not recorded as an expense until paid. This is the change in accrued interest payable between years.	193,161
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	(3,380,902)
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.	(250,637)
	(250,637)
Change in net position of governmental activities	\$ 30,959

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
APRIL 30, 2013

		<u>Business Type</u> <u>Activities</u>
		<u>Enterprise Funds</u> <u>Wastewater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	904,165
Certificates of Deposit		796,467
Restricted Investments		1,340,185
Investments		183,727
Accounts Receivable (Net of Allowance for Uncollectibles)		1,783,797
Grant Receivable		239,956
Due To Other Funds		200,344
Interest Receivable		4,990
Prepaid Expenses		45,606
Total Current Assets		<u>5,499,237</u>
Noncurrent Assets:		
Capital Assets:		
Construction in Process		15,964,147
Building and Improvements		1,742,561
Treatment Facility and Lines		33,885,650
Equipment		1,780,480
Vehicles		1,275,740
Total		<u>54,648,578</u>
Less Accumulated Depreciation		<u>(24,753,550)</u>
Net Capital Assets		<u>29,895,028</u>
Total Assets		<u><u>35,394,265</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable		2,375,039
Accrued Vacation Leave		118,583
Due to Other Funds		73,757
Accrued Interest		65,496
Bonds/Notes Payable - Current Portion		723,814
Total Current Liabilities		<u>3,356,689</u>
Noncurrent Liabilities:		
Accrued Sick Leave		206,462
Bonds/Notes Payable - Non Current Portion		13,988,471
Total Noncurrent Liabilities		<u>14,194,933</u>
Total Liabilities		<u>17,551,622</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		15,182,743
Restricted for:		
Redevelopment		1,340,185
Unrestricted		1,319,715
Total Net Position		<u>\$ 17,842,643</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2013

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>
Operating Revenues:	
Charges for Services	\$ 7,012,029
Total Operating Revenues	<u>7,012,029</u>
Operating Expenses:	
Personal Services	2,753,296
Industrial Pretreatment	98,340
Billings and Collection	122,915
Sewer Collection	797,358
Solids Handling	551,713
BOD Treatment	224,660
Primary Treatment	31,662
General and Administration	212,462
Dry Weather Pumping	173,727
Wet Weather Pumping	102,611
Other	167,320
Depreciation	811,103
Total Operating Expenses	<u>6,047,167</u>
Operating (Loss)	<u>964,862</u>
Non-Operating Revenues (Expenses)	
Investment Earnings	63,539
Grant Income	533,502
Interest Expense and Fiscal Charges	(272,629)
Total Non-Operating Revenues (Expenses)	<u>324,412</u>
Change in Net Position	1,289,274
Net Position - Beginning	16,620,269
Restatement of Beginning - Net Position (Note 22)	<u>(151,088)</u>
Net Position - Ending	<u><u>\$ 17,758,455</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, 2013

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 6,872,463
Cash Paid to Suppliers for Goods and Services	(2,370,143)
Cash Paid to Employees for Services	(2,738,110)
Net Cash Provided By Operating Activities	1,764,210
Cash Flows From Noncapital Financing Activities:	
Grant Revenue Received	377,734
Net Cash Provided By Noncapital Financing Activities	377,734
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(9,313,509)
Proceeds From Borrowings	5,642,869
Principal Paid on Borrowings	(411,770)
Interest Paid on Borrowings	(245,720)
Net Cash (Used) by Capital and Related Financing Activities	(4,328,130)
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	495,280
Purchase of Investments	
Advances to Other Funds	1,559,897
Investment Earnings	71,412
Net Cash (Used) By Investing Activities	2,126,589
Net Decrease In Cash and Equivalents	(59,597)
Cash and Equivalents - Beginning	963,762
Cash and Equivalents - Ending	\$ 904,165
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 964,862
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	811,103
Change in Assets and Liabilities:	
Increase in Accounts Receivable	(139,566)
Increase in Prepaid Expenses	(1,322)
(Decrease) in Accounts Payable	113,947
Increase in Other Liabilities	15,186
Net Cash Provided By Operating Activities	\$ 1,764,210

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 592,706
Investments and Certificates of Deposit	30,796,272
Receivables:	
Property Taxes	1,477,712
Gaming Taxes	11,020
Accrued Interest	96,795
Total Assets	<u>32,974,505</u>

LIABILITIES

Liabilities	<u>-</u>
Total Liabilities	<u>-</u>

NET POSITION

Net Position Held in Trust for Pension Benefits	<u><u>\$ 32,974,505</u></u>
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See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2013

Additions:	
Contributions:	
Employee Contributions	\$ 751,268
Employer Contributions:	
Property Taxes	1,472,876
Gaming Taxes	19,918
Replacement Taxes	529,395
Total Contributions	<u>2,773,457</u>
Investment Income:	
Interest and Dividends	1,048,971
Net Realized/Unrealized Gain on Investments	1,552,207
	<u>2,601,178</u>
Less: Investment Expense	(96,022)
Net Investment Income	<u>2,505,156</u>
Total Additions	<u>5,278,613</u>
Deductions:	
Benefits Paid to Participants:	
Service and Disability	4,143,264
Dependents	525,086
Contractual Services	31,642
Total Deductions	<u>4,699,992</u>
Change in Plan Net Position	578,621
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>32,395,884</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 32,974,505</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

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 position and the statement of changes in net position) 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 is 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, 2013

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 major sources of revenue for the special revenue funds are: Motor Fuel Tax Fund is motor fuel taxes, TIF Fund is real estate taxes, Community Development is Madison County Community Development funds, and Drug Traffic Prevention is fines and forfeitures and federal drug funds.

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 streets and highways.

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 funds:

The Wastewater Treatment Plant and Sewer Systems Enterprise Funds account 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 fiduciary 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, 2013

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 Position 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.

The Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with e SEC, Illinois Funds operates in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold. See <http://www.treasurer.il.gov/programs/illinois-funds/about-illinois-funds.aspx> for information on the Illinois Funds.

Fixed-income securities are recorded in all funds at fair value. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “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.”

The primary purpose of these interfund receivables and payables is to provide temporary loans for cash flow needs; all amounts are expected to be repaid within the next fiscal year.

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 management’s estimate of collectability.

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 in December 2011, based upon the expected assessed valuation as of the January 1, 2013. Property taxes are due in four installments in the following year, and are considered delinquent after the due dates. Property taxes for 2011 become an enforceable lien in January 2013. The County has not mailed tax bills as of April 30, 2013 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.

At fiscal year-end, the receivables represent 2012 taxes to be collected between June and January 2013. Taxes collected during the current year were from the 2011 tax levy.

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.

Inventories

Inventory has not been recorded in the General Fund, Special Revenue Funds or Enterprise Funds. This cost is recorded as an expenditure and charged to operations at the time the items are purchased.

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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amortization

Bond issuance cost are capitalized and amortized over the life of the bond.

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, 2013, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$664,332 and \$2,599,259, respectively. Amounts reflected in the financial statements at April 30, 2013 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$118,583 and \$206,462, 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 position. 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.

Net Position

Net position represent the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The City first applies expenses to restricted positions when both restricted and unrestricted positions are available.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds

Restricted for Debt Service	\$ 2,461,269
Restricted for Development Loans	300,537
Restricted for Drug Traffic Prevention	65,998
Restricted for Redevelopment	6,295,669

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 32,974,505
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Fund Balances

Fund balances are divided into five classifications, as presented in the financial statements, based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of any interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislations, such as City ordinances.

Enabling legislation authorized the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary system to use resources created by enabling legislation only for the purposes specified by legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action, such as an ordinance or resolution, of the City’s council. Those committed amounts cannot be used for any other purpose unless the City’s council removes or changes the specified use by taking the same type of action, such as an ordinance or resolution; it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City council, separate from the authorization to raise the underlying revenue: therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City currently has no committed fund balances.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City council or a City official delegated that authority by City ordinance. The City currently has no assigned fund balances.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

E. 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.

F. Advertising

Advertising costs of the City are expensed as incurred.

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 July 31, 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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE (Continued)

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).

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government and Business-Like Activities

At April 30, 2013, the carrying amount of the City's deposits was \$6,506,624 and the bank balance was \$6,506,624. Additionally, the City has \$303,938 invested in the Illinois Funds at year-end. The deposits were comprised of checking, interest checking, savings, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name. As of April 30, 2013, all of the deposits of the City were covered by FDIC insurance or collateralized by the financial institution.

For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The City's investment policy required that all investments in excess of insurance limits be collateralized. At year-end, the City's investment in the Illinois Funds is not subject to custodial credit risk.

As of April 30, 2013 the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	-	\$ 303,938	\$ 303,938
Corporate Bonds	5.99	496,000	496,000
Repurchase Agreements	-	111,904	111,904
UMB Money Market	-	1,072,992	1,072,992
Total Investments		<u>\$ 1,984,834</u>	<u>1,984,834</u>
Deposits as Reported Above			<u>6,506,624</u>
Total Deposits and Investments			<u>\$ 8,491,458</u>
As Reported in the Statement of Net Assets:			
Cash and Cash Equivalents			\$ 1,660,842
Certificates of Deposit			3,108,001
Restricted Investments			3,308,677
Investments			413,938
			<u>\$ 8,491,458</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

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

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, 2013, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Corporate Bonds	--	--

Concentration of Credit Risk

As of April 30, 2013, the City's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Corporate Bonds	2.50%
UMB Money Market	54.06%

Foreign Currency Risk

As of April 30, 2013, the City did not have foreign currency risk.

Fire Pension Fund

At April 30, 2013, the carrying amount of the Fire Pension Fund's deposits was \$235,316 and the bank balance was \$237,882. 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, 2013

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

As of April 30, 2013, the City's Fire Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Home Loan Bank	1.82	\$ 75,084	\$ 78,459
Federal Home Loan Mortgage Corporation	9.54	612,337	620,585
Federal National Mortgage Association	9.48	321,508	320,122
Federal National Mortgage Association REMIC	9.7	5,099	5,325
Freddie Mac	12.66	168,066	167,466
Governmental National Mortgage Association	16.29	1,153,265	1,200,527
U.S. V.A. REMIC	15.51	64,953	72,599
U.S. Treasury Notes	5.61	375,911	406,198
Federal Agricultural Mortgage Corporation	3.04	252,085	276,285
Municipal Bonds	7.18	80,000	81,282
Corporate Bonds	4.77	1,837,817	1,859,631
Fixed Income Funds	--	813,066	853,137
Money Market Mutual Funds	--	391,941	391,941
Common Stock	--	5,798,138	7,609,324
Mutual Funds	--	1,497,698	1,867,332
Total Investments		\$ 13,446,968	15,810,213
Deposits as Reported Above			235,316
Total Deposits and Investments			\$ 16,045,529

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	\$ 235,316
Investments and Certificates of Deposit	15,810,213
	\$ 16,045,529

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, 2013, the Fire Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Poor's Rating</u>	<u>Service Rating</u>
Federal Home Loan Bank	AA+	Aaa
Federal Home Loan Mortgage Corporation	AA+	Not Available
Federal National Mortgage Association	Not Available	Aaa
Federal National Mortgage Association REMIC	Not Available	Not Available
Freddie Mac	Not Available	Not Available
Government National Mortgage Association	Not Available	Not Available
U.S.V.A. REMIC	Not Available	Not Available
U.S. Treasury Notes	AAA	Not Available
Federal Agricultural Mortgage Corporation	AAA	Not Available
Municipal Bonds	AAA	Not Available
Corporate Bonds	AA to A-	Not Available

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

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

Concentration of Credit Risk

As of April 30, 2013, the Fire Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	7.48%
Federal Home Loan Bank	0.49%
Federal National Mortgage Association	2.00%
Freddie Mac	1.04%
U.S. V.A. REMIC	45.00%
U.S. Treasury Notes	2.53%
Federal Agricultural Mortgage Corporation	1.72%
Federal Home Loan Mortgage Corporation	3.87%
Vanguard Inter Term Bond Index Signal CL	5.32%
Corporate Bonds	11.59%

Foreign Currency Risk

As of April 30, 2013, the Fire Pension Fund did not have foreign currency risk.

Police Pension Fund

At April 30, 2013, the carrying amount of the Police Pension Fund's deposits was \$357,390 and the bank balance was \$359,706. 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 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, 2013, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Inflation Index Note	4.72	\$ 308,227	\$ 382,748
U.S. Treasury Strip	0.80	362,319	374,619
U.S. Treasury Bond	3.04	781,674	967,000
Federal National Mortgage Association	14.58	261,920	340,707
Federal Home Loan Bank	6.70	1,099,201	1,379,248
Federal Farm Credit Bank	3.24	266,575	291,655
Government National Mortgage Association	18.11	1,072,323	1,142,719
Tennessee Valley Authority	7.80	296,702	349,341
Illinois ST	0.09	300,261	300,738
Naperville IL Munie Bond	2.59	299,523	299,041
Corporate Bond	7.49	266,417	250,000
Schwab US Treasury Money Market	--	757,493	757,493
Common Stock	--	374,838	399,529
Mutual Funds	--	5,729,244	7,751,221
Total Investments		<u>\$ 12,176,717</u>	<u>14,986,059</u>
Deposits as Reported Above			<u>357,390</u>
Total Deposits and Investments			<u>\$ 15,343,449</u>
As Reported in the Combining Statement of Fiduciary Net Assets:			
Cash and Cash Equivalents			\$ 357,390
Investments			14,986,059
			<u>\$ 15,343,449</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

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

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, 2013, the Police Pension Fund's investments credit ratings were as follows:

Investment	Standard & Poor's Rating	Moody's Investors Service Rating
Naperville IL Muni Bond	AAA	Aaa
Illinois ST	A-	A2
Tennessee Valley Authority	AA+	Aaa
Federal National Mortgage Association	AA+	Aaa
Federal Home Loan Bank	AA+	Aaa
Federal Farm Credit Bank	AA+	Aaa
Governmental National Mortgage Association Corporate Bond	Not Available AA	Not Available Aa2

Concentration of Credit Risk

As of April 30, 2013, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	7.45%
U.S. Treasury Strips	2.44%
Federal Home Loan Bank	8.99%
U.S. Treasury Bonds	6.30%
U.S. Treasury Inflation Index Note	2.49%
Federal National Mortgage Association	2.22%
Federal Farm Credit Bank	1.90%
Tennessee Valley Authority	2.28%
Corporate Bond	1.63%
Illinois ST	1.96%
Naperville IL Muni Bond	1.95%
Harbor International Mutual Fund	7.34%
Longleaf Partners Mutual Fund	6.85%
Mainstay Large Cap Mutual Fund	5.77%
Oakmark Mutual Fund	7.66%
Primecap Odyssey Growth Mutual Fund	6.37%
Tweedy Browne Global Mutual Fund	5.95%
Baron Growth Fund Inst Mutual Fund	2.63%
Champlain Small Company Mutual Fund	3.63%

Foreign Currency Risk

As of April 30, 2013, the Police Pension Fund did not have foreign currency risk.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 4. RISK MANAGEMENT

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. Non-incremental claims adjustment expense has not been included as part of the liability for claims and judgments. The liability for claims experienced as of April 30, 2013 that are to be paid in the subsequent year is \$2,346,994 and is included in accrued employee obligations.

Changes in the funds' claims liability amount during the fiscal year were as follows:

	Year Ending April 30,	
	<u>2013</u>	<u>2012</u>
Liability beginning balance	\$ 2,931,102	\$2,260,885
Claims and changes in estimates	633,504	954,088
Claim payments	<u>(1,217,612)</u>	<u>(283,871)</u>
Liability ending balance	<u>\$ 2,346,994</u>	<u>\$2,931,102</u>

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.

NOTE 5. RECEIVABLES

Receivables as of April 30, 2013 for the City, as reported in the statement of net position, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	\$ 2,259,365
Ambulance Fees	383,064
Real Estate Taxes	14,337,437
Intergovernmental	3,283,894
Other	<u>612,411</u>
Total Receivables	20,876,171
Allowance for Uncollectible Accounts	<u>(480,568)</u>
Net Total Receivables	<u>\$ 20,395,603</u>

Real estate taxes of \$14,337,437 were not available for collection and payment of current liabilities at April 30, 2013 and are reported as deferred revenues. The governmental financial statements reported an additional \$1,161,036 of intergovernmental revenue as deferred income at April 30, 2013.

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

Plan Description

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's employer plan is affiliated with the Illinois Municipal Retirement (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Funding Policy

As set by statute, your regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer rate for calendar year 2012 used by the employer was 10.42 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 12.38 percent. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For calendar year ending December 31, 2012, the City's actual contributions for pension cost for the Regular were \$632,255. Its required contribution for calendar year 2012 was \$751,182.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost	Percentage of APC	Net Pension Obligation
12/31/2012	\$ 751,182	84%	\$ -
12/31/2011	692,620	80%	-
12/31/2010	655,792	77%	-

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as December 31, 2010, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increase ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan position was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the regular plan was 73.69 percent funded. The actuarial liability for benefits was \$18,237,451 and the actuarial value of assets was \$13,439,757, resulting in an underfunded actuarial liability (UAAL) of \$4,797,694. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$6,067,708 and the ratio of the UAAL to the covered payroll was 79 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2013 was \$3,967,820 out of a total payroll of \$15,106,511.

At April 30, 2013, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	59
Current employees:	
Vested	38
Nonvested	<u>21</u>
Total	<u><u>118</u></u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Police officers hired before January 1, 2011, 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.

Police officers hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A police officer who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by ½ of 1% for each month that the employee's age is under age 55. The annual salary based on the plan year for the police officer shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

The monthly pension of a police officer hired before January 1, 2011, 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.

The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or ½ of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

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

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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, 2013 was \$3,786,805 out of total payroll of \$15,106,511.

At April 30, 2013, 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	68
Current Employees:	
Vested	30
Nonvested	25
Total	123

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. Firefighters hired before January 1, 2011, 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.

Firefighters hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of credible service are entitled to receive an annual retirement benefit of 2.5% of final average salary for year of service. A firefighter who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by 1/2 of 1% for each month that the firefighter's age is under age 55. The annual salary based on the plan year for the firefighter shall not exceed \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter.

The monthly pension of a firefighter hired before January 1, 2011, 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.

The monthly pension of a firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or 1/2 of the annual unadjusted percentage increase in the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.455% of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts (not less than 8.045%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Firemen's Pension Plan is fully funded.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

b. Summary of Significant Accounting Policies and Plan Position 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. 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:

	Police Pension	Firemen's Pension
Annual Required Contribution	\$ 2,077,518	\$ 2,141,818
Interest on Net Pension Obligation	578,551	594,509
Annual Pension Cost	<u>2,656,069</u>	<u>2,736,327</u>
Contributions Made	<u>1,005,747</u>	<u>1,005,747</u>
Increase in Net Pension Obligation	1,650,322	1,730,580
Net Pension Obligation Beginning of Year	<u>8,265,019</u>	<u>8,807,538</u>
Net Pension Obligation End of Year	<u>\$ 9,915,341</u>	<u>\$ 10,538,118</u>

The annual required contribution for the current year was determined as part of the April 30, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 6.75% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% 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, 2012 was, 28 years.

Three-Year Trend Information

	Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage Of APC <u>Contributed</u>	Net Pension Obligation <u>Obligation</u>
Police Pension	4/30/2013	\$ 2,656,069	26.79%	\$ 9,915,341
	4/30/2012	2,511,009	30.38%	8,265,019
	4/30/2011	2,406,466	35.63%	6,754,576
Fire Pension	4/30/2013	2,736,327	25.97%	10,538,118
	4/30/2012	2,774,127	31.50%	8,807,538
	4/30/2011	2,658,120	37.79%	7,034,411

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

d. Concentration

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

Police Pension:	
U.S. Treasury Bonds	\$ 967,000
Government National Mortgage Association	1,142,719
Fire Pension:	
Corporate Bonds	1,859,631
Government National Mortgage Association	1,200,527

e. Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 16,151,184
Firemen Pension	16,823,321

NOTE 7. CONTINGENCIES

The City has not contributed the required minimum contributions to the police and fire pension trust funds for the current and prior fiscal years. Beginning in the fiscal year 2016, if the City fails to contribute the required minimum contributions to the pension funds, the pension funds may certify to the State Comptroller the amounts of the delinquent payments, after giving notice to the City. The State Comptroller must deduct and deposit into the pension fund the certified amounts or a portion of those amounts from state funds to the City.

NOTE 8. 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 on 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, 2013 was \$2,837,137.

NOTE 9. 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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 10. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at April 30, 2013:

<u>Funds Due To</u>	<u>Funds Due From</u>	<u>Balance</u> <u>4/30/2012</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>4/30/2013</u>
General Fund	Community Development	\$ 81,136	\$ (68,082)	\$ 13,054
General Fund	Capital Projects	44,287	196,656	240,943
General Fund	Drug Traffic Prevention	245,350	-	245,350
General Fund	Motor Fuel Tax Fund	2,366,855	(590,955)	1,775,900
Wastewater Treatment Pla	General Fund	1,760,444	(1,678,122)	82,322
General Fund	Tax Increment Financing Fur	1,581,808	(9,108)	1,572,700
General Fund	Wastewater Treatment Plant	26,562	47,195	73,757
General Fund	Sewer System Fund	47,398	(47,195)	203
		<u>\$ 6,153,840</u>	<u>\$ (2,149,611)</u>	<u>\$ 4,004,229</u>

NOTE 11. ACCOUNTS PAYABLE

Liabilities reported as Accounts Payable on the government-wide statement of net positions are comprised of the following components:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activitites</u>
Current payables due to vendors	\$ 744,552	\$ 1,034,897
Retainage on contracts payable	-	1,340,142
Total Accounts Payable	<u>\$ 744,552</u>	<u>\$ 2,375,039</u>

NOTE 12. COMMITMENTS

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

<u>Year</u> <u>Ending</u> <u>April 30,</u>	<u>Land</u> <u>Facilities</u>
2014	\$ 4,150
Total	<u>\$ 4,150</u>

NOTE 13. COMMITMENTS UNDER CONSTRUCTION CONSTRUCTS

At April 30, 2013, the City had outstanding construction contracts for various projects totaling approximately \$2,083,190.

NOTE 14. DEFICIT NET POSITION

The City has deficit net positions in the following nonmajor funds: Motor Fuel Tax Fund of \$1,918,481 and Capital Projects Fund of \$232,424 as of April 30, 2013.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 15. 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.

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 16. 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>
2679 Missouri Ave	\$ 12,000	November 2028
Iowa & 24th Street	3,900	September 2013
2001 Madison Avenue	226,600	January 2060
Signage	1,600	June 2011

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

<u>Year</u>	<u>Amount</u>
2014	\$ 242,150
2015	240,200
2016	239,800
2017	238,600
2018	238,600
2019 - 2023	1,193,000
2024 - 2028	1,193,000
2029 - 2033	1,139,000
2034 - 2038	1,133,000
2039 - 2043	1,133,000
2044 - 2048	1,133,000
2049 - 2053	1,133,000
2054 - 2058	1,133,000
2059 - 2060	396,550
Total	<u>\$ 10,785,900</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 17. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 9,087,322	\$ -	\$ -	\$ 9,087,322
Construction in Process	3,942,389	397,877	(2,118,376)	2,221,890
Total Capital Assets Not Being Depreciated	<u>13,029,711</u>	<u>397,877</u>	<u>(2,118,376)</u>	<u>11,309,212</u>
Capital Assets, being Depreciated				
Buildings and Improvements	17,434,450	131,376	-	17,565,826
Equipment	6,014,019	136,265	-	6,150,284
Vehicles	4,928,294	201,372	-	5,129,666
Infrastructure	19,563,543	2,315,196	-	21,878,739
Total Capital Assets being Depreciated	<u>47,940,306</u>	<u>2,784,209</u>	<u>-</u>	<u>50,724,515</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,806,073	426,082	-	4,232,155
Equipment	3,963,436	354,144	-	4,317,580
Vehicles	4,045,057	224,549	-	4,269,606
Infrastructure	199,165	218,786	-	417,951
Total Accumulated Depreciation	<u>12,013,731</u>	<u>1,223,561</u>	<u>-</u>	<u>13,237,292</u>
Total Capital Assets being Depreciated, Net	<u>35,926,575</u>	<u>1,560,648</u>	<u>-</u>	<u>37,487,223</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,956,286</u>	<u>\$ 1,958,525</u>	<u>\$ (2,118,376)</u>	<u>\$ 48,796,435</u>
Business-Type Activities				
Capital Assets:				
Construction in Process	\$ 6,943,025	\$ 9,021,120	\$ -	\$ 15,964,145
Buildings	1,728,589	13,972	-	1,742,561
Treatment Facility	33,885,651	-	-	33,885,651
Equipment	1,780,480	-	-	1,780,480
Vehicles	1,275,740	-	-	1,275,740
Total Capital Assets	<u>45,613,485</u>	<u>9,035,092</u>	<u>-</u>	<u>54,648,577</u>
Less Accumulated Depreciation for:				
Buildings	1,664,010	8,797	-	1,672,807
Treatment Facility	19,509,970	737,447	-	20,247,417
Equipment	1,560,283	40,022	-	1,600,305
Vehicles	1,208,184	24,836	-	1,233,020
Total Accumulated Depreciation	<u>23,942,447</u>	<u>811,102</u>	<u>-</u>	<u>24,753,549</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,671,038</u>	<u>\$ 8,223,990</u>	<u>\$ -</u>	<u>\$ 29,895,028</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 17. CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 309,491
Public Safety	568,060
Public Works	346,010
Total Depreciation Expense - Governmental Activities	<u>\$ 1,223,561</u>
Business-Type Activities:	
Wastewater Treatment Plant	\$ 580,271
Sewer System Fund	230,831
Total Depreciation Expense - Business-Type Activities	<u>\$ 811,102</u>

NOTE 18. CONDUIT DEBT OBLIGATIONS

During the year ended April 30, 2007, the City issued two Industrial Project Revenue Bonds to provide financial assistance to private sector entities 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. The bonds for the two projects are \$1,800,000 and \$2,650,000 respectively. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities 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.

During the year ended April 30, 2006, the City issued \$1,000,000 of 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, these bonds are also not reported as liabilities in the accompanying financial statements.

NOTE 19. LONG-TERM DEBT

GOVERNMENTAL ACTIVITY DEBT

Bonded Indebtedness

The City issued Local Government Program Revenue Bonds in September 2008. The bonds, totaling \$9,780,000 are payable from the incremental taxes of the Downtown Tax Increment Financing District (TIF 1). The bonds bear interest of between 4.5% and 7.0% and mature in varying amounts from 2009 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Downtown Tax Increment Financing District including renovations of the police and fire department, improvements to the youth center and YMCA and construction of a movie theater. The bonds were advance refunded by the 2012 Series bonds.

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009 (City of Granite City Project) in May 2009. The bonds, totaling \$3,640,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 8.00% and mature in varying amounts from 2009 to 2019. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of commercial and retail development including a Lowe's Home Improvement store along with eight outlots. The balance of the bonds at April 30, 2013 is \$2,440,000.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 19. LONG-TERM DEBT (Continued)

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009-B (City of Granite City Project) in December 2009. The bonds, totaling \$3,805,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of water and sewer improvements, the construction of street improvements and related costs. The balance of the bonds at April 30, 2013 is \$3,265,000.

The City issued Local Government Program Revenue Bonds, Series 2009-A in December 2009. The bonds, totaling \$4,210,000 are payable from the incremental taxes of the Route 203 Tax Increment Financing District (TIF 7). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 203 Redevelopment Project Area including construction of street improvements and related costs. The balance of the bonds at April 30, 2013 is \$4,000,000.

On December 1, 2012, the City issued \$9,820,000 in General Obligation Alternative Source Bonds with an average interest of 5.25% to advance refund \$8,060,000 of outstanding 2008 Series bonds with an average interest rate of approximately 7.00%. The net proceeds of the issuance (after the addition of the bond premium of \$186,580 and subtraction of the cost of issuance and underwriter's discount totaling \$340,120) plus an additional \$1,325,805 of 2008 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series bonds. As a result the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,422,965. This difference, reported in the accompanying financial statements as deduction from bonds payable, is being charged to operations through the year 2023 using the effective-interest method. The City completed the advance refunding to remove undesirable covenants of the old bond issue and reduce current annual debt service requirements resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$570,984.

Notes Payable

The City entered into a loan with Ford Motor Credit to purchase five police vehicles October 2010. The loan of \$134,635 is to be repaid in three annual installments through October 2012. The annual installments, including interest at 6.0%, are \$47,517. The balance of the loan at April 30, 2013 is \$-0-.

The City entered into a loan with Ford Motor Credit to purchase a four police vehicles in September 2011. The loan of \$115,787 is to be repaid in three annual installments through September 2013. The annual installments, including interest at 6.00%, are \$41,015. The balance of the loan at April 30, 2013 is \$38,243.

The City entered into a loan with Ford Motor Credit to purchase a four police vehicles in September 2012. The loan of \$122,471 is to be repaid in three annual installments through September 2013. The annual installments, including interest at 6.00%, are \$43,224. The balance of the loan at April 30, 2013 is \$79,247.

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park in May 1999. 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, 2013 is \$264,321.

The City entered into a lease purchase with Caterpillar Financial to purchase a paver, trailer and drum compactor for the Public Works Department in June 2006. The loan of \$318,208 is to be repaid in seven annual installments through June 2012. The annual installments, including interest at 5.385%, are \$52,914. The balance of the loan at April 30, 2013 is \$-0-.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 19. LONG-TERM DEBT (Continued)

The City entered into a lease purchase agreement with the Bank of Edwardsville for a Mack Truck and two Schien Trailers in December 2011. The agreement was for \$211,000 and is to be repaid in three installments of \$72,767, including interest at 3.47%. The balance of the loan at April 30, 2013 is \$70,327.

The City entered into a lease purchase agreement with the Bank of Edwardsville for a fire department truck in July 2010. The agreement was for \$20,570 and is to be repaid in four installments of \$5,739 plus interest at 4.87%. The balance of the loan at April 30, 2013 is \$10,865.

The City entered into a lease purchase agreement with Marquette Bank – Government Capital Corp to purchase a law enforcement computer system in June 2008. The loan of \$297,204 is to be repaid in five annual installments through July 2012. The annual installments, including interest at 5.0%, are \$65,372. The balance of the loan at April 30, 2012 is \$-0-.

The City entered into a lease purchase agreement with the First Midwest Bank for the purchase of police CPU and phone system upgrades and ticket writers in October 2010. The agreement was for \$153,097 and is to be repaid in five installments of \$34,359 plus interest at 4.65%. The balance of the loan at April 30, 2013 is \$64,211.

The City entered into a loan with Madison County Community Development to finance infrastructure improvements of relocating high-pressure gas line and electric lines in May 2010. The loan of \$750,000 is to be repaid in twenty-eight quarterly installments through May 2017. The quarterly installments, including interest at 3.0%, are \$29,797. The balance of the loan at April 30, 2013 is \$473,914.

The City entered into a loan with Madison County Community Development to purchase fire truck in December 2008. The loan of \$297,007 is to be repaid in five annual installments through December 2013. The annual installments, including interest at 3.00%, are \$64,853. The balance of the loan at April 30, 2013 is \$62,963.

BUSINESS TYPE ACTIVITY DEBT

The City was awarded a second loan of \$3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water in August 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, 2013, the balance outstanding on the loan was \$2,652,934.

The City was awarded a third loan of \$1,660,939 through the State of Illinois Environment Protection Agency Bureau of Water in October 2008. This loan financed manhole and sewer projects. Payments are due semiannually on March 1 and September 1 through September 2029, including interest at 2.50%. As of April 30, 2013, the balance outstanding on the loan was \$1,580,493.

The City was awarded a four loan of \$8,000,000 through the State of Illinois Environment Protection Agency Water Pollution Control Loan Program in September 2011. Upon completion of the project \$2,000,000 of the loan will be forgiven and the additional funds will be repaid with an interest rate of 1.25%. This loan financed sewer rehabilitation projects. Payments are due semiannually on May 1 and November 1 through 2032. As of April 30, 2013, the balance outstanding on the loan was \$5,724,024.

The City was awarded a fifth loan of \$2,000,000 through the State of Illinois Environment Protection Agency Water Pollution Control Loan Program in September 2011. Upon completion of the project \$500,000 of the loan will be forgiven and the additional funds will be repaid with an interest rate of 1.25%. This loan financed improvement to the wastewater treatment plant. Payments are due semiannually on March 1 and September 1 through 2032. As of April 30, 2013, the balance outstanding on the loan was \$1,517,037.

The City issued Local Government Program Revenue Bonds, Series 2010 in November 2010. The bonds, totaling \$3,485,000 are payable from the net revenues derived from the payments made pursuant to the Intergovernmental Agreements by the parties to the Intergovernmental Agreements. The bonds bear interest of between 2.0% and 4.2% and mature in varying amounts from 2011 to 2029. The proceeds of the bond are to be used to finance the acquisition and construction of extensions, improvements, and additions to the system, including but not limited to the construction of improvements to the wastewater treatment plant. The balance of the bonds at April 30, 2013 is \$3,225,000.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 19. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term liabilities, net of unamortized costs, for the year ended April 30, 2013:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Government Activities:					
Bond Payable:					
Tax Increment Revenue					
Bonds Series 2008	\$ 8,465,000	\$ -	\$ 8,465,000	\$ -	\$ -
Tax Increment Revenue					
Bond Series 2012 Refunding	-	9,820,000	345,000	9,475,000	-
Tax Increment Revenue					
Bonds Series 2009-C	2,820,000	-	380,000	2,440,000	340,000
Tax Increment Revenue					
Bonds Series 2009-B	3,610,000	-	345,000	3,265,000	245,000
Tax Increment Revenue					
Bonds Series 2009-A	4,115,000	-	115,000	4,000,000	135,000
Less Unamortized Costs:					
Bond Discount	(400,326)	-	270,655	(129,671)	-
Bond Premium	25,598	186,580	(30,262)	181,916	-
Issuance Costs (Note 22)	(339,944)	-	339,944	-	-
Deferred Charge on Refunding	-	(2,547,675)	124,710	(2,422,965)	-
Total Bond Payable	<u>18,295,328</u>	<u>7,458,905</u>	<u>10,355,047</u>	<u>16,809,280</u>	<u>720,000</u>
Notes Payable:					
Ford Motor Credit	44,828	-	44,828	-	-
Ford Motor Credit	74,772	-	36,529	38,243	38,243
Ford Motor Credit	-	122,471	43,224	79,247	38,469
IL Dept of Transportation	342,511	-	78,190	264,321	40,863
Caterpillar Financial	50,206	-	50,206	-	-
Bank of Edwardsville	138,294	-	67,967	70,327	70,327
Bank of Edwardsville	15,833	-	4,968	10,865	5,210
Marquette Bank	62,261	-	62,261	-	-
First Midwest Bank	94,194	-	29,983	64,211	31,376
Madison County	576,944	-	103,030	473,914	106,155
Madison County	124,093	-	61,130	62,963	62,963
Total Long-Term Liabilities	<u>19,819,264</u>	<u>7,581,376</u>	<u>10,937,363</u>	<u>17,873,371</u>	<u>1,113,606</u>
Other Liabilities:					
Net Pension Obligation	17,072,557	3,380,902	-	20,453,459	-
Compensated Absences	3,245,386	1,157,640	1,139,440	3,263,586	664,332
Total Other Liabilities	<u>20,317,943</u>	<u>4,538,542</u>	<u>1,139,440</u>	<u>23,717,045</u>	<u>664,332</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 40,137,207</u>	<u>\$ 12,119,918</u>	<u>\$ 12,076,803</u>	<u>\$ 41,590,416</u>	<u>\$ 1,777,938</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 19. LONG-TERM DEBT (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
Bond Payable:					
Revenue Bonds					
Series 2010	\$ 3,355,000	\$ -	\$ 130,000	\$ 3,225,000	\$ 135,000
Less Unamortized Costs:					
Bond Premium	13,540	-	732	12,808	-
Issurance Costs (Note 22)	(151,087)	151,087	-	-	-
Total Bond Payable	<u>3,217,453</u>	<u>151,087</u>	<u>130,732</u>	<u>3,237,808</u>	<u>135,000</u>
Notes Payable:					
IL EPA (1)	\$ 2,843,158	\$ -	\$ 190,224	\$ 2,652,934	\$ 195,009
IL EPA (2)	1,624,844	47,195	91,546	1,580,493	73,001
IL EPA (3)	1,460,365	4,263,659	-	5,724,024	253,594
IL EPA (4)	185,011	1,332,015	-	1,517,026	67,210
Total Long-Term Liabilities	<u>9,330,831</u>	<u>5,793,956</u>	<u>412,502</u>	<u>14,712,285</u>	<u>723,814</u>
Other Liabilities:					
Compensated Absences	<u>309,860</u>	<u>176,569</u>	<u>161,384</u>	<u>325,045</u>	<u>101,208</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 9,640,691</u>	<u>\$ 5,970,525</u>	<u>\$ 573,886</u>	<u>\$ 15,037,330</u>	<u>\$ 825,022</u>

The annual requirements to retire the notes payable as of April 30, 2013 are as follows:

<u>Fiscal</u> <u>Year Ended</u> <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,113,606	\$ 1,303,491	\$ 723,814	\$ 312,889
2015	1,100,732	1,230,883	734,579	298,074
2016	1,231,047	1,153,708	749,566	283,964
2017	1,926,411	1,158,234	766,774	267,480
2018	1,329,922	906,929	783,214	251,615
2019-2023	13,542,373	3,313,598	4,171,079	1,002,337
2024-2028	-	-	3,811,728	526,275
2029-2033	-	-	2,958,724	120,262
	<u>\$ 20,244,091</u>	<u>\$ 9,066,843</u>	<u>\$ 14,699,478</u>	<u>\$ 3,062,896</u>

NOTE 20. STATEMENT OF LEGAL DEBT MARGIN

Assessed Valuation as of December 31, 2012	<u>\$ 325,774,268</u>
Debt Limit, 8.625% of Assessed Valuation	\$ 28,098,031
Less, Contractual Indebtedness	<u>12,538,568</u>
Legal Debt Margin	<u>\$ 15,559,463</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 21. POST EMPLOYMENT BENEFITS

The City provides certain healthcare insurance benefits for retired and disabled employees who meet the eligibility requirements as described in the personnel policy, the premiums are paid entirely by the retired and/or disabled employee. The City has not calculated or recorded the other post employment benefit (OPEB) liability, but believes it to be immaterial to the financial statements. The City continues to expense the other post employment benefit expenses as they are incurred.

NOTE 22. RESTATEMENT OF NET POSITION

The Governmental Accounting Standards Board issued Statement 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) in April 2012 to clarify the appropriate reporting of deferred outflows and inflows of resources to insure consistency in financial reporting. Upon adoption of the statement, bond issuance costs are expensed as incurred. The statement is applied retroactively.

The City had previously recorded bond issuance costs as an asset with a value of \$745,930 at April 30, 2012 and in accordance with the requirements the GASB 65 beginning net positions are restated from \$31,637,105 to \$30,891,175.

NOTE 23. SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 18, 2013, the date on which the financial statements were available to be issued.

The City entered into an agreement to purchase an ambulance in June 2013. The total cost of the ambulance is \$118,000, which was financed over four years with an interest rate of 2.48%. The payments are due annually on July 15th, with the first payment was due July 15, 2013.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Over (Under) <u>Budget</u>
Receipts:				
Taxes	\$ 19,394,434	\$ 19,394,434	\$ 20,299,043	\$ 904,609
Intergovernmental Revenue (Grants)	1,356,000	1,356,000	1,042,059	(313,941)
Charges for Services	2,045,905	2,045,905	2,269,820	223,915
Licenses and Permits	769,100	769,100	734,362	(34,738)
Fines and Forfeits	390,125	390,125	446,422	56,297
Investment Earnings	53,665	53,665	51,656	(2,009)
Miscellaneous	950,761	950,761	1,017,853	67,092
Total Receipts	<u>24,959,990</u>	<u>24,959,990</u>	<u>25,861,215</u>	<u>901,225</u>
Disbursements				
Mayor	738,777	738,777	703,101	35,676
Alderman	98,017	98,017	88,488	9,529
Clerk	260,306	260,306	278,813	(18,507)
Treasurer	301,834	301,834	296,414	5,420
Informational Technology	435,462	435,462	390,319	45,143
Financial	2,636,495	2,636,495	3,052,746	(416,251)
Police	8,407,453	8,407,453	8,128,484	278,969
Fire	6,671,815	6,671,815	6,412,750	259,065
Public Works	3,618,053	3,618,053	3,411,433	206,620
Building & Zoning	909,816	909,816	983,891	(74,075)
Safety and Risk	136,285	136,285	139,163	(2,878)
Civil Defense	27,915	27,915	36,156	(8,241)
Cinema	582,533	582,533	572,711	9,822
Summer Help	53,825	53,825	68,794	(14,969)
Total Disbursements	<u>24,878,586</u>	<u>24,878,586</u>	<u>24,563,263</u>	<u>315,323</u>
Excess (Deficit) of Receipts over Disbursements	<u>81,404</u>	<u>81,404</u>	1,297,952	<u>1,216,548</u>
Other Financing Sources (Uses):				
Refunding Bonds Issued	-	-	122,471	122,471
Operating Transfers In (Out)	-	-	(326,182)	(326,182)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(203,711)</u>	<u>(326,182)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ 81,404</u>	<u>\$ 81,404</u>	1,094,241	<u>\$ 890,366</u>
Change in Intergovernmental Revenue on Modified Accrual Basis			(128,481)	
Change in Prepaid Insurance			(25,899)	
Change in Interest Receivable			(2,349)	
Change in Accrued Employee Obligations			584,108	
Change in Accounts Payable on Modified Accrual Basis			<u>342,526</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 1,864,146</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under) <u>Budget</u>
Receipts:				
Real Estate Taxes - Downtown	\$ 1,200,000	\$ 1,200,000	\$ 1,243,640	\$ 43,640
Real Estate Taxes - GCS	920,252	920,252	920,252	-
Real Estate Taxes - AS	130,854	130,854	130,854	-
Real Estate Taxes - Rt 3	1,310,000	1,310,000	1,307,131	(2,869)
Real Estate Taxes - Nameoki	210,000	210,000	222,429	12,429
Real Estate Taxes - Port	25,000	25,000	24,724	(276)
Real Estate Taxes - Rt 203	4,664,412	4,664,412	4,664,412	-
Sales Taxes	82,000	82,000	109,348	27,348
Rent	226,600	226,600	207,717	(18,883)
Grant	37,500	37,500	(63,406)	(100,906)
Investment Earnings	32,896	32,896	33,939	1,043
Other	123,882	123,882	94,900	(28,982)
Total Receipts	<u>8,963,396</u>	<u>8,963,396</u>	<u>8,895,940</u>	<u>(67,456)</u>
Disbursements				
Downtown TIF	1,465,186	1,465,186	10,230,203	(8,765,017)
Granite City Steel TIF	920,252	920,252	690,189	230,063
American Steel TIF	130,853	130,853	130,854	(1)
Route 3 TIF	1,317,000	1,317,000	1,469,018	(152,018)
Nameoki Village TIF	300,000	300,000	117,642	182,358
Port District TIF	175,000	175,000	2,003	172,997
Route 203 TIF	4,700,000	4,700,000	4,809,629	(109,629)
Total Disbursements	<u>9,008,291</u>	<u>9,008,291</u>	<u>17,449,538</u>	<u>(8,441,247)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>(44,895)</u>	<u>(44,895)</u>	(8,553,598)	<u>(8,508,703)</u>
Other Financing Sources (Uses):				
Proceeds From Borrowings	-	-	9,820,000	(9,820,000)
Loss on Refinancing	-	-	(10,977,265)	10,977,265
Operating Transfers From (To) other Funds	-	-	(216,772)	(216,772)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,374,037)</u>	<u>(10,036,772)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (44,895)</u>	<u>\$ (44,895)</u>	(9,927,635)	<u>\$ (18,545,475)</u>
Change in Revenue on Modified Accrual Basis			91,597	
Change in Accounts Payable on Modified Accrual Basis			197,816	
Change in Interest Receivable			5,347	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (9,632,875)</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
APRIL 30, 2013

BASIS OF ACCOUNTING

The budget is prepared on the cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

LINE ITEM EXPENDITURES IN EXCESS OF BUDGET

During the year ended April 30, 2013, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 42 to 43.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRE AND POLICE PENSION
FUNDING PROGRESS
APRIL 30, 2013

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>-Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c.)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
Police Pension						
4/30/2012	\$ 16,026,355	\$ 46,310,766	\$ 30,284,411	34.61%	\$ 3,967,820	763.25%
4/30/2011			Not Available			
4/30/2010	14,021,247	43,257,835	29,236,588	32.41%	3,721,923	785.52%
4/30/2009	12,632,001	40,991,744	28,359,743	30.82%	3,470,340	817.20%
4/30/2008	15,670,001	39,273,366	23,603,365	39.90%	3,328,974	709.03%
4/30/2007	16,827,903	37,715,990	20,888,087	44.62%	2,961,777	705.26%
4/30/2006	16,331,354	36,536,908	20,205,554	44.70%	2,741,223	737.10%
4/30/2005	15,285,262	34,708,648	19,423,386	44.04%	2,699,133	719.62%
Fire Pension						
4/30/2012	\$ 17,393,812	\$ 50,248,085	\$ 32,854,273	34.62%	\$ 3,786,805	867.60%
4/30/2011			Not Available			
4/30/2010	16,636,316	45,691,321	29,055,005	36.41%	3,804,240	763.75%
4/30/2009	15,346,426	45,449,959	30,103,533	33.77%	3,597,302	836.84%
4/30/2008	18,735,007	43,281,975	24,546,968	43.29%	3,493,965	702.55%
4/30/2007	19,072,129	39,539,794	20,467,665	48.24%	3,126,964	654.55%
4/30/2006	18,545,115	37,325,323	18,780,208	49.69%	2,924,371	642.20%
4/30/2005	17,220,222	35,220,804	18,000,582	48.89%	2,733,551	658.51%

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS
APRIL 30, 2013

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c.)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/2012	13,439,757	18,237,451	4,797,694	73.69%	6,067,708	79.07%
12/31/2011	12,729,295	17,965,628	5,236,333	70.85%	5,820,337	89.97%
12/31/2010	13,704,390	17,917,444	4,213,054	76.49%	5,876,269	71.70%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$14,022,711. On a market basis, the funded ratio would be 76.89%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Granite City. They do not include amounts for retirees. The actuarial liability for retirees is 100% funded.

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
APRIL 30, 2013

	<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Motor Fuel Tax Fund</u>	<u>Total</u>			
ASSETS							
Cash and Cash Equivalents	\$ 175,593	\$ -	\$ -	\$ 175,593	\$ -	\$ -	\$ 175,593
Certificates of Deposit	34,747	-	-	34,747	-	-	34,747
Investments	113,398	-	-	113,398	-	-	113,398
Receivables:							
Intergovernmental	-	13,054	51,333	64,387	-	-	64,387
Other	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	10,484	-	10,484
Total Assets	<u>\$ 323,738</u>	<u>\$ 13,054</u>	<u>\$ 51,333</u>	<u>\$ 388,125</u>	<u>\$ 10,484</u>	<u>\$ -</u>	<u>\$ 398,609</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	12,390	-	193,914	206,304	1,965	-	208,269
Due to Other Funds	245,350	13,054	1,775,900	2,034,304	240,943	-	2,275,247
Total Liabilities	<u>257,740</u>	<u>13,054</u>	<u>1,969,814</u>	<u>2,240,608</u>	<u>242,908</u>	<u>-</u>	<u>2,483,516</u>
Fund Balances:							
Restricted for:							
Drug Traffic Prevention	65,998	-	-	65,998	-	-	65,998
Unassigned	-	-	(1,918,481)	(1,918,481)	(232,424)	-	(2,150,905)
Total Fund Balances	<u>65,998</u>	<u>-</u>	<u>(1,918,481)</u>	<u>(1,852,483)</u>	<u>(232,424)</u>	<u>-</u>	<u>(2,084,907)</u>
Total Liabilities and Fund Balances	<u>\$ 323,738</u>	<u>\$ 13,054</u>	<u>\$ 51,333</u>	<u>\$ 388,125</u>	<u>\$ 10,484</u>	<u>\$ -</u>	<u>\$ 398,609</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2013

	<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Motor Fuel Tax Fund</u>	<u>Total</u>			
Revenues:							
Intergovernmental:							
Grants	\$ 131,106	\$ 359,762	\$ 254,396	\$ 745,264	\$ -	\$ -	\$ 745,264
Motor Fuel Tax	-	-	792,337	792,337	-	-	792,337
Fines and Forfeitures	30,307	-	-	30,307	-	-	30,307
Investment Earnings	280	-	-	280	29	-	309
Miscellaneous	1,750	-	-	1,750	-	-	1,750
Total Revenues	<u>163,443</u>	<u>359,762</u>	<u>1,046,733</u>	<u>1,569,938</u>	<u>29</u>	<u>-</u>	<u>1,569,967</u>
Expenditures:							
General Government	-	-	-	-	195,941	-	195,941
Public Safety	186,759	-	-	186,759	-	-	186,759
Public Works	-	294,909	411,570	706,479	-	-	706,479
Debt Service	-	-	-	-	-	642,166	642,166
Capital Outlay	-	-	196,820	196,820	-	-	196,820
Total Expenditures	<u>186,759</u>	<u>294,909</u>	<u>608,390</u>	<u>893,238</u>	<u>195,941</u>	<u>642,166</u>	<u>1,928,165</u>
Revenues Over (Under) Expenditures	<u>(23,316)</u>	<u>64,853</u>	<u>438,343</u>	<u>676,700</u>	<u>(195,912)</u>	<u>(642,166)</u>	<u>(358,198)</u>
Other Financing Sources:							
Operating Transfers From (To) Other Funds	<u>(34,359)</u>	<u>(64,853)</u>	<u>-</u>	<u>(99,212)</u>	<u>-</u>	<u>642,166</u>	<u>542,954</u>
Total other Financing Sources	<u>(34,359)</u>	<u>(64,853)</u>	<u>438,343</u>	<u>(99,212)</u>	<u>-</u>	<u>642,166</u>	<u>542,954</u>
Net Change in Fund Balance	(57,675)	-	438,343	380,668	(195,912)	-	184,756
Fund Balance - Beginning	<u>123,673</u>	<u>-</u>	<u>(2,356,824)</u>	<u>(2,233,151)</u>	<u>(36,512)</u>	<u>-</u>	<u>(2,269,663)</u>
Fund Balance - Ending	<u>\$ 65,998</u>	<u>\$ -</u>	<u>\$ (1,918,481)</u>	<u>\$ (1,852,483)</u>	<u>\$ (232,424)</u>	<u>\$ -</u>	<u>\$ (2,084,907)</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
YEAR ENDED APRIL 30, 2013

	Business Type Activities		Total Enterprise Funds
	Enterprise Funds		
	<u>Wastewater Treatment Plant</u>	<u>Sewer System Fund</u>	
Operating Revenues:			
Charges for Services	\$ 2,837,137	\$ 4,174,892	\$ 7,012,029
Total Revenues	<u>2,837,137</u>	<u>4,174,892</u>	<u>7,012,029</u>
Operating Expenses:			
Personal Services	2,753,296	-	2,753,296
Industrial Pretreatment	-	98,340	98,340
Billings and Collection	-	122,915	122,915
Sewer Collection	-	797,358	797,358
Solids Handling	551,713	-	551,713
BOD Treatment	224,660	-	224,660
Primary Treatment	31,662	-	31,662
General and Administrative	212,462	-	212,462
Dry Weather Pumping	173,727	-	173,727
Wet Weather Pumping	102,611	-	102,611
Other	167,320	-	167,320
Depreciation	580,271	230,832	811,103
Total Operating Expenses	<u>4,797,722</u>	<u>1,249,445</u>	<u>6,047,167</u>
Operating Income	<u>(1,960,585)</u>	<u>2,925,447</u>	<u>964,862</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	63,111	428	63,539
Grant Income	-	533,502	533,502
Interest Expense and Fiscal Charges	(197,951)	(74,678)	(272,629)
Total Non-Operating Revenues (Expenses)	<u>(134,840)</u>	<u>459,252</u>	<u>324,412</u>
Change in Net Position	(2,095,425)	3,384,699	1,289,274
Net Position - Beginning	5,499,654	11,120,615	16,620,269
Restatement of Beginning - Net Postion (Note 22)	<u>(151,088)</u>	<u>-</u>	<u>(151,088)</u>
Net Position - Ending	<u>\$ 3,253,141</u>	<u>\$ 14,505,314</u>	<u>\$ 17,758,455</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF PLAN NET POSITION
FIDUCIARY FUNDS
APRIL 30, 2013

	Pension Trust Funds		
	Police	Firemen	Total
ASSETS			
Cash and Cash Equivalents	\$ 357,390	\$ 235,316	\$ 592,706
Investments and Certificates of Deposits	14,986,059	15,810,213	30,796,272
Receivables:			
Property Taxes	738,856	738,856	1,477,712
Gaming Taxes	5,510	5,510	11,020
Accrued Interest	63,369	33,426	96,795
Total Assets	16,151,184	16,823,321	32,974,505
LIABILITIES			
Liabilities	-	-	-
Total Liabilities	-	-	-
NET POSITION			
Held in Trust for Pension Benefits and Other Purposes	\$ 16,151,184	\$ 16,823,321	\$ 32,974,505

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Firemen</u>	
Additions			
Contributions:			
Employee Contributions	\$ 393,211	\$ 358,057	\$ 751,268
Employer Contributions:			
Property Taxes	738,609	734,267	1,472,876
Video Gaming Tax	9,959	9,959	19,918
Replacement Taxes	262,527	266,868	529,395
Total Contributions	<u>1,404,306</u>	<u>1,369,151</u>	<u>2,773,457</u>
Investment Income:			
Interest and Dividends	582,581	466,390	1,048,971
Net Realized/Unrealized Gain(Loss) on Investments	765,270	786,937	1,552,207
	<u>1,347,851</u>	<u>1,253,327</u>	<u>2,601,178</u>
Less: Investment Expense	(30,413)	(65,609)	(96,022)
Net Investment Income	<u>1,317,438</u>	<u>1,187,718</u>	<u>2,505,156</u>
Total Additions	<u>2,721,744</u>	<u>2,556,869</u>	<u>5,278,613</u>
Deductions:			
Benefits Paid to Participants:			
Service and Disability	1,862,518	2,280,746	4,143,264
Dependents	254,915	270,171	525,086
Contractual Services	18,491	13,151	31,642
Total Deductions	<u>2,135,924</u>	<u>2,564,068</u>	<u>4,699,992</u>
Change in Plan Net Position	585,820	(7,199)	578,621
Net Position - Beginning	<u>15,565,364</u>	<u>16,830,520</u>	<u>32,395,884</u>
Net Position - Ending	<u>\$ 16,151,184</u>	<u>\$ 16,823,321</u>	<u>\$ 32,974,505</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUNDS
APRIL 30, 2013

	<u>TIF</u> <u>District #1</u>	<u>TIF</u> <u>District #2</u>	<u>TIF</u> <u>District #3</u>	<u>TIF</u> <u>District #4</u>	<u>TIF</u> <u>District #5</u>	<u>TIF</u> <u>District #6</u>	<u>TIF</u> <u>District #7</u>	<u>Total</u>	<u>TIF</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
<u>Assets</u>										
Cash	\$ -	\$ 37,483	\$ 145,481	\$ 62,153	\$ 165,470	\$ 54,018	\$ 114,714	\$ 579,319	\$ -	\$ 579,319
Certificates of Deposit	-	79,836	300,336	116,237	343,825	112,244	238,359	1,190,837	-	1,190,837
Restricted Investments	-	-	-	114,191	-	-	475,313	589,504	2,461,269	3,050,773
Investments	-	7,807	29,370	11,367	33,623	10,977	23,310	116,454	-	116,454
Receivables:										
Property Taxes	1,330,605	140,944	973,082	1,346,910	-	42,613	5,049,822	8,883,976	-	8,883,976
Intergovernmental Receivable	-	-	-	-	25,758	-	147,882	173,640	-	173,640
Development Loans	300,537	-	-	-	-	-	-	300,537	-	300,537
Accrued Interest	3,255	-	-	712	1,402	458	1,071	6,898	-	6,898
Due from Other Funds	-	-	-	-	2,760	-	-	2,760	-	2,760
Rental Real Estate Investment	2,667,631	-	-	-	-	-	-	2,667,631	-	2,667,631
General Real Estate Investment	1,308,191	-	-	76,885	-	-	-	1,385,076	-	1,385,076
Total Assets	<u>5,610,219</u>	<u>266,070</u>	<u>1,448,269</u>	<u>1,728,455</u>	<u>572,838</u>	<u>220,310</u>	<u>6,050,471</u>	<u>15,896,632</u>	<u>2,461,269</u>	<u>18,357,901</u>
<u>Liabilities and Fund Balance</u>										
Liabilities:										
Accounts Payable	4,285	-	-	-	3,784	73	-	8,142	-	8,142
Due to Other Funds	1,560,220	-	-	12,480	-	-	-	1,572,700	-	1,572,700
Due to Other Governments	-	-	-	-	2,760	-	-	2,760	-	2,760
Deferred Revenues:										
Gain on Sale of Property	173,033	-	-	-	-	-	-	173,033	-	173,033
Property Taxes	1,330,605	140,944	973,082	1,346,910	-	42,613	5,049,822	8,883,976	-	8,883,976
Total Liabilities	<u>3,068,143</u>	<u>140,944</u>	<u>973,082</u>	<u>1,359,390</u>	<u>6,544</u>	<u>42,686</u>	<u>5,049,822</u>	<u>10,640,611</u>	<u>-</u>	<u>10,640,611</u>
Fund Balance:										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	2,461,269	2,461,269
Development Loans	300,537	-	-	-	-	-	-	300,537	-	300,537
Redevelopment	2,241,539	125,126	475,187	369,065	566,294	177,624	1,000,649	4,955,484	-	4,955,484
Total Fund Balance	<u>2,542,076</u>	<u>125,126</u>	<u>475,187</u>	<u>369,065</u>	<u>566,294</u>	<u>177,624</u>	<u>1,000,649</u>	<u>5,256,021</u>	<u>2,461,269</u>	<u>7,717,290</u>
Total Liabilities and Fund Balance	<u>\$ 5,610,219</u>	<u>\$ 266,070</u>	<u>\$ 1,448,269</u>	<u>\$ 1,728,455</u>	<u>\$ 572,838</u>	<u>220,310</u>	<u>6,050,471</u>	<u>\$15,896,632</u>	<u>\$ 2,461,269</u>	<u>\$18,357,901</u>

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, 2013

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	TIF District #7	Total	TIF Debt Service	Total
<u>Revenues:</u>										
Property Taxes	\$ 1,243,640	\$ 130,854	\$ 920,252	\$ 1,307,131	\$ 222,429	\$ 24,724	\$ 4,664,412	\$ 8,513,442	\$ -	\$ 8,513,442
Intergovernmental	-	-	-	-	107,530	-	30,010	137,540	-	137,540
Investment Earnings	19,490	-	-	11,570	1,066	296	6,864	39,286	-	39,286
Miscellaneous	302,617	-	-	-	-	-	-	302,617	-	302,617
Total Revenues	<u>1,565,747</u>	<u>130,854</u>	<u>920,252</u>	<u>1,318,701</u>	<u>331,025</u>	<u>25,020</u>	<u>4,701,286</u>	<u>8,992,885</u>	<u>-</u>	<u>8,992,885</u>
<u>Expenditures:</u>										
General Government	278,125	130,854	690,189	189,911	113,858	1,930	4,042,910	5,447,777	-	5,447,777
Debt Service - Interest	-	-	-	-	-	-	-	-	1,314,217	1,314,217
Debt Service - Principal	-	-	-	-	-	-	-	-	1,185,000	1,185,000
Bond Issuance Costs	-	-	-	-	-	-	-	-	351,609	351,609
Capital Outlay	-	-	-	-	-	-	397,878	397,878	-	397,878
Total Expenditures	<u>278,125</u>	<u>130,854</u>	<u>690,189</u>	<u>189,911</u>	<u>113,858</u>	<u>1,930</u>	<u>4,440,788</u>	<u>5,845,655</u>	<u>2,850,826</u>	<u>8,696,481</u>
Excess of Revenues over Expenditures	1,287,622	-	230,063	1,128,790	217,167	23,090	260,498	3,147,230	(2,850,826)	296,404
<u>Other Financing Sources (Uses):</u>										
Refunding Bonds Issued	-	-	-	-	-	-	-	-	9,820,000	9,820,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	(10,977,265)	(10,977,265)
Bond Premium	-	-	-	-	-	-	-	-	186,580	186,580
Operating Transfers From (To) other Funds	(1,308,351)	-	-	(1,321,561)	-	-	(433,913)	(3,063,825)	2,847,053	(216,772)
Total Other Financing Sources (Uses)	<u>(1,308,351)</u>	<u>-</u>	<u>-</u>	<u>(1,321,561)</u>	<u>-</u>	<u>-</u>	<u>(433,913)</u>	<u>(3,063,825)</u>	<u>1,876,368</u>	<u>(1,187,457)</u>
Net Change in Fund Balance	(20,729)	-	230,063	(192,771)	217,167	23,090	(173,415)	83,405	(974,458)	(891,053)
Fund Balance - Beginning	2,562,805	125,126	245,124	561,836	349,127	154,534	1,174,064	5,172,616	3,435,727	8,608,343
Fund Balance - Ending	<u>\$ 2,542,076</u>	<u>\$ 125,126</u>	<u>\$ 475,187</u>	<u>\$ 369,065</u>	<u>\$ 566,294</u>	<u>\$ 177,624</u>	<u>\$ 1,000,649</u>	<u>\$ 5,256,021</u>	<u>\$ 2,461,269</u>	<u>\$ 7,717,290</u>

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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

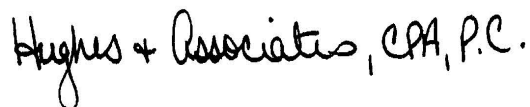
We have audited the basic financial statements of the City of Granite City, Illinois for the year ended April 30, 2013, and have issued our report thereon dated December 18, 2013. The financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is 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". We also relied on the assertions made by the TIF District administrator.

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.
December 18, 2013

Hughes & Associates

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Granite City's basic financial statements and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Granite City, Illinois' internal control over financial reporting (internal control) to determine that audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the City of Granite City, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Granite City, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
December 18, 2013

Hughes & Associates

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Granite City, Illinois' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Granite City's major federal programs for the year ended April 30, 2013. The City of Granite City, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Granite City, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Granite City, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Granite City, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Granite City, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2013.

Report on Internal Control over Compliance

Management of the City of Granite City, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit compliance, we considered the City of Granite City, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we would consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
December 18, 2013

CITY OF GRANITE CITY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2013

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>	
				<u>Cash</u>	<u>Non-Cash</u>
Cluster:					
Highway Safety Cluster - Department of Transportation					
Pass-through Program From					
Illinois Department of Transportation					
	20.600,				
Sustained Traffic Enforcement Program (STEP)	20.601	OP2-2305-219		\$ 13,869	-
Total Highway Safety Cluster				<u>13,869</u>	<u>-</u>
State-Administered CDBG Cluster - Department of Housing and Urban Development					
Pass-through Program From					
Illinois Department of Transportation					
County of Madison					
CDBG IKE	14.228	08-354074	#08-354074	-	311,861
Total State Administered CDBG Cluster				<u>-</u>	<u>311,861</u>
Other Federal Awards:					
<u>Department of Justice</u>					
Direct Programs:					
Equitable Sharing of Federally Forfeited Property	16.922	N/A		171,970	-
Public Safety Partnership and Community Policing Grant					
ARRA - COPS Hiring Recovery Program Grant	16.710	2009RKWX0333		72,495	-
Organized Crime Drug Enforcement Task Force State and Local Overtime and Authorized Expense/ Strategic Initiative Programs	16.111	SI-WC-005		3,044	-
U.S. Immigration and Customs Enforcement (ICE)	16.606	N/A		615	-
Total Department of Justice Direct Programs				<u>248,124</u>	<u>-</u>
<u>Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters Grant Program	97.044	HMW-2008-FO-04034		1,273	-
Pass-through Program From					
Illinois Emergency Management Agency					
Emergency Management Performance Grants	97.042	N/A		5,001	-
Total Department of Homeland Security				<u>6,274</u>	<u>-</u>
<u>Environmental Protection Agency</u>					
Pass-through Program From					
Illinois Environmental Protection Agency					
Infrastructure Financial Assistance Section -					
The Water Pollution Control Loan Program	66.458	L174653/L174113		726,273	-
Total Environmental Protection Agency				<u>726,273</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 994,540</u>	<u>\$ 311,861</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Granite City, Illinois under programs of the federal government for the year ended April 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Granite City, Illinois, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Granite City, Illinois.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any federal insurance for any of its programs for the year ended April 30, 2013. The City received noncash assistance from the County of Madison for payment of expenses on the CDBG IKE grant of \$311,861. The City has received loans from Illinois Environmental Protection Agency as of April 30, 2013.

NOTE 3. INSURANCE

The City of Granite City had no insurance specifically required by federal awards.

NOTE 4. SUBRECIPIENTS

The City did not pass through any federal funds to subrecipients during the year ended April 30, 2013.

CITY OF GRANITE CITY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
APRIL 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City.
- b. No material weaknesses were disclosed by the audit of the financial statements of the City.
- c. No significant deficiencies relating to the audit of the financial statements of the City were reported.
- d. No instances of noncompliance material to the financial statement of the City were disclosed during the audit.
- e. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements of the City.
- f. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
- g. The audit did not disclose any audit findings that are required to be reported under Section .510(a) of OMB Circular A-133.
- h. The City's program tested as a major program included: the Public Safety Partnership and Community Policing Grants – CFDA #16.710; the Equitable Sharing of Federally Forfeited Property – CFDA #16.922; the Water Pollution Control Loan Program – CFDA #66.458; and CDBG IKE – CFDA #14.228.
- i. The threshold for distinguishing between Type A and Type B programs was \$300,000.
- j. The City does not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

2. FINDINGS – FINANCIAL STATEMENTS AUDIT

The City has no findings to the financial statements that are required to be reported in accordance with Generally Accepted Government Auditing Standards.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

The City has no findings or questioned costs for Federal award programs that are required to be reported.