

CITY OF GRANITE CITY, ILLINOIS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

APRIL 30, 2012

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of April 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 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* and should be considered in assessing the results of our audit.

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 considered 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.

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 combining financial statements and schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
January 15, 2013

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2012

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,010,571	\$ 963,762	\$ 1,974,333
Certificates of Deposit	1,117,261	1,502,739	2,620,000
Restricted Investments	3,923,710	1,285,176	5,208,886
Investments	150,626	27,744	178,370
Receivables (Net of Allowance for Uncollectibles)	18,373,945	1,657,097	20,031,042
Internal Advances to Other Funds	(1,686,484)	1,686,484	-
Prepaid Expenses and Deposits	246,504	44,284	290,788
Total Current Assets	<u>23,136,133</u>	<u>7,167,286</u>	<u>30,303,419</u>
Noncurrent Assets:			
General Real Estate Investment	1,415,664	-	1,415,664
Capital Assets (Net of Accumulated Depreciation)	48,956,286	21,671,038	70,627,324
Total Noncurrent Assets	<u>50,371,950</u>	<u>21,671,038</u>	<u>72,042,988</u>
Total Assets	<u>73,508,083</u>	<u>28,838,324</u>	<u>102,346,407</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,185,181	2,539,510	3,724,691
Accrued Workman's Compensation	2,931,102	-	2,931,102
Accrued Vacation Leave	662,023	101,208	763,231
Accrued Interest Payable	434,319	37,855	472,174
Other Accrued Obligations	22,760	-	22,760
Deferred Gain on Sale	164,478	-	164,478
Deferred Real Estate Taxes	13,667,396	-	13,667,396
Bonds/Notes Payable - Current Portion (Net of Unamortized Costs)	1,554,420	399,145	1,953,565
Total Current Liabilities	<u>20,621,679</u>	<u>3,077,718</u>	<u>23,699,397</u>
Noncurrent Liabilities:			
Bonds/Notes Payable - Noncurrent Portion (Net of Unamortized Costs)	18,213,648	8,931,685	27,145,333
Accrued Sick Leave	2,583,363	208,652	2,792,015
Net Pension Obligation	17,072,557	-	17,072,557
Total Noncurrent Liabilities	<u>37,869,568</u>	<u>9,140,337</u>	<u>47,009,905</u>
Total Liabilities	<u>58,491,247</u>	<u>12,218,055</u>	<u>70,709,302</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	29,188,218	12,340,208	41,528,426
Restricted for:			
Debt Service	3,435,727	-	3,435,727
Development Loans	291,047	-	291,047
Drug Traffic Prevention	123,673	-	123,673
Redevelopment	4,881,569	1,285,176	6,166,745
Unrestricted:	<u>(22,903,398)</u>	<u>2,994,885</u>	<u>(19,908,513)</u>
Total Net Assets	<u>\$ 15,016,836</u>	<u>\$ 16,620,269</u>	<u>\$ 31,637,105</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 10,516,554	\$ 748,710	\$ 710,827	\$ -	\$ (9,057,017)	\$ -	\$ (9,057,017)
Cinema	597,328	602,662	-	-	5,334	-	5,334
Public Safety	21,147,973	1,519,305	430,380	-	(19,198,288)	-	(19,198,288)
Public Works	5,270,859	588,401	872,187	956,698	(2,853,573)	-	(2,853,573)
Interest on Long-Term Debt	1,600,714	-	-	-	(1,600,714)	-	(1,600,714)
Total Governmental Activities	<u>39,133,428</u>	<u>3,459,078</u>	<u>2,013,394</u>	<u>956,698</u>	<u>(32,704,258)</u>	<u>-</u>	<u>(32,704,258)</u>
Business-Type Activities:							
Wastewater	6,416,193	5,844,237	-	-	-	(571,956)	(571,956)
Total Business-Type Activities	<u>6,416,193</u>	<u>5,844,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571,956)</u>	<u>(571,956)</u>
Total	<u>\$ 45,549,621</u>	<u>\$ 9,303,315</u>	<u>\$ 2,013,394</u>	<u>\$ 956,698</u>	<u>(32,704,258)</u>	<u>(571,956)</u>	<u>(33,276,214)</u>
General Revenues:							
Property Tax, Levied for General Purposes					13,949,696	-	13,949,696
Home Rule Sales Tax					2,837,829	-	2,837,829
Sales and Use Tax					4,877,711	-	4,877,711
Replacement Tax					2,570,776	-	2,570,776
State Income Tax					2,543,981	-	2,543,981
Telecommunications Tax					912,647	-	912,647
Other State and Local Taxes					346,922	-	346,922
Investment Earnings					192,874	92,648	285,522
Miscellaneous					467,570	-	467,570
Total General Revenues and Transfers					<u>28,700,006</u>	<u>92,648</u>	<u>28,792,654</u>
Change in Net Assets					(4,004,252)	(479,308)	(4,483,560)
Net Assets - Beginning					<u>19,021,088</u>	<u>17,099,577</u>	<u>36,120,665</u>
Net Assets - Ending					<u>\$ 15,016,836</u>	<u>\$ 16,620,269</u>	<u>\$ 31,637,105</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2012

	<u>General</u>	<u>Motor</u>	<u>Tax Increment</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Fuel Tax</u>	<u>Financing</u>	<u>Non-Major</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 715,414	\$ 295,157	\$ 1,010,571
Restricted Investments	-	-	3,923,710	-	3,923,710
Certificates of Deposit	-	-	1,115,501	1,760	1,117,261
Investments	-	-	20,594	130,032	150,626
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	5,122,604	-	8,544,792	-	13,667,396
Intergovernmental	3,307,433	57,949	409,475	81,136	3,855,993
Other	557,955	-	292,598	3	850,556
Due from Other Funds	4,380,152	-	2,760	10,484	4,393,396
Prepaid Expenses	246,504	-	-	-	246,504
Rental Real Estate Investment	-	-	2,667,631	-	2,667,631
General Real Estate Investment	-	-	1,415,664	-	1,415,664
Total Assets	13,614,648	57,949	19,108,139	518,572	33,299,308
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	870,667	47,918	205,958	60,638	1,185,181
Accrued Employee Obligations	2,931,102	-	-	-	2,931,102
Due to Other Funds	1,760,444	2,366,855	1,581,808	370,773	6,079,880
Other Accrued Obligations	20,000	-	2,760	-	22,760
Deferred Gain on Sale	-	-	164,478	-	164,478
Deferred Revenue	6,534,277	-	8,544,792	-	15,079,069
Total Liabilities	12,116,490	2,414,773	10,499,796	431,411	25,462,470
Fund Balance:					
Nonspendable:					
Prepaid Expenses	246,504	-	-	-	246,504
Restricted for:					
Redevelopment	-	-	4,881,569	-	4,881,569
Development Loans	-	-	291,047	-	291,047
Drug Traffic Prevention	-	-	-	123,673	123,673
Debt Service	-	-	3,435,727	-	3,435,727
Unassigned	1,251,654	(2,356,824)	-	(36,512)	(1,141,682)
Total Fund Balance	1,251,654	(2,356,824)	8,608,343	87,161	7,836,838
Total Liabilities and Fund Balance	\$ 13,368,144	\$ 57,949	\$ 19,108,139	\$ 518,572	\$ 33,299,308

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, 2012

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$	7,836,838
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.		48,956,286
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.		(3,245,386)
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		(19,768,068)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.		(17,072,557)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.		(434,319)
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>1,411,673</u>
Net assets of governmental activities	\$	<u><u>15,016,836</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, 2012

	<u>General</u> <u>Fund</u>	<u>Motor</u> <u>Fuel Tax</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>
Revenues:					
Property Taxes	\$ 5,550,140	\$ -	\$ 8,399,556	\$ -	\$ 13,949,696
Intergovernmental:					
Home Rule Sales Tax	2,839,189	-	-	-	2,839,189
Sales and Use Tax	3,779,577	-	1,101,048	-	4,880,625
Replacement Tax	2,570,776	-	-	-	2,570,776
State Income Tax	2,380,849	-	-	-	2,380,849
Motor Fuel Tax	-	742,578	-	-	742,578
Telecommunications Tax	910,872	-	-	-	910,872
Grants	651,408	956,698	-	427,281	2,035,387
Other	190,493	-	-	-	190,493
Other Local Taxes	346,922	-	-	-	346,922
Licenses and Permits	692,829	-	-	-	692,829
Charges for Services	2,418,991	-	-	-	2,418,991
Fines and Forfeits	310,818	-	-	36,440	347,258
Investment Earnings	32,918	-	158,751	1,205	192,874
Miscellaneous	133,764	-	331,214	2,592	467,570
Total Revenues	<u>22,809,546</u>	<u>1,699,276</u>	<u>9,990,569</u>	<u>467,518</u>	<u>34,966,909</u>
Expenditures:					
Current:					
General Government	4,832,608	-	5,413,204	15,938	10,261,750
Cinema	597,328	-	-	-	597,328
Public Safety	15,819,908	-	-	493,027	16,312,935
Public Works	4,729,961	318,940	-	119,369	5,168,270
Debt Service:					
Principal	-	-	1,130,000	493,087	1,623,087
Interest	-	-	1,473,138	62,077	1,535,215
Capital Outlay	-	1,821,959	2,058,306	-	3,880,265
Total Expenditures	<u>25,979,805</u>	<u>2,140,899</u>	<u>10,074,648</u>	<u>1,183,498</u>	<u>39,378,850</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,170,259)</u>	<u>(441,623)</u>	<u>(84,079)</u>	<u>(715,980)</u>	<u>(4,411,941)</u>
Other Financing Sources (Uses):					
Proceeds From Borrowings	326,787	-	-	-	326,787
Operating Transfers In (Out)	(287,973)	-	(167,979)	455,952	-
Total Other Financing Sources (Uses)	<u>38,814</u>	<u>-</u>	<u>(167,979)</u>	<u>455,952</u>	<u>326,787</u>
Net Change in Fund Balance	(3,131,445)	(441,623)	(252,058)	(260,028)	(4,085,154)
Fund Balance - Beginning	4,629,603	(1,915,201)	8,860,401	347,189	11,921,992
Fund Balance - Ending	<u>\$ 1,498,158</u>	<u>\$ (2,356,824)</u>	<u>\$ 8,608,343</u>	<u>\$ 87,161</u>	<u>\$ 7,836,838</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, 2012

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

Net change in fund balances - total governmental funds	\$ (4,085,154)
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.	3,399,518
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.	(1,205,953)
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.	(216,270)
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	1,212,211
Interest accrued but not paid is not recorded as an expense until paid. This is the change in accrued interest payable between years.	18,590
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	(3,283,570)
Capital assets disposed of during the year are reported on the government-wide statement of activities and changes in net assets, but their disposal does not required the use of current financial resources. Therefore, the cost of the item disposed of is not reported in the governmental funds.	(5,891)
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.	162,267
Change in net assets of governmental activities	\$ (4,004,252)

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
APRIL 30, 2012

		<u>Business Type</u> <u>Activities</u>
		<u>Enterprise Funds</u> <u>Wastewater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	963,762
Certificates of Deposit		1,502,739
Restricted Investments		1,285,176
Investments		27,744
Accounts Receivable (Net of Allowance for Uncollectibles)		1,644,231
Due To Other Funds		1,760,444
Interest Receivable		12,866
Prepaid Expenses		44,284
Total Current Assets		<u>7,241,246</u>
Noncurrent Assets:		
Capital Assets:		
Construction in Process		6,943,026
Building and Improvements		1,728,589
Treatment Facility and Lines		33,885,650
Equipment		1,780,480
Vehicles		1,275,740
Total		<u>45,613,485</u>
Less Accumulated Depreciation		<u>(23,942,447)</u>
Net Capital Assets		<u>21,671,038</u>
Total Assets		<u>28,912,284</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable		2,539,510
Accrued Vacation Leave		101,208
Due to Other Funds		73,960
Accrued Interest		37,855
Bonds/Notes Payable - Current Portion		399,145
Total Current Liabilities		<u>3,151,678</u>
Noncurrent Liabilities:		
Accrued Sick Leave		208,652
Bonds/Notes Payable - Non Current Portion		8,931,685
Total Noncurrent Liabilities		<u>9,140,337</u>
Total Liabilities		<u>12,292,015</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		12,340,208
Restricted for:		
Redevelopment		1,285,176
Unrestricted		2,994,885
Total Net Assets	\$	<u>16,620,269</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2012

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>
Operating Revenues:	
Charges for Services	\$ 5,844,237
Total Operating Revenues	<u>5,844,237</u>
Operating Expenses:	
Personal Services	2,818,870
Industrial Pretreatment	95,815
Billings and Collection	123,574
Sewer Collection	482,976
Solids Handling	687,390
BOD Treatment	238,159
Primary Treatment	32,655
General and Administration	188,640
Dry Weather Pumping	204,112
Wet Weather Pumping	143,916
Other	306,231
Depreciation	874,751
Total Operating Expenses	<u>6,197,089</u>
Operating (Loss)	<u>(352,852)</u>
Non-Operating Revenues (Expenses)	
Investment Earnings	92,648
Interest Expense and Fiscal Charges	<u>(219,104)</u>
Total Non-Operating Revenues (Expenses)	<u>(126,456)</u>
Change in Net Assets	(479,308)
Net Assets - Beginning	<u>17,099,577</u>
Net Assets - Ending	<u>\$ 16,620,269</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, 2012

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Wastewater</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 6,340,946
Cash Paid to Suppliers for Goods and Services	(2,515,192)
Cash Paid to Employees for Services	(2,801,443)
Net Cash Provided By Operating Activities	<u>1,024,311</u>
Cash Flows From Noncapital Financing Activities:	
Grant Revenue Received	79,508
Net Cash Provided By Noncapital Financing Activities	<u>79,508</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(1,652,287)
Proceeds From Borrowings	1,910,401
Principal Paid on Borrowings	(620,702)
Interest Paid on Borrowings	(207,157)
Net Cash (Used) by Capital and Related Financing Activities	<u>(569,745)</u>
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	1,840,739
Purchase of Investments	(51,403)
Advances to Other Funds	(1,760,444)
Investment Earnings	87,098
Net Cash (Used) By Investing Activities	<u>115,990</u>
Net Decrease In Cash and Equivalents	650,064
Cash and Equivalents - Beginning	<u>313,698</u>
Cash and Equivalents - Ending	<u>\$ 963,762</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (352,852)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	874,751
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	496,709
Decrease in Prepaid Expenses	(10,972)
(Decrease) in Accounts Payable	(752)
Increase in Other Liabilities	17,427
Net Cash Provided By Operating Activities	<u>\$ 1,024,311</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2012

ASSETS	
Cash and Cash Equivalents	\$ 2,009,991
Investments and Certificates of Deposit	28,809,770
Receivables:	
Property Taxes	1,478,036
Accrued Interest	98,087
Total Assets	<u>32,395,884</u>
LIABILITIES	
Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 32,395,884</u></u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2012

Additions:	
Contributions:	
Employee Contributions	\$ 743,716
Employer Contributions:	
Property Taxes	1,477,612
Replacement Taxes	1,174,620
Total Contributions	<u>3,395,948</u>
Investment Income:	
Interest and Dividends	733,761
Net Realized/Unrealized Gain on Investments	315,844
	<u>1,049,605</u>
Less: Investment Expense	(104,664)
Net Investment Income	<u>944,941</u>
Total Additions	<u>4,340,889</u>
Deductions:	
Benefits Paid to Participants:	
Service and Disability	4,080,857
Dependents	512,001
Contractual Services	55,952
Total Deductions	<u>4,648,810</u>
Change in Net Assets	(307,921)
Net Assets - Beginning	<u>32,703,805</u>
Net Assets - Ending	<u>\$ 32,395,884</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City of Granite City (government) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, 2012

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, 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. Short-term cash surpluses are generally maintained in sweep accounts in the individual funds.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan association or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United State of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. The Pension Trust Funds are also allowed to invest limited percentages of their monies in mutual funds and equity securities.

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, 2012

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, 2012. 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 2012. The County has not mailed tax bills as of April 30, 2012 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 2011 taxes to be collected between June and January 2012. Taxes collected during the current year were from the 2010 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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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, 2012, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$662,023 and \$2,583,363, respectively. Amounts reflected in the financial statements at April 30, 2012 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$101,208 and \$208,652, respectively.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets

Net assets 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 assets 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, or laws re regulations of other governments. The City first applies expenses to restricted assets when both restricted and unrestricted assets are available.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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	\$ 3,435,727
Restricted for Development Loans	291,047
Restricted for Drug Traffic Prevention	123,673
Restricted for Redevelopment	4,881,569

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 32,395,884
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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, 2012

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, 2012

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, 2012, the carrying amount of the City's deposits was \$4,594,333 and the bank balance was \$4,661,041. Additionally, the City has \$48,371 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, 2012, 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, 2012 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)	-	\$ 48,371	\$ 48,371
Freddie Mac	11.84	2,114,700	2,114,700
Municipal Bonds	1.34	1,000,000	1,000,000
Federal Home Loan Bank	9.46	255,000	255,000
Repurchase Agreements	-	160,175	160,175
UMB Money Market	-	1,809,010	1,809,010
Total Investments		<u>\$ 5,387,256</u>	5,387,256
Deposits as Reported Above			<u>4,594,333</u>
Total Deposits and Investments			<u>\$ 9,981,589</u>

As Reported in the Statement of Net Assets:

Cash and Cash Equivalents	\$ 1,974,333
Certificates of Deposit	2,620,000
Restricted Investments	5,208,886
Investments	178,370
	<u>\$ 9,981,589</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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, 2012, 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	--
Freddie Mac	AA+	Aaa
Municipal Bonds	A+	AA3
Federal Home Loan Bank	AA+	AAA

Concentration of Credit Risk

As of April 30, 2012, the City's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Freddie Mac	3.92%
Federal Home Loan Bank	4.73%
Municipal Bonds	18.56%
UMB Money Market	33.58%

Foreign Currency Risk

As of April 30, 2012, the City did not have foreign currency risk.

Fire Pension Fund

At April 30, 2012, the carrying amount of the Fire Pension Fund's deposits was \$437,849 and the bank balance was \$442,300. 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, 2012

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

As of April 30, 2012, 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	1.75	\$ 575,658	\$ 607,640
Federal Home Loan Mortgage Corporation	10.77	723,714	747,106
Federal National Mortgage Association	5.71	689,589	705,289
Federal National Mortgage Association REMIC	5.87	6,062	6,339
Governmental National Mortgage Association	17.29	1,436,348	1,504,145
U.S. V.A. REMIC	16.51	74,070	81,033
U.S. Treasury Notes	4.06	874,193	946,436
Federal Agricultural Mortgage Corporation	4.04	252,085	280,683
Corporate Bonds	4.00	745,804	764,139
Fixed Income Funds	--	1,778,810	1,822,410
Money Market Mutual Funds	--	529,915	529,915
Common Stock	--	5,037,923	6,368,511
Mutual Funds	--	954,918	1,259,675
Total Investments		<u>\$ 13,679,089</u>	<u>15,623,321</u>
Deposits as Reported Above			<u>437,849</u>
Total Deposits and Investments			<u>\$ 16,061,170</u>

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	\$ 967,764
Investments and Certificates of Deposit	15,093,406
	<u>\$ 16,061,170</u>

Interest Rate Risk

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

Credit Risk

As of April 30, 2012, 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	AA+	Aaa
Federal National Mortgage Association REMIC	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
Corporate Bonds	Not Available	Not Available

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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

Concentration of Credit Risk

As of April 30, 2012, the Fire Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	9.37%
Federal Home Loan Bank	3.78%
Federal National Mortgage Association	4.39%
U.S. V.A. REMIC	0.50%
U.S. Treasury Notes	5.89%
Federal Agricultural Mortgage Corporation	1.75%
Federal Home Loan Mortgage Corporation	4.65%
Vanguard Inter Term Bond Index Signal CL	5.91%
Vanguard Short Term Bond Index Signal CL	5.17%

Foreign Currency Risk

As of April 30, 2012, the Fire Pension Fund did not have foreign currency risk.

Police Pension Fund

At April 30, 2012, the carrying amount of the Police Pension Fund's deposits was \$822,860 and the bank balance was \$824,260. 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, 2012, 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	5.72	\$ 308,227	\$ 378,225
U.S. Treasury Strip	1.80	243,311	373,242
U.S. Treasury Bond	4.04	726,503	1,011,000
Federal National Mortgage Association	10.19	265,820	325,447
Federal Home Loan Bank	6.28	1,212,307	1,480,756
Federal Farm Credit Bank	4.24	266,575	299,299
Government National Mortgage Association	19.11	1,435,425	1,569,761
Tennessee Valley Authority	0.87	561,952	604,245
Illinois ST	1.09	306,558	309,627
Naperville IL Munie Bond	3.59	299,523	320,640
Schwab US Treasury Money Market	--	219,367	219,367
Common Stock	--	300,394	309,800
Mutual Funds	--	5,339,144	6,734,322
Total Investments		<u>\$ 11,485,106</u>	<u>13,935,731</u>
Deposits as Reported Above			822,860
Total Deposits and Investments			<u>\$ 14,758,591</u>
As Reported in the Combining Statement of Fiduciary Net Assets:			
Cash and Cash Equivalents			\$ 1,042,227
Investments			<u>13,716,364</u>
			<u>\$ 14,758,591</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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, 2012, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
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	Not Available	Not Available

Concentration of Credit Risk

As of April 30, 2012, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	10.64%
U.S. Treasury Strips	2.53%
Federal Home Loan Bank	10.03%
U.S. Treasury Bonds	6.85%
Federal National Mortgage Association	2.21%
Federal Farm Credit Bank	2.03%
Tennessee Valley Authority	4.09%
Naperville IL Muni Bond	2.17%
Harbor International Mutual Fund	6.00%
Longleaf Partners Mutual Fund	6.52%
Mainstay Large Cap Mutual Fund	5.29%
Oakmark Mutual Fund	7.16%
Primecap Odyssey Growth Mutual Fund	5.88%
Tweedy Browne Global Mutal Fund	5.23%

Foreign Currency Risk

As of April 30, 2012, the Police Pension Fund did not have foreign currency risk.

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, 2012 that are to be paid in the subsequent year is \$2,931,102 and is included in accrued employee obligations.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 4. RISK MANAGEMENT (Continued)

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

	Year Ending April 30,	
	<u>2012</u>	<u>2011</u>
Liability beginning balance	\$ 2,260,885	\$ 1,430,593
Claims and changes in estimates	954,088	1,066,962
Claim payments	<u>(283,871)</u>	<u>(236,670)</u>
Liability ending balance	<u>\$ 2,931,102</u>	<u>\$ 2,260,885</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, 2012 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	\$ 2,111,804
Ambulance Fees	462,539
Real Estate Taxes	13,667,396
Intergovernmental	3,774,856
Other	<u>487,020</u>
Total Receivables	20,503,615
Allowance for Uncollectible Accounts	<u>(472,573)</u>
Net Total Receivables	<u>\$ 20,031,042</u>

Real estate taxes of \$13,667,396 were not available for collection and payment of current liabilities at April 30, 2012 and are reported as deferred revenues. The governmental financial statements reported an additional \$1,411,673 of intergovernmental revenue as deferred income at April 30, 2012.

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.

Funding Policy

As set by statute, the City's employer 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 2011 used by the employer was 9.47 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 11.90 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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Annual Pension Cost

For calendar year ending December 31, 2011, the City's actual contributions for pension cost for the Regular were \$551,186. Its required contribution for calendar year 2011 was \$692,620.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost	Percentage of APC	Net Pension Obligation
12/31/2011	\$ 692,620	80%	\$ -
12/31/2010	655,792	77%	-
12/31/2009	443,218	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as December 31, 2009, 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 assets 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, 2009 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, 2011, the most recent actuarial valuation date, the regular plan was 70.85 percent funded. The actuarial liability for benefits was \$17,965,628 and the actuarial value of assets was \$12,729,295, resulting in an underfunded actuarial liability (UAAL) of \$5,236,333. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$5,820,337 and the ratio of the UAAL to the covered payroll was 90 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 in 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.

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, 2012 was \$3,878,070 out of a total payroll of \$15,964,986.

At April 30, 2012, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	58
Current employees:	
Vested	38
Nonvested	21
Total	117

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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

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, 2012 was \$3,802,265 out of total payroll of \$15,964,986.

At April 30, 2012, 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	65
Current Employees:	
Vested	22
Nonvested	28
Total	<u>115</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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 $\frac{1}{2}$ 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 $\frac{1}{2}$ 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.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value. Investment income is recognized as earned. Gains and 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, 2012

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

c. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual Required Contribution	\$ 2,038,189	\$ 2,281,715
Interest on Net Pension Obligation	472,820	492,409
Annual Pension Cost	<u>2,511,009</u>	<u>2,774,124</u>
Contributions Made	<u>1,000,566</u>	<u>1,000,997</u>
Increase in Net Pension Obligation	1,510,443	1,773,127
Net Pension Obligation Beginning of Year	<u>6,754,576</u>	<u>7,034,411</u>
Net Pension Obligation End of Year	<u><u>\$ 8,265,019</u></u>	<u><u>\$ 8,807,538</u></u>

The annual required contribution for the current year was determined as part of the April 30, 2010 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2010 was, 24.639 years.

Three-Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
Police Pension	4/30/2012	\$ 2,511,009	30.38%	\$ 8,265,019
	4/30/2011	2,406,466	35.63%	6,754,576
	4/30/2010	2,167,374	41.20%	5,261,096
Fire Pension	4/30/2012	2,774,127	31.50%	8,807,538
	4/30/2011	2,658,120	37.79%	7,034,411
	4/30/2010	2,508,706	46.65%	5,377,214

d. Concentration

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

Police Pension:	
U.S. Treasury Bonds	\$ 946,436
Government National Mortgage Association	1,504,145
Fire Pension:	
Government National Mortgage Association	1,569,761
Federal Home Loan Bank	1,480,756
U.S. Treasury Notes	1,011,000

e. Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 15,565,364
Firemen Pension	16,830,520

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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, 2012 was \$2,420,527.

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.

NOTE 10. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at April 30, 2012:

<u>Funds Due To</u>	<u>Funds Due From</u>	<u>Balance</u> <u>4/30/2011</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>4/30/2012</u>
General Fund	Community Development	\$ 37,955	\$ 43,181	\$ 81,136
General Fund	Capital Projects	44,287	-	44,287
General Fund	Drug Traffic Prevention	259,815	(14,465)	245,350
General Fund	Motor Fuel Tax Fund	1,106,621	1,260,234	2,366,855
Wastewater Treatment Pla	General Fund	-	1,760,444	1,760,444
General Fund	Tax Increment Financing Fund	2,208,865	(627,057)	1,581,808
General Fund	Wastewater Treatment Plant	26,562	-	26,562
General Fund	Sewer System Fund	47,398	-	47,398
		<u>\$ 3,731,503</u>	<u>\$ 2,422,337</u>	<u>\$ 6,153,840</u>

NOTE 11. ACCOUNTS PAYABLE

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activitites</u>
Current payables due to vendors	\$ 1,185,181	\$ 2,286,732
Retainage on contracts payable	-	252,778
Total Accounts Payable	<u>\$ 1,185,181</u>	<u>\$ 2,539,510</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

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>Land</u>
<u>Ending</u>	<u>Facilities</u>
<u>April 30,</u>	
2013	<u>\$ 4,150</u>
Total	<u><u>\$ 4,150</u></u>

NOTE 13. COMMITMENTS UNDER CONSTRUCTION CONTRACTS

At April 30, 2012, the City had outstanding construction contracts for various projects totaling approximately \$7,407,688.

NOTE 14. DEFICIT NET ASSETS

The City has deficit net assets in the following nonmajor funds: Capital Projects Fund as of April 30, 2012 of \$36,512.

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.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 16. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 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	\$ 9,093,213	\$ -	\$ (5,891)	\$ 9,087,322
Construction in Process	20,791,520	2,714,412	(19,563,543)	3,942,389
Total Capital Assets Not Being Depreciated	<u>29,884,733</u>	<u>2,714,412</u>	<u>(19,569,434)</u>	<u>13,029,711</u>
Capital Assets, being Depreciated				
Buildings and Improvements	17,381,728	52,722	-	17,434,450
Equipment	5,708,423	305,596	-	6,014,019
Vehicles	4,601,506	326,788	-	4,928,294
Infrastructure	-	19,563,543	-	19,563,543
Total Capital Assets being Depreciated	<u>27,691,657</u>	<u>20,248,649</u>	<u>-</u>	<u>47,940,306</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,380,724	425,349	-	3,806,073
Equipment	3,596,172	367,264	-	3,963,436
Vehicles	3,830,882	214,175	-	4,045,057
Infrastructure	-	199,165	-	199,165
Total Accumulated Depreciation	<u>10,807,778</u>	<u>1,205,953</u>	<u>-</u>	<u>12,013,731</u>
Total Capital Assets being Depreciated, Net	<u>16,883,879</u>	<u>19,042,696</u>	<u>-</u>	<u>35,926,575</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,768,612</u>	<u>\$ 21,757,108</u>	<u>\$(19,569,434)</u>	<u>\$ 48,956,286</u>
Business-Type Activities				
Capital Assets:				
Construction in Process	\$ 3,338,000	\$ 3,605,025	\$ -	\$ 6,943,025
Buildings	1,728,589	-	-	1,728,589
Treatment Facility	33,789,462	96,189	-	33,885,651
Equipment	1,769,922	10,558	-	1,780,480
Vehicles	1,260,071	15,669	-	1,275,740
Total Capital Assets	<u>41,886,044</u>	<u>3,727,441</u>	<u>-</u>	<u>45,613,485</u>
Less Accumulated Depreciation for:				
Buildings	1,655,911	8,099	-	1,664,010
Treatment Facility	18,767,357	742,613	-	19,509,970
Equipment	1,477,341	82,942	-	1,560,283
Vehicles	1,167,087	41,097	-	1,208,184
Total Accumulated Depreciation	<u>23,067,696</u>	<u>874,751</u>	<u>-</u>	<u>23,942,447</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,818,348</u>	<u>\$ 2,852,690</u>	<u>\$ -</u>	<u>\$ 21,671,038</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 16. CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General Government	\$ 296,024
Public Safety	591,537
Public Works	318,392
Total Depreciation Expense - Governmental Activities	<u>\$ 1,205,953</u>
Business-Type Activities:	
Wastewater Treatment Plant	\$ 643,105
Sewer System Fund	231,646
Total Depreciation Expense - Business-Type Activities	<u>\$ 874,751</u>

NOTE 17. 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 18. LONG-TERM DEBT

The City was awarded a \$3,558,682 loan in July 1990 through the State of Illinois Environmental Protection Agency Water Pollution Control Revolving Fund. This loan financed a program of rehabilitation of Nameoki Area Sewers by means of cured-in-place linings inserted into sewer lines which were identified as being routinely below the water table and susceptible to infiltration and collapse. Payments are due semiannually on February 1 and August 1 through February 2012, including interest at 3.745%. The balance of the loan at April 30, 2012 is \$-0-.

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, 2012, the balance outstanding on the loan was \$2,843,158.

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, 2012, the balance outstanding on the loan was \$1,624,844.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 18. LONG-TERM DEBT (Continued)

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, 2012, the balance outstanding on the loan was \$1,460,365.

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, 2012, the balance outstanding on the loan was \$185,011.

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, 2012 is \$342,511.

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, 2012 is \$74,772.

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, 2012 is \$138,294.

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, 2012 is \$44,828.

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, 2012 is \$124,093.

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 \$62,261.

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, 2012 is \$50,206.

The City entered into a loan with Kansas State Bank to purchase a Mack truck in November 2009. The loan of \$85,095 is to be repaid in three annual installments through November 2011, with the first installment due at signing. The annual installments, including interest at 4.00%, are \$29,484. The balance of the loan at April 30, 2012 is \$-0-.

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, 2012 is \$15,833.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 18. LONG-TERM DEBT (Continued)

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, 2012 is \$94,194.

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, 2012 is \$576,944.

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 balance of the bonds at April 30, 2012 is \$8,465,000.

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, 2012 is \$2,820,000.

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, 2012 is \$3,610,000.

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, 2012 is \$4,115,000.

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, 2012 is \$3,355,000.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 18. LONG-TERM DEBT (Continued)

The annual requirements to retire the notes payable as of April 30, 2012 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>
2013	\$ 1,554,420	\$ 1,347,124	\$ 399,145	\$ 233,328
2014	1,528,947	1,351,838	382,030	224,667
2015	1,563,727	1,254,274	388,244	214,403
2016	1,794,784	1,149,283	399,616	203,982
2017	2,960,112	1,136,147	1,041,145	583,971
2018-2022	9,631,946	2,739,941	2,349,591	762,434
2023-2027	1,500,000	105,400	2,177,540	284,797
2028-2032	-	-	2,331,065	45,006
	<u>\$ 20,533,936</u>	<u>\$ 9,084,007</u>	<u>\$ 9,468,376</u>	<u>\$ 2,552,588</u>

The following is a summary of changes in long-term liabilities, net of unamortized costs, for the year ended April 30, 2012:

	<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	\$ 9,000,000	\$ -	\$ 535,000	\$ 8,465,000	\$ 405,000
Tax Increment Revenue	-				
Bonds Series 2009-C	3,125,000	-	305,000	2,820,000	315,000
Tax Increment Revenue					
Bonds Series 2009-B	3,805,000	-	195,000	3,610,000	220,000
Tax Increment Revenue					
Bonds Series 2009-A	4,210,000	-	95,000	4,115,000	115,000
Less Unamortized Costs:					
Bond Discount	(472,893)	-	46,969	(425,924)	-
Issuance Costs	(377,064)	-	37,120	(339,944)	-
Total Bond Payable	<u>19,290,043</u>	<u>-</u>	<u>1,214,089</u>	<u>18,244,132</u>	<u>1,055,000</u>
Notes Payable:					
Ford Motor Credit	87,118	115,787	83,305	119,600	81,357
IL Dept of Transportation	379,907	-	37,396	342,511	38,518
Caterpillar Financial	97,850	-	47,644	50,206	50,206
Bank of Edwardsville	20,570	211,000	77,443	154,127	72,935
Marquette Bank	121,561	-	59,300	62,261	62,261
First Midwest Bank	122,847	-	28,653	94,194	29,984
Madison County	676,940	-	99,996	576,944	103,029
Madison County	183,443	-	59,350	124,093	61,130
Total Long-Term Liabilities	<u>20,980,279</u>	<u>326,787</u>	<u>1,707,176</u>	<u>19,768,068</u>	<u>1,554,420</u>
Other Liabilities:					
Net Pension Obligation	13,788,987	3,283,570	-	17,072,557	-
Compensated Absences	3,029,116	1,305,022	1,090,752	3,243,386	637,794
Total Other Liabilities	<u>16,818,103</u>	<u>4,588,592</u>	<u>1,090,752</u>	<u>20,315,943</u>	<u>637,794</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 37,798,382</u>	<u>\$ 4,915,379</u>	<u>\$ 2,797,928</u>	<u>\$ 40,084,011</u>	<u>\$ 2,192,214</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 18. 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	\$ 3,485,000	\$ -	\$ 130,000	\$ 3,355,000	\$ 130,000
Less Unamortized Costs:					
Bond Premium	14,272	-	(732)	13,540	-
Insurance Costs	(159,254)	-	8,167	(151,087)	-
Total Bond Payable	<u>3,340,018</u>	<u>-</u>	<u>137,435</u>	<u>3,217,453</u>	<u>130,000</u>
Notes Payable:					
IL EPA (1)	\$ 248,300	\$ -	\$ 248,300	\$ -	\$ -
IL EPA (2)	3,028,714	-	185,556	2,843,158	190,225
IL EPA (3)	1,387,646	265,025	27,827	1,624,844	78,920
IL EPA (4)	-	1,460,365	-	1,460,365	-
IL EPA (5)	-	185,011	-	185,011	-
Kansas State Bank	29,019	-	29,019	-	-
Total Long-Term Liabilities	<u>8,033,697</u>	<u>1,910,401</u>	<u>628,137</u>	<u>9,330,831</u>	<u>399,145</u>
Other Liabilities:					
Compensated Absences	<u>292,433</u>	<u>176,961</u>	<u>159,534</u>	<u>309,860</u>	<u>101,208</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 8,326,130</u>	<u>\$ 2,087,362</u>	<u>\$ 787,671</u>	<u>\$ 9,640,691</u>	<u>\$ 500,353</u>

NOTE 19. STATEMENT OF LEGAL DEBT MARGIN

Assessed Valuation as of December 31, 2011	<u>\$ 569,755,541</u>
Debt Limit, 8.625% of Assessed Valuation	\$ 49,141,415
Less, Contractual Indebtedness	<u>26,647,314</u>
Legal Debt Margin	<u>\$ 22,494,101</u>

NOTE 20. 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</u> <u>Annual Payment</u>	<u>Expiration</u> <u>(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

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2012

NOTE 20. LEASE REVENUE (Continued)

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

<u>Year</u>	<u>Amount</u>
2013	\$ 242,500
2014	242,500
2015	238,600
2016	238,600
2017	238,600
2018 - 2022	1,193,000
2023 - 2027	1,193,000
2028 - 2032	1,151,000
2033 - 2037	1,133,000
2038 - 2042	1,133,000
2043 - 2047	1,133,000
2048 - 2052	1,133,000
2053 - 2057	1,133,000
2058 - 2060	623,150
Total	<u>\$ 11,025,950</u>

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. SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 15, 2013, the date on which the financial statements were available to be issued.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

	<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	\$ 19,090,065	\$ 19,090,065	\$ 17,649,883	\$ (1,440,182)
Intergovernmental Revenue (Grants)	1,381,900	1,381,900	1,187,095	(194,805)
Charges for Services	2,114,500	2,114,500	2,904,079	789,579
Licenses and Permits	641,500	641,500	692,829	51,329
Fines and Forfeits	430,000	430,000	310,818	(119,182)
Investment Earnings	125,000	125,000	41,532	(83,468)
Miscellaneous	135,000	135,000	133,764	(1,236)
Total Receipts	<u>23,917,965</u>	<u>23,917,965</u>	<u>22,920,000</u>	<u>(997,965)</u>
Disbursements				
Mayor	717,748	717,748	713,603	4,145
Alderman	106,258	106,258	94,209	12,049
Clerk	283,810	283,810	276,797	7,013
Treasurer	314,054	314,054	300,042	14,012
Informational Technology	429,290	429,290	372,792	56,498
Financial	2,569,710	2,569,710	2,088,864	480,846
Police	7,956,623	7,956,623	7,934,598	22,025
Fire	6,684,818	6,684,818	7,719,217	(1,034,399)
Public Works	3,723,966	3,723,966	3,458,609	265,357
Building & Zoning	924,030	924,030	921,844	2,186
Safety and Risk	135,850	135,850	137,483	(1,633)
Civil Defense	42,833	42,833	36,974	5,859
Cinema	-	-	597,328	(597,328)
Summer Help	55,000	55,000	55,081	(81)
Total Disbursements	<u>23,943,990</u>	<u>23,943,990</u>	<u>24,707,441</u>	<u>(763,451)</u>
Excess (Deficit) of Receipts over Disbursements	<u>(26,025)</u>	<u>(26,025)</u>	<u>(1,787,441)</u>	<u>(1,761,416)</u>
Other Financing Sources (Uses):				
Operating Transfers In (Out)	-	-	(287,973)	(287,973)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(287,973)</u>	<u>(287,973)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (26,025)</u>	<u>\$ (26,025)</u>	<u>(2,075,414)</u>	<u>\$ (2,049,389)</u>
Change in Intergovernmental Revenue on Modified Accrual Basis			(101,841)	
Change in Prepaid Insurance			(8,437)	
Change in Interest Receivable			(8,614)	
Change in Accrued Employee Obligations			(670,217)	
Change in Accounts Payable on Modified Accrual Basis			<u>(266,922)</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (3,131,445)</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance</u> <u>Over (Under)</u> <u>Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental:				
Motor Fuel Tax	\$ 768,570	\$ 768,570	\$ 684,629	\$ (83,941)
Grants	1,200,000	1,200,000	956,698	(243,302)
Investment Earnings	-	-	-	-
Total Receipts	<u>1,968,570</u>	<u>1,968,570</u>	<u>1,641,327</u>	<u>\$ (327,243)</u>
Disbursements				
Maintenance	194,000	194,000	125,112	68,888
Street Overlay Program	175,000	175,000	138,150	36,850
Engineering	30,000	30,000	25,777	4,223
Other Capital Projects	500,000	500,000	1,143,519	(643,519)
Pontoon Overpass	700,000	700,000	585,758	114,242
Total Disbursements	<u>1,599,000</u>	<u>1,599,000</u>	<u>2,018,316</u>	<u>(419,316)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>\$ 369,570</u>	<u>\$ 369,570</u>	(376,989)	<u>\$ (746,559)</u>
Change in Motor Fuel Tax Receivable on Modified Accrual Basis			(6,654)	
Change in Grant Receivable on Modified Accrual Basis			(269,586)	
Change in Accounts Payable on Modified Accrual Basis			<u>1,094,852</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 441,623</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2012

	<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	\$ 1,186,000	\$ 1,186,000	\$ 1,217,215	\$ 31,215
Real Estate Taxes - GCS	925,000	925,000	893,843	(31,157)
Real Estate Taxes - AS	126,506	126,506	133,286	6,780
Real Estate Taxes - Rt 3	1,150,000	1,150,000	1,384,935	234,935
Real Estate Taxes - Nameooki	420,000	420,000	219,403	(200,597)
Real Estate Taxes - Port	94,500	94,500	25,776	(68,724)
Real Estate Taxes - Rt 203	650,000	650,000	4,525,098	3,875,098
Sales Taxes	111,645	111,645	109,330	(2,315)
Rent	226,600	226,600	226,600	-
Grant	750,000	750,000	943,769	193,769
Investment Earnings	32,000	32,000	177,190	145,190
Other	61,700	61,700	104,614	42,914
Total Receipts	<u>5,733,951</u>	<u>5,733,951</u>	<u>9,961,059</u>	<u>4,227,108</u>
Disbursements				
Downtown TIF	1,210,000	1,210,000	1,261,674	(51,674)
Granite City Steel TIF	925,000	925,000	893,777	31,223
American Steel TIF	250,000	250,000	133,276	116,724
Route 3 TIF	-	-	1,353,078	(1,353,078)
Nameooki Village TIF	530,000	530,000	109,330	420,670
Port District TIF	94,500	94,500	6,406	88,094
Route 203 TIF	3,650,000	3,650,000	6,494,590	(2,844,590)
Total Disbursements	<u>6,659,500</u>	<u>6,659,500</u>	<u>10,252,131</u>	<u>(3,592,631)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>(925,549)</u>	<u>(925,549)</u>	(291,072)	<u>634,477</u>
Other Financing Sources (Uses):				
Operating Transfers From (To) other Funds	<u>-</u>	<u>-</u>	<u>(167,979)</u>	<u>(167,979)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(167,979)</u>	<u>(167,979)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (925,549)</u>	<u>\$ (925,549)</u>	(459,051)	<u>\$ 466,498</u>
Change in Revenue on Modified Accrual Basis			47,950	
Change in Accounts Payable on Modified Accrual Basis			177,482	
Change in Interest Receivable			<u>(18,439)</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (252,058)</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
APRIL 30, 2012

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, 2012, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 40 to 42.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRE AND POLICE PENSION
FUNDING PROGRESS
APRIL 30, 2012

<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						
4/30/2010	\$ 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						
4/30/2010	\$ 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, 2012

<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>
12/31/2011	\$ 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%
12/31/2009	13,751,316	17,442,056	3,690,740	78.84%	5,878,221	62.79%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$11,942,965. On a market basis, the funded ratio would be 66.48%.

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
APRIL 30, 2012

	<u>Special Revenue Funds</u>				<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Total</u>	<u>Capital Projects</u>		
ASSETS						
Cash and Cash Equivalents	\$ 294,028	\$ -	\$ 294,028	\$ 1,129	\$ -	\$ 295,157
Certificates of Deposit	-	-	-	1,760	-	1,760
Investments	130,000	-	130,000	32	-	130,032
Receivables:						
Intergovernmental	-	81,136	81,136	-	-	81,136
Other	-	-	-	3	-	3
Due From Other Funds	-	-	-	10,484	-	10,484
Total Assets	<u>\$ 424,028</u>	<u>\$ 81,136</u>	<u>\$ 505,164</u>	<u>\$ 13,408</u>	<u>\$ -</u>	<u>\$ 518,572</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	55,005	-	55,005	5,633	-	60,638
Due to Other Funds	245,350	81,136	326,486	44,287	-	370,773
Total Liabilities	<u>300,355</u>	<u>81,136</u>	<u>381,491</u>	<u>49,920</u>	<u>-</u>	<u>431,411</u>
Fund Balances:						
Restricted for:						
Drug Traffic Prevention	123,673	-	123,673	-	-	123,673
Unassigned	-	-	-	(36,512)	-	(36,512)
Total Fund Balances	<u>123,673</u>	<u>-</u>	<u>123,673</u>	<u>(36,512)</u>	<u>-</u>	<u>87,161</u>
 Total Liabilities and Fund Balances	 <u>\$ 424,028</u>	 <u>\$ 81,136</u>	 <u>\$ 505,164</u>	 <u>\$ 13,408</u>	 <u>\$ -</u>	 <u>\$ 518,572</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2012

	<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>Total</u>			
Revenues:						
Intergovernmental	\$ 243,059	\$ 184,222	\$ 427,281	\$ -	\$ -	\$ 427,281
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	36,440	-	36,440	-	-	36,440
Investment Earnings	825	-	825	380	-	1,205
Miscellaneous	2,592	-	2,592	-	-	2,592
Total Revenues	<u>282,916</u>	<u>184,222</u>	<u>467,138</u>	<u>380</u>	<u>-</u>	<u>467,518</u>
47 Expenditures:						
General Government	-	-	-	15,938	-	15,938
Public Safety	493,027	-	493,027	-	-	493,027
Public Works	-	119,369	119,369	-	-	119,369
Debt Service	-	-	-	-	555,164	555,164
Total Expenditures	<u>493,027</u>	<u>119,369</u>	<u>612,396</u>	<u>15,938</u>	<u>555,164</u>	<u>1,183,498</u>
Revenues Over (Under) Expenditures	<u>(210,111)</u>	<u>64,853</u>	<u>(145,258)</u>	<u>(15,558)</u>	<u>(555,164)</u>	<u>(715,980)</u>
Other Financing Sources:						
Operating Transfers From (To) Other Funds	(34,359)	(64,853)	(99,212)	-	555,164	455,952
Total other Financing Sources	<u>(34,359)</u>	<u>(64,853)</u>	<u>(99,212)</u>	<u>-</u>	<u>555,164</u>	<u>455,952</u>
Net Change in Fund Balance	(244,470)	-	(244,470)	(15,558)	-	(260,028)
Fund Balance - Beginning	<u>368,143</u>	<u>-</u>	<u>368,143</u>	<u>(20,954)</u>	<u>-</u>	<u>347,189</u>
Fund Balance - Ending	<u>\$ 123,673</u>	<u>\$ -</u>	<u>\$ 123,673</u>	<u>\$ (36,512)</u>	<u>\$ -</u>	<u>\$ 87,161</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPES
YEAR ENDED APRIL 30, 2012

	Business Type Activities		Total Enterprise Funds
	Enterprise Funds		
	<u>Wastewater Treatment Plant</u>	<u>Sewer System Fund</u>	
Operating Revenues:			
Charges for Services	\$ 2,420,527	\$ 3,423,710	\$ 5,844,237
Total Revenues	<u>2,420,527</u>	<u>3,423,710</u>	<u>5,844,237</u>
Operating Expenses:			
Personal Services	2,818,870	-	2,818,870
Industrial Pretreatment	-	95,815	95,815
Billings and Collection	-	123,574	123,574
Sewer Collection	-	482,976	482,976
Solids Handling	687,390	-	687,390
BOD Treatment	238,159	-	238,159
Primary Treatment	32,655	-	32,655
General and Administrative	188,640	-	188,640
Dry Weather Pumping	204,112	-	204,112
Wet Weather Pumping	143,916	-	143,916
Other	306,231	-	306,231
Depreciation	643,105	231,646	874,751
Total Operating Expenses	<u>5,263,078</u>	<u>934,011</u>	<u>6,197,089</u>
Operating Income	<u>(2,842,551)</u>	<u>2,489,699</u>	<u>(352,852)</u>
Non-Operating Revenues (Expenses):			
Investment Earnings	74,979	17,669	92,648
Grant Income	-	-	-
Interest Expense and Fiscal Charges	(210,829)	(8,275)	(219,104)
Operating Transfers From (To) Other Funds	255,295	(255,295)	-
Total Non-Operating Revenues (Expenses)	<u>119,445</u>	<u>(245,901)</u>	<u>(126,456)</u>
Change in Net Assets	(2,723,106)	2,243,798	(479,308)
Net Assets - Beginning	<u>8,222,760</u>	<u>8,876,817</u>	<u>17,099,577</u>
Net Assets - Ending	<u>\$ 5,499,654</u>	<u>\$ 11,120,615</u>	<u>\$ 16,620,269</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
APRIL 30, 2012

	Pension Trust Funds		
ASSETS	Police	Firemen	Total
Cash and Cash Equivalents	\$ 1,042,227	\$ 967,764	\$ 2,009,991
Investments and Certificates of Deposits	13,716,364	15,093,406	28,809,770
Receivables:			
Property Taxes	739,018	739,018	1,478,036
Accrued Interest	67,755	30,332	98,087
Total Assets	15,565,364	16,830,520	32,395,884
LIABILITIES			
Liabilities	-	-	-
Total Liabilities	-	-	-
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	\$ 15,565,364	\$ 16,830,520	\$ 32,395,884

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Police</u>	<u>Firemen</u>	
Additions			
Contributions:			
Employee Contributions	\$ 384,317	\$ 359,399	\$ 743,716
Employer Contributions:			
Property Taxes	738,886	738,726	1,477,612
Replacement Taxes	691,610	483,010	1,174,620
Total Contributions	<u>1,814,813</u>	<u>1,581,135</u>	<u>3,395,948</u>
Investment Income:			
Interest and Dividends	438,046	295,715	733,761
Net Realized/Unrealized Gain(Loss) on Investments	87,112	228,732	315,844
	<u>525,158</u>	<u>524,447</u>	<u>1,049,605</u>
Less: Investment Expense	(36,520)	(68,144)	(104,664)
Net Investment Income	<u>488,638</u>	<u>456,303</u>	<u>944,941</u>
Total Additions	<u>2,303,451</u>	<u>2,037,438</u>	<u>4,340,889</u>
Deductions:			
Benefits Paid to Participants:			
Service and Disability	1,833,171	2,247,686	4,080,857
Dependents	243,089	268,912	512,001
Contractual Services	34,730	21,222	55,952
Total Deductions	<u>2,110,990</u>	<u>2,537,820</u>	<u>4,648,810</u>
Change in Net Assets	192,461	(500,382)	(307,921)
Net Assets - Beginning	<u>15,372,903</u>	<u>17,330,902</u>	<u>32,703,805</u>
Net Assets - Ending	<u>\$ 15,565,364</u>	<u>\$ 16,830,520</u>	<u>\$ 32,395,884</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUNDS
APRIL 30, 2012

	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>Assets</u>										
Cash	\$ -	\$ 47,920	\$ 95,069	\$ 138,373	\$ 124,115	\$ 59,649	\$ 250,288	\$ 715,414	\$ -	\$ 715,414
Certificates of Deposit	-	75,806	147,153	215,754	193,525	93,007	390,256	1,115,501	-	1,115,501
Restricted Investments	-	-	186	278,986	-	-	208,811	487,983	3,435,727	3,923,710
Investments	-	1,400	2,716	3,983	3,573	1,717	7,205	20,594	-	20,594
Receivables:										
Property Taxes	1,267,716	130,854	920,252	1,314,739	222,417	24,641	4,664,173	8,544,792	-	8,544,792
Intergovernmental Receivable	-	-	-	-	27,577	-	381,898	409,475	-	409,475
Development Loans	291,047	-	-	-	-	-	-	291,047	-	291,047
Accrued Interest	-	-	-	375	337	161	678	1,551	-	1,551
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	1,338,779	-	-	76,885	-	-	-	1,415,664	-	1,415,664
Total Assets	<u>5,565,173</u>	<u>255,980</u>	<u>1,165,376</u>	<u>2,029,095</u>	<u>574,304</u>	<u>179,175</u>	<u>5,903,309</u>	<u>15,672,412</u>	<u>3,435,727</u>	<u>19,108,139</u>
<u>Liabilities and Fund Balance</u>										
Liabilities:										
Accounts Payable	846	-	-	140,040	-	-	65,072	205,958	-	205,958
Due to Other Funds	1,569,328	-	-	12,480	-	-	-	1,581,808	-	1,581,808
Due to Other Governments	-	-	-	-	2,760	-	-	2,760	-	2,760
Deferred Revenues:										
Gain on Sale of Property	164,478	-	-	-	-	-	-	164,478	-	164,478
Property Taxes	1,267,716	130,854	920,252	1,314,739	222,417	24,641	4,664,173	8,544,792	-	8,544,792
Total Liabilities	<u>3,002,368</u>	<u>130,854</u>	<u>920,252</u>	<u>1,467,259</u>	<u>225,177</u>	<u>24,641</u>	<u>4,729,245</u>	<u>10,499,796</u>	<u>-</u>	<u>10,499,796</u>
Fund Balance:										
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	3,435,727	3,435,727
Development Loans	291,047	-	-	-	-	-	-	291,047	-	291,047
Redevelopment	2,271,758	125,126	245,124	561,836	349,127	154,534	1,174,064	4,881,569	-	4,881,569
Total Fund Balance	<u>2,562,805</u>	<u>125,126</u>	<u>245,124</u>	<u>561,836</u>	<u>349,127</u>	<u>154,534</u>	<u>1,174,064</u>	<u>5,172,616</u>	<u>3,435,727</u>	<u>8,608,343</u>
Total Liabilities and Fund Balance	<u>\$ 5,565,173</u>	<u>\$ 255,980</u>	<u>\$ 1,165,376</u>	<u>\$ 2,029,095</u>	<u>\$ 574,304</u>	<u>179,175</u>	<u>5,903,309</u>	<u>\$15,672,412</u>	<u>\$ 3,435,727</u>	<u>\$19,108,139</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, 2012

	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
Revenues:										
Property Taxes	\$ 1,217,215	\$ 133,286	\$ 893,843	\$ 1,384,935	\$ 219,403	\$ 25,776	\$ 4,525,098	\$ 8,399,556	\$ -	\$ 8,399,556
Intergovernmental	-	-	-	-	108,863	-	992,185	1,101,048	-	1,101,048
Investment Earnings	51,565	-	-	52,779	11,214	4,823	38,370	158,751	-	158,751
Miscellaneous	328,898	-	-	2,316	-	-	-	331,214	-	331,214
Total Revenues	<u>1,597,678</u>	<u>133,286</u>	<u>893,843</u>	<u>1,440,030</u>	<u>339,480</u>	<u>30,599</u>	<u>5,555,653</u>	<u>9,990,569</u>	<u>-</u>	<u>9,990,569</u>
Expenditures:										
General Government	36,978	133,276	893,777	398,271	100,526	-	3,850,376	5,413,204	-	5,413,204
Public Works	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-	-	-	1,473,138	1,473,138
Debt Service - Principal	-	-	-	-	-	-	-	-	1,130,000	1,130,000
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Bond Administration Costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	27,064	-	-	1,385	-	5,971	2,023,886	2,058,306	-	2,058,306
Total Expenditures	<u>64,042</u>	<u>133,276</u>	<u>893,777</u>	<u>399,656</u>	<u>100,526</u>	<u>5,971</u>	<u>5,874,262</u>	<u>7,471,510</u>	<u>2,603,138</u>	<u>10,074,648</u>
Excess of Revenues over Expenditures	1,533,636	10	66	1,040,374	238,954	24,628	(318,609)	2,519,059	(2,603,138)	(84,079)
Other Financing Sources (Uses):										
Proceeds From Borrowings	-	-	-	-	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-	-	-	-	-
Operating Transfers From (To) other Funds	(1,522,068)	-	-	(1,120,838)	-	-	(518,860)	(3,161,766)	2,993,787	(167,979)
Total Other Financing Sources (Uses)	<u>(1,522,068)</u>	<u>-</u>	<u>-</u>	<u>(1,120,838)</u>	<u>-</u>	<u>-</u>	<u>(518,860)</u>	<u>(3,161,766)</u>	<u>2,993,787</u>	<u>(167,979)</u>
Net Change in Fund Balance	11,568	10	66	(80,464)	238,954	24,628	(837,469)	(642,707)	390,649	(252,058)
Fund Balance - Beginning	<u>2,551,237</u>	<u>125,116</u>	<u>245,058</u>	<u>642,300</u>	<u>110,173</u>	<u>129,906</u>	<u>2,011,533</u>	<u>5,815,323</u>	<u>3,045,078</u>	<u>8,860,401</u>
Fund Balance - Ending	<u>\$ 2,562,805</u>	<u>\$ 125,126</u>	<u>\$ 245,124</u>	<u>\$ 561,836</u>	<u>\$ 349,127</u>	<u>\$ 154,534</u>	<u>\$ 1,174,064</u>	<u>\$ 5,172,616</u>	<u>\$ 3,435,727</u>	<u>\$ 8,608,343</u>

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Hughes & Associates
Certified Public Accountants, P.C.

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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, 2012, and have issued our report thereon dated January 15, 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".

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

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

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
January 15, 2013

Hughes & Associates

Certified Public Accountants, P.C.

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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 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, 2012, which collectively comprise the City of Granite City's basic financial statements and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Granite City, Illinois, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Granite City, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain other matters that we reported to management of the City of Granite City, Illinois in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of management, the City Council, the Mayor, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
January 15, 2013