CITY OF GRANITE CITY, ILLINOIS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

APRIL 30, 2007

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

CITY OF GRANITE CITY, ILLINOIS

TABLE OF CONTENTS

COMBINING AND INDIVIDUAL FUND STATEMENTS:

OTHER SUPPLEMENTAL INFORMATION:

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois as of and for the year ended April 30, 2007, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2007, 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 December 6, 2007, on our consideration of the City of Granite City, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Granite City's basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Granite City, Illinois. The combining nonmajor fund financial statements and schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respect, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hughes + Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
December 6, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the City of Granite City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended April 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Granite City exceeded its liabilities at the close of the most recent fiscal year by $36.8 million. Of this amount, $13.7 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditor's.
- The City's total net assets increased by $4.9 million.
- At the close of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of $14,556,282. Approximately $9.2 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $6,600,014 or 30% of total general fund expenditures.
- In the City's business-type activities, revenues exceeded expenses and net assets increased by $44,761.
- The City continued land acquisition and engineering work to the Pontoon Road overpass project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The government-wide financial statements distinguish functions of the City of Granite City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities include general government, public safety and public works. The business-type activities are comprised of the wastewater treatment plant fund.

The government-wide financial statements can be found on pages 6 and 7 of this report.

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

Governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The City of Granite City maintains seven individual governmental funds; three are considered to be major funds: the general fund, the motor fuel tax fund and the TIF (tax increment financing) fund. Information on major funds is presented separately; data from the other four funds is combined and included in "Other Governmental Funds". Governmental fund statements can be found on pages 8 and 10 of this report. Individual data for the "other governmental funds" is provided in the form of combining statements on pages 42 and 43 of this report.

Proprietary fund statements offer short and long-term financial information about the activities the City operates like businesses. For the City of Granite City, the wastewater treatment plant fund is the proprietary fund. The basic financial statements for this fund can be found on pages 12 to 14 of this report.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, such as the police and firemen pension funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The basic fiduciary fund statements can be found on pages 15 and 16 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

Over time, net assets may serve as a useful indicator of a government's financial position. At April 30, 2007, the City of Granite City's assets exceeded liabilities (net assets) by $36.8 million.

Approximately 38% of the City of Granite City's net assets reflect its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt that is still outstanding. The City of Granite City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Granite City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Granite City's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($36.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Granite City's Net Assets

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and Other Assets	$ 21,186,974	$ 17,767,488	$ 8,082,272	$ 7,616,958
Capital Assets	15,432,472	11,243,340	13,116,115	13,618,696
Total Assets	36,619,446	29,010,828	21,198,387	21,235,654
Long-Term Liabilities Outstanding	6,106,403	4,117,049	4,723,560	5,116,930
Other Liabilities	9,195,486	8,424,473	1,022,444	711,102
Total Liabilities	15,301,889	12,541,522	5,746,004	5,828,032
Net Assets:				
Invested in Capital Assets, Net of Related Debt	14,507,032	10,548,666	8,235,314	8,459,390
Restricted	5,316,229	4,680,004	-	-
Unrestricted	1,494,296	1,240,636	7,217,069	6,948,232
Total Net Assets	$ 21,317,557	$ 16,469,306	$ 15,452,383	$ 15,407,622

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

Changes in Net Assets

Governmental activities increased the City of Granite City's net assets by $4,848,250. Revenues and transfers in the governmental activities were $31,910,297 with the largest amounts coming from property taxes ($7,389,073); sales and use taxes ($3,936,295) and home rule sales tax ($2,805,715). Total expenditures in the governmental activities were $27,062,047 with the largest percentage being spent on public safety ($14,372,598). The business-type activities had an increase of $44,761. This represents expenditures over revenues in the wastewater treatment plant fund. Operating revenues increased by approximately $523,247 to $6,021,548 with operating expenses decreasing by approximately $198,323 to $5,848,376. A breakdown of the governmental activities revenues is as follows:

	2007	2006
Property Tax	$ 7,389,073	$ 7,037,808
Sales and Use Tax	3,936,295	3,499,329
Home Rule Sales Tax	2,805,715	2,462,640
Operating Grants and Contributions	1,133,018	1,086,463
Charges for Services	2,640,652	3,039,242
Replacement Tax	2,773,554	2,552,508
State Income Tax	2,699,725	2,655,389
Capital Grants and Contributions	5,334,722	2,871,734
Motor Fuel Tax	908,277	744,465
Telecommunications Tax	840,465	965,476
Miscellaneous	881,313	423,511
Investment Earnings	554,276	273,454
Other State and Local Taxes	13,212	20,032
	$ 31,910,297	$ 27,632,051

The following is a breakdown of the governmental activities expenses:

	2007	2006
General Government	$ 6,518,048	$ 5,149,383
Public Safety	14,372,598	13,977,352
Public Works	6,134,327	5,708,365
Interest on Long-Term Debt	37,074	43,354
	$ 27,062,047	$ 24,878,454

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As of the end of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of $14,556,282, an increase of $2,573,685 in comparison with the prior year. The City again spent a significant amount of money for land purchases and engineering work related to the Pontoon Road overpass project during fiscal year 2007. These improvements are being reimbursed with monies from the State that are being deposited into the motor fuel tax fund.

The general fund is the chief operating fund of the City of Granite City. For the year ended April 30, 2007, the City's general fund had a decrease in fund balance of $292,013. At the end of the current fiscal year, unreserved fund balance in the general fund was $6,600,014, representing 30 percent of total general fund expenditures. This is a decrease from the approximately 37 percent in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund spent approximately $22,033,531 in fiscal year 2007 under the budgetary basis of accounting. This amount exceeds the City's budgeted expenses of approximately $21,260,512. In addition, current year receipts were approximately $21,205,030, which exceeded the budgeted amounts by $212,596. This resulted in a deficit of $828,501 in the General Fund using the budgetary basis of accounting.

CAPITAL ASSETS

The City of Granite City's investment in capital assets for its governmental and business-type activities as of April 30, 2007 amounts to $22,742,346 (net of related debt and accumulated depreciation). This investment in capital assets included land, buildings and system improvements, machinery and equipment.

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

Pontoon Road Overpass	$2,610,960
Fire Truck	476,534
Vehicles	164,102
Niedringhaus Streetscape	272,727
Ambulance	94,625
Dump Truck	70,000
Caterpillar Paver, Compactor & Trailer	318,208
Other Additions	840,563
Total	4,847,719

LONG-TERM DEBT

The City paid $370,135 of principal on the sewer departments IEPA during the year. The balance in the two loans was $4,880,802 at April 30, 2007.

During the current fiscal year the city borrowed $418,574 through lease purchase transactions to finance the acquisition of departmental vehicles and street department equipment.

The City also paid down $187,088 of principal on various smaller debt obligations. The balance in these obligations, including the current year lease purchases, was $925,440 at April 30, 2007.

In addition the City's unfunded police and fire pension obligations increased $1,395,211 during the year ended April 30, 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Granite City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, 2000 Edison Avenue, Granite City, IL 62040.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2007

		Governmental Activities		Business-Type Activities		Total
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$	8,238,426	$	4,014,357	$	12,252,783
Investments		889,000		2,876,000		3,765,000
Receivables (Net of Allowance for Uncollectibles)		10,948,599		1,149,212		12,097,811
Internal Advances to Other Funds		103,295		-		103,295
Prepaid Expenses and Deposits		344,767		42,703		387,470
General Real Estate Investment		662,887		-		662,887
Capital Assets (Net of Accumulated Depreciation)		15,432,472		13,116,115		28,548,587
Total Assets		36,619,446		21,198,387		57,817,833
LIABILITIES						
Current Liabilities:						
Accounts Payable		884,971		542,651		1,427,622
Accrued Employee Obligations		385,594		-		385,594
Accrued Vacation Leave		478,616		59,614		538,230
Accrued Interest Payable		15,826		34,098		49,924
Due to Other Funds		77,317		4,027		81,344
Other Accrued Obligations		2,760		-		2,760
Deferred Real Estate Taxes		7,350,402		-		7,350,402
Notes Payable - Current Portion		173,955		382,054		556,009
Total Current Liabilities		9,369,441		1,022,444		10,391,885
Noncurrent Liabilities:						
Notes Payable - Noncurrent Portion		751,485		4,498,747		5,250,232
Accrued Sick Leave		1,609,499		224,813		1,834,312
Net Pension Obligation		3,571,464		-		3,571,464
Total Noncurrent Liabilities		5,932,448		4,723,560		10,656,008
Total Liabilities		15,301,889		5,746,004		21,047,893
NET ASSETS						
Invested in Capital Assets, Net of Related Debt		14,507,032		8,235,314		22,742,346
Reserved for:						
Prepaid Insurance		344,767		-		344,767
Unrestricted:						
Undesignated		(1,145,743)		7,217,069		6,071,326
Designated for Redevelopment		4,971,462		-		4,971,462
Unrestricted, Reported in:						
Special Revenue Funds		2,662,244		-		2,662,244
Capital Projects Funds		(22,205)		-		(22,205)
Total Net Assets	$	21,317,557	$	15,452,383	$	36,769,940

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 6,518,048	$ 1,914,522	$ 1,092,447	$ -	$ (3,511,079)	$ -	$ (3,511,079)
Public Safety	14,372,598	499,985	40,571	-	(13,832,042)	-	(13,832,042)
Public Works	6,134,327	226,145	-	5,334,722	(573,460)	-	(573,460)
Interest on Long-Term Debt	37,074	-	-	-	(37,074)	-	(37,074)
Total Governmental Activities	27,062,047	2,640,652	1,133,018	5,334,722	(17,953,655)	-	(17,953,655)
Business-Type Activities:							
Wastewater	6,021,548	5,848,376	-	-	-	(173,172)	(173,172)
Total Business-Type Activities	6,021,548	5,848,376	-	-	-	(173,172)	(173,172)
Total	$ 33,083,595	$ 8,489,028	$ 1,133,018	$ 5,334,722	(17,953,655)	(173,172)	(18,126,827)
General Revenues:							
Property Tax, Levied for General Purposes					7,389,073	-	7,389,073
Home Rule Sales Tax					2,805,715	-	2,805,715
Sales and Use Tax					3,936,295	-	3,936,295
Replacement Tax					2,773,554	-	2,773,554
State Income Tax					2,699,725	-	2,699,725
Motor Fuel Tax					908,277	-	908,277
Telecommunications Tax					840,465	-	840,465
Other State and Local Taxes					13,212	-	13,212
Investment Earnings					554,276	217,933	772,209
Miscellaneous					881,313	-	881,313
Total General Revenues and Transfers					22,801,905	217,933	23,019,838
Change in Net Assets					4,848,250	44,761	4,893,011
Net Assets - Beginning					16,469,306	15,407,622	31,876,928
Net Assets - Ending					$ 21,317,556	$ 15,452,383	$ 36,769,939

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2007

	General Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 3,571,166	$2,746,409	$ 1,854,711	$ 66,140	$ 8,238,426
Investments	889,000	-	-	-	889,000
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	3,940,372	-	3,410,029	-	7,350,401
Intergovernmental	2,819,828	74,375	32,767	76,079	3,003,049
Other	421,887	142,862	30,400	-	595,149
Due from Other Funds	100,535	-	2,760	-	103,295
Prepaid Expenses and Deposits	344,767	-	-	-	344,767
Rental Real Estate Investment	-	-	2,667,631	-	2,667,631
General Real Estate Investment	-	-	662,887	-	662,887
Total Assets	12,087,555	2,963,646	8,661,185	142,219	23,854,605
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	219,528	350,031	261,694	53,718	884,971
Accrued Employee Obligations	385,594	-	-	-	385,594
Due to Other Funds	-	-	15,240	62,077	77,317
Other Accrued Obligations	-	-	2,760	-	2,760
Deferred Revenue	4,537,652	-	3,410,029	-	7,947,681
Total Liabilities	5,142,774	350,031	3,689,723	115,795	9,298,323
Fund Equity:					
Reserved for:					
Prepaid Insurance	344,767	-	-	-	344,767
Unreserved:					
Undesignated	6,600,014	-	-	-	6,600,014
Designated for Redevelopment	-	-	4,971,462	-	4,971,462
Unreserved, Reported in:					
Special Revenue Funds	-	2,613,615	-	48,629	2,662,244
Capital Projects Funds	-	-	-	(22,205)	(22,205)
Total Fund Equity	6,944,781	2,613,615	4,971,462	26,424	14,556,282
Total Liabilities and Fund Equity	$ 12,087,555	$2,963,646	$ 8,661,185	$ 142,219	$ 23,854,605

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, 2007

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	$ 14,556,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental fuinds.	15,432,472
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.	(2,088,115)
Long-term debt (e.g., bonds, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental funds.	(925,440)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(3,571,464)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(15,826)
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.	597,279
Net assets of governmental activities	$ 21,317,557

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, 2007

	General Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	$ 4,405,678	$ -	$ 2,983,395	$ -	$ 7,389,073
Intergovernmental:					
Home Rule Sales Tax	2,829,359	-	-	-	2,829,359
Sales and Use Tax	3,639,543	-	318,067	-	3,957,610
Replacement Tax	2,773,554	-	-	-	2,773,554
State Income Tax	2,699,725	-	-	-	2,699,725
Motor Fuel Tax	-	908,277	-	-	908,277
Telecommunications Tax	828,176	-	-	-	828,176
Grants	728,247	5,334,722	-	404,771	6,467,740
Other	272,679	-	-	-	272,679
Other Local Taxes	13,212	-	-	-	13,212
Licenses and Permits	648,099	-	-	-	648,099
Charges for Services	1,801,311	-	-	-	1,801,311
Fines and Forfeits	145,935	-	-	45,307	191,242
Investment Earnings	311,211	126,223	115,009	1,833	554,276
Miscellaneous	257,476	-	347,675	3,584	608,735
Total Revenues	21,354,205	6,369,222	3,764,146	455,495	31,943,068
Expenditures:					
Current:					
General Government	4,094,091	-	2,115,249	-	6,209,340
Public Safety	12,904,447	-	-	219,345	13,123,792
Public Works	4,520,830	665,897	930,682	212,561	6,329,970
Debt Service:					
Principal	-	-	-	187,808	187,808
Interest	-	-	-	24,283	24,283
Capital Outlay	-	3,477,283	16,907	-	3,494,190
Total Expenditures	21,519,368	4,143,180	3,062,838	643,997	29,369,383
Excess (Deficiency) of Revenues Over Expenditures	(165,163)	2,226,042	701,308	(188,502)	2,573,685
Other Financing Sources (Uses):					
Proceeds From Borrowings		-	-	-	-
Operating Transfers In (Out)	(126,850)	-	(85,241)	212,091	-
Total Other Financing Sources (Uses)	(126,850)	-	(85,241)	212,091	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(292,013)	2,226,042	616,067	23,589	2,573,685
Fund Balance - Beginning	7,236,794	387,573	4,355,395	2,835	11,982,597
Fund Balance - Ending	$ 6,944,781	$2,613,615	$ 4,971,462	$ 26,424	$ 14,556,282

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, 2007

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

Net change in fund balances - total governmental funds	$	2,573,685
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.		4,747,360
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.		(558,228)
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.		(243,028)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither 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.		(243,557)
Net pension obligations are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net pension obligations are not reported as expenditures in governmental funds. This is the change in the net pension obligation between years.		(1,395,211)
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.		(32,771)
Change in net assets of governmental activities	$	4,848,250

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
APRIL 30, 2007

	Business Type Activities Enterprise Fund Wastewater
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 4,014,357
Investments	2,876,000
Accounts Receivable (Net of Allowance for Uncollectibles)	1,123,414
Interest Receivable	25,798
Prepaid Expenses	42,703
Total Current Assets	8,082,272
Noncurrent Assets:	
Capital Assets:	
Building and Improvements	1,728,589
Treatment Facility and Lines	29,326,500
Vehicles and Equipment	2,498,190
	33,553,279
Less Accumulated Depreciation	(20,437,164)
Net Capital Assets	13,116,115
Total Assets	21,198,387
LIABILITIES	
Current Liabilities:	
Accounts Payable	542,651
Accrued Vacation Leave	59,614
Due to Other Funds	4,027
Accrued Interest	34,098
Notes Payable	382,054
Total Current Liabilities	1,022,444
Noncurrent Liabilities:	
Accrued Sick Leave	224,813
Notes Payable	4,498,747
Total Noncurrent Liabilities	4,723,560
Total Liabilities	5,746,004
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,235,314
Unrestricted	7,217,069
Total Net Assets	$ 15,452,383

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, 2007

	Business Type Activities
	Enterprise Fund Wastewater
Operating Revenues:	
Charges for Services	$ 5,848,376
Total Operating Revenues	5,848,376
Operating Expenses:	
Personal Services	2,158,649
Industrial Pretreatment	138,555
Billings and Collection	799,472
Sewer Collection	14,141
Solids Handling	607,250
BOD Treatment	370,737
Primary Treatment	58,236
General and Administration	190,260
Dry Weather Pumping	247,793
Wet Weather Pumping	120,619
Minor Repairs and Capital Outlay	524,062
Other	46,508
Depreciation	602,940
Total Operating Expenses	5,879,222
Operating Income (Loss)	(30,846)
Non-Operating Revenues (Expenses)	
Investment Earnings	217,933
Interest Expense and Fiscal Charges	(142,326)
Total Non-Operating Revenues (Expenses)	75,607
Change in Net Assets	44,761
Net Assets - Beginning	15,407,622
Net Assets - Ending	$ 15,452,383

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, 2007

	Business Type Activities
	Enterprise Fund Wastewater
Cash Flows From Operating Activities:	
Cash Received from Users	$ 5,658,785
Cash Paid to Suppliers for Goods and Services	(2,816,369)
Cash Paid to Employees for Services	(2,152,245)
Net Cash Provided By Operating Activities	690,171
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(100,359)
Principal Paid on Borrowings	(370,136)
Interest Paid on Borrowings	(142,282)
Net Cash (Used) by Capital and Related Financing Activities	(612,777)
Cash Flows From Investing Activities:	
Acquisition of Investments	(138,247)
Investment Earnings	214,599
Net Cash Provided By Investing Activities	76,352
Net Increase In Cash and Equivalents	153,746
Cash and Equivalents - Beginning	3,860,611
Cash and Equivalents - Ending	$ 4,014,357
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ (30,846)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	602,940
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(189,591)
Decrease in Prepaid Expenses	23,632
Increase in Accounts Payable	301,264
(Decrease) in Other Liabilities	(17,228)
Net Cash Provided By Operating Activities	$ 690,171

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, 2007

ASSETS	
Cash and Cash Equivalents	$ 2,010,203
Investments	32,386,863
Receivables:	
Property Taxes	724,128
Accrued Interest	141,586
Total Assets	35,262,780
LIABILITIES	
Liabilities	-
Total Liabilities	-
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	$ 35,262,780

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, 2007

Additions:	
Investment Earnings:	
Investment Earnings	$ 3,181,861
Less: Investment Expense	(96,050)
Net Investment Earnings	3,085,811
Property Taxes	715,709
Replacement Taxes	355,631
Additional City Funding	539,626
Employee Contributions	661,574
Total Additions	5,358,351
Deductions:	
Benefit Payments	3,945,492
Contractual Services	43,122
Total Deductions	3,988,614
Change in Net Assets	1,369,737
Net Assets - Beginning	33,893,043
Net Assets - Ending	$ 35,262,780

See accompanying notes to the basic financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized, when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

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

The Motor Fuel Tax Fund accounts for the taxes and reimbursements received and amounts paid related to motor fuel tax expenses.

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

The government reports the following major proprietary fund:

The Wastewater Treatment Plant Enterprise Fund accounts for all activities related to the billing, administration, and distribution and collection processes of the wastewater treatment plant. The City operates the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The Pension Trust Funds account for the activities of the police and firemens' pension funds, which accumulate resources for pension benefit payments to qualified public safety employees.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal advances to other funds."

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

All intergovernmental and property tax receivables are shown net of an allowance for uncollectible amounts. All accounts receivable related to the enterprise fund are shown at net of an allowance for uncollectible accounts based on managements estimate of collectibility.

Unbilled sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

The City levied its property taxes on December 6, 2005 based upon the expected assessed valuation as of the January 1, 2006. Property taxes are due in two installments in the following year, usually in June and August, and are considered delinquent after the due dates. Property taxes for 2005 become an enforceable lien in January 2006. The County has not mailed tax bills as of April 30, 2006 and past mailing practices of the County have generally been subsequent to April 30 of each year. The City receives significant distributions of tax receipts beginning in late June or early July of each year.

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

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

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

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Under terms of the various City ordinances and negotiated contracts, City employees are granted vacation based on continuous employment service. Employee vacations vest as of their anniversary date. Employees are entitled to sick leave based on completed months of service. The City's policies and negotiated contract provisions regarding sick leave permit employees to accumulate a maximum accumulation of sick leave, usually ninety days. The City cancels accumulated sick leave on the date of employee termination except in the case of qualified retirement or employee death wherein 50% of the accumulated sick leave is paid.

At April 30, 2007, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled $478,616 and $1,609,499, respectively. Amounts reflected in the financial statements at April 30, 2007 for enterprise fund employees related to unused vacation and sick leave benefits totaled $59,614 and $224,813, respectively.

Long-Term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City's policy is to first apply restricted resources and then unrestricted resources as expenses are incurred.

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

Governmental Funds	
Reserved for Prepaid Insurance	$ 344,767
Designated for Development	$ 4,971,462
Fiduciary Funds	
Reserved for Employees' Pension Benefits	$ 35,262,780

Estimates

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

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE

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

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

- Prior to May 15, the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the Fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to August 1, the budget is legally enacted through passage of an ordinance.
- The City Comptroller is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- Budgets for all funds are adopted on the cash basis. For financial statement presentation, budgeted amounts are also presented on the cash basis.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government and Business-Like Activities

At April 30, 2007, the carrying amount of the City's deposits was $10,535,929 and the bank balance was $11,846,094. 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.

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

As of April 30, 2007 the City had the following investments:

Investment	Weighted Average Maturity (Years)	Fair Value
The Illinois Funds (external investment pool)	0.04	$ 3,881,854
Federal National Mortgage Association	1.00	650,000
Federal Home Loan Bank	1.03	950,000
		5,481,854
Deposits as Reported Above		10,535,929
Total Deposits and Investments		$ 16,017,783
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		$ 12,252,783
Investments		3,765,000
		$ 16,017,783

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, 2007, the credit rating of the City's investment was as follows:

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

Concentration of Credit Risk
As of April 30, 2007, the City did not have a concentration of credit risk.

Foreign Currency Risk
As of April 30, 2007, the City did not have foreign currency risk.

Fire Pension Fund
At April 30, 2007, the carrying amount of the Fire Pension Fund's deposits was $327,306 and the bank balance was $333,920. 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.

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

As of April 30, 2006, the City's Fire Pension Fund had the following investments:

Investment	Weighted Average Maturity (Years)	Fair Value
Federal Home Loan Bank	3.65	$ 2,756,495
Federal Home Loan Mortgage	2.13	752,453
Federal National Mortgage Association	2.44	516,835
Government National Mortgage Association	23.78	4,367,413
U.S.V.A. REMIC	22.87	129,664
U.S. Treasury Note	29.06	199,938
Common Stock	--	6,878,981
Mutual Funds	--	2,110,018
		17,711,797
Deposits as Reported Above		327,306
Total Deposits and Investments		$ 18,039,103

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	$ 1,037,326
Investments	17,001,777
	$ 18,039,103

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, 2007, the Fire Pension Fund's investments credit ratings were as follows:

Investment	Standard & Poor's Rating	Moody's Investors Service Rating
Federal National Mortgage Association	AAA	Aaa
Government National Mortgage Association	Not Available	Not Available
U.S.V.A. REMIC	Not Available	Not Available

Concentration of Credit Risk
As of April 30, 2007, the Fire Pension Fund's investments are concentrated as follows:

Investment	Percentage
Government National Mortgage Association	25.69%
Federal Home Loan Bank	16.21%

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

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

Police Pension Fund
At April 30, 2007, the carrying amount of the Police Pension's deposits was $226,941 and the bank balance was $226,941. The deposits were comprised of checking and interest checking accounts.

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

As of April 30, 2007, the Police Pension Fund had the following investments:

Investment	Weighted Average Maturity (Years)	Fair Value
The Illinois Funds (external invetment pool)	0.04	$ 745,936
U.S. Treasury Notes	7.07	1,450,938
U.S. Treasury Strips	3.71	1,257,993
Federal National Mortgage Association	12.27	530,690
Federal Home Loan Bank	12.62	1,447,104
Federal Farm Credit Bank	6.44	508,247
Government National Mortgage Association	26.72	2,659,716
Cook County, IL School District #155 - Municipal Bond	3.59	239,144
Tennessee Valley Authority	5.88	264,423
Mutual Funds	--	7,026,831
		16,131,022
Deposits as Reported Above		226,941
Total Deposits and Investments		$ 16,357,963
As Reported in the Combining Statement of Fiduciary Net Assets:		
Cash and Cash Equivalents		$ 972,877
Investments		15,385,086
		$ 16,357,963

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.

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

Credit Risk
As of April 30, 2007, the Police Pension Fund's investments credit ratings were as follows:

Investment	Standard & Poor's Rating	Moody's Investors Service Rating
The Illinois Funds (external investment pool)	AAAm	--
Cook County, IL School District #155 - Municipal Bond	--	Aaa
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa
Governmental National Mortgage Association	Not Available	Not Available

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

Investment	Percentage
Government National Mortgage Association	16.26%
U.S. Treasury Strips	8.87%
Federal Home Loan Bank	8.85%
U.S. Treasury Notes	8.87%

Foreign Currency Risk
As of April 30, 2007, the Police Pension Fund did not have foreign currency risk.

NOTE 4. RECEIVABLES

Receivables as of April 30, 2007 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	$ 1,177,670
Ambulance Fees	399,135
Real Estate Taxes	7,350,401
Intergovernmental	3,003,049
Other	194,684
Total Receivables	12,124,939
Allowance for Uncollectible Accounts	(27,128)
Net Total Receivables	$ 12,097,811

Real estate taxes totaling $7,350,402 were not available for collection and payment of current liabilities at April 30, 2007 and are reported as deferred revenues.

NOTE 5. 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. The liability for claims experienced as of April 30, 2007 that are to be paid in the subsequent year is $385,594 and is included in accrued employee obligations.

NOTE 5. RISK MANAGEMENT (Continued)

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 6. RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

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

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

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The City's rate for calendar year 2006 was 8.11 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 27 years.

For December 31, 2006, the City's annual pension cost of $433,021 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40 percent to 11.60 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.00 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period with a 15.00 percent corridor. The assumptions used for the 2005 actuarial valuation information were based on the 2002-2004-experience study.

Trend Information for IMRF

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	$ 433,021	100%	$ -
12/31/05	359,456	100%	-
12/31/04	177,300	100%	-

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

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, 2007 was $2,961,738 out of a total payroll of $13,026,767.

At April 30, 2007, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	64
Current employees:	
Vested	32
Nonvested	23
Total	119

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Fire-sworn the Firemen's Pension Plan covers personnel, which is defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40, Act 5, Article 4) and may be amended only by the Illinois legislature.

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firemen's Pension Plan for the year ended April 30, 2007 was $3,126,967 out of total payroll of $13,026,767.

At April 30, 2007, 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	64
Current Employees:	
Vested	33
Nonvested	22
Total	119

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

The Firemen's Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

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

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.

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value in accordance with GASB 25. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

c. Annual Pension Cost and Net Pension Obligation

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

	Police Pension	Firemen's Pension
Annual Required Contribution	$ 1,303,754	$ 1,476,722
Interest on Net Pension Obligation	70,488	81,849
Annual Pension Cost	1,374,242	1,558,571
Contributions Made	637,449	900,153
Increase in Net Pension Obligation	736,793	658,418
Net Pension Obligation Beginning of Year	1,006,976	1,169,277
Net Pension Obligation End of Year	$ 1,743,769	$ 1,827,695

The annual required contribution for the current year was determined as part of the April 30, 2006 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, 2006 was, 28.1699 years.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Police Pension	4/30/2007	$ 1,303,754	48.89%	$ 1,743,769
	4/30/2006	$ 1,383,797	43.58%	$ 1,006,976
	4/30/2003	1,125,520	34.32%	309,413
Fire Pension	4/30/2007	1,476,722	60.96%	1,827,695
	4/30/2006	1,235,697	30.64%	1,169,277
	4/30/2003	1,270,172	47.07%	223,320

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

d. Concentration

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

Police Pension:	
Oakmark Fund	$ 1,437,730
Longleaf Partners	1,190,946
Growth Fund of America	886,770
Harbor International Fund	845,206
Fire Pension:	
UMB Scout Small Cap	1,399,998
GNMA 08/01/04 6% 03/20/32	1,018,401

e. Legally Required Reserves

The City has the following legally required reserves:

Police Pension	$ 16,682,940
Firemen Pension	18,579,840

NOTE 7. WASTEWATER TREATMENT PLANT ENTERPRISE FUND

Regionalizaton 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, 2007 was $1,969,617.

NOTE 8. COMMITMENTS

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

Year Ending April 30,	Land Facilities
2008	$ 5,525
2009	5,525
2010	5,525
2011	5,525
2012	5,525
Thereafter	4,150
Total	$ 31,775

NOTE 9. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	$ 5,445,478	$ 3,602,980	$ -	$ 9,048,458
Capital Assets, being Depreciated:				
Buildings and Improvements	6,609,540	-	-	6,609,540
Equipment	4,193,976	980,297	(2,631)	5,171,642
Vehicles	4,336,421	164,083	(159,421)	4,341,083
Total Capital Assets being Depreciated	15,139,937	1,144,380	(162,052)	16,122,265
Less Accumulated Depreciation for:				
Buildings and Improvements	2,385,869	172,027	-	2,557,896
Equipment	3,205,954	175,527	(2,631)	3,378,850
Vehicles	3,750,252	210,674	(159,421)	3,801,505
Total Accumulated Depreciation	9,342,075	558,228	(162,052)	9,738,251
Total Capital Assets being Depreciated, Net	5,797,862	586,152	-	6,384,014
Governmental Activities Capital Assets, Net	$ 11,243,340	$ 4,189,132	$ -	$15,432,472
Business-Type Activities				
Capital Assets:				
Buildings	$ 1,728,589	$ -	$ -	$ 1,728,589
Treatment Facility	29,275,521	50,979	-	29,326,500
Equipment	1,314,313	49,380	-	1,363,693
Vehicles	1,134,497	-	-	1,134,497
Total Capital Assets	33,452,920	100,359	-	33,553,279
Less Accumulated Depreciation for:				
Buildings	1,615,416	8,099	-	1,623,515
Treatment Facility	15,977,556	523,476	-	16,501,032
Equipment	1,161,752	40,476	-	1,202,228
Vehicles	1,079,500	30,889	-	1,110,389
Total Accumulated Depreciation	19,834,224	602,940	-	20,437,164
Business-Type Activities Capital Assets, Net	$ 13,618,696	$ (502,581)	$ -	$13,116,115

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

Governmental Activities:	
General Government	$ 155,272
Public Safety	286,173
Public Works	116,783
Total Depreciation Expense - Governmental Activities	$ 558,228
Business-Type Activities:	
Wastewater Treatment Plant	$ 602,940

NOTE 10. 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, 2007 is $1,154,293.

The City was awarded a second loan of $3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water on August 12, 2003. This loan financed the upgrade of the City's Regional Wastewater Treatment Facilities. Payments are due semiannually on January 27 and July 27 through January 2025, including interest at 2.50%. As of April 30, 2007, the balance outstanding on the loan was $3,726,509.

The City entered into a loan with Madison County Community Development (MCCD) for infrastructure in the new industrial park. The loan of $300,000 of is to be repaid in 120 monthly installments through September 2007 of $3,037 including interest at 4.00%. The balance of the loan at April 30, 2007 is $39,247.

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park. The loan of $725,914 is to be repaid by twenty annual installments through May 24, 2019. The annual installments, including interest at 3.00%, are $48,793. The balance of the loan at April 30, 2007 is $485,684.

The City entered into a loan with Ford Motor Credit to purchase two police vehicles. The loan of $58,610 is to be repaid in three annual installments through December 7, 2008. The annual installments, including interest at 6.40%, are $16,043. The balance of the loan at April 30, 2007 is $29,249.

The City entered into a loan with Ford Motor Credit to purchase a truck for the sanitation department. The loan of $23,206 is to be repaid in three annual installments through August 2008. The annual installments, including interest at 6.15%, are $6,331. The balance of the loan at April 30, 2007 is $11,583.

The City entered into a loan with Ford Motor Credit to purchase three Ford Escapes for the Building and Zoning Department. The loan of $59,047 is to be repaid in three annual installments through August 2008. The annual installments, including interest at 6.15%, are $16,108. The balance of the loan at April 30, 2007 is $29,471.

The City entered into a loan with Ford Motor Credit to purchase four Ford Crown Victoria's for the Police Department. The loan of $100,366 is to be repaid in three annual installments through January 2009. The annual installments, including interest at 6.10%, are $35,456. The balance of the loan at April 30, 2007 is $64,912.

The City entered into a lease purchase with Caterpillar Financial to purchase a paver, trailer and drum compactor for the Public Works Department. 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, 2007 is $265,294.

NOTE 10. LONG-TERM DEBT (Continued)

The annual requirements to retire the notes payable as of April 30, 2007 are as follows:

Fiscal Year Ended April 30	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2008	$ 173,954	$ 38,136	$ 382,054	$ 133,362
2009	149,313	30,068	394,371	121,044
2010	79,203	22,500	407,102	108,314
2011	82,606	19,101	420,258	95,157
2012	86,161	15,544	433,858	81,560
2013-2017	260,835	36,039	1,000,191	300,413
2018-2022	93,368	4,222	1,132,489	168,119
2023-2026	-	-	710,479	30,183
	$ 925,440	$ 165,610	$ 4,880,802	$ 1,038,152

The following is a summary of changes in long-term liabilities for the year ended April 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Government Activities:					
Bond and Notes Payable:					
Ford Motor Credit	$ 102,383	$ 100,366	$ 67,534	$ 135,215	65,581
IL Dept of Transportation	518,910	-	33,226	485,684	34,222
Caterpillar Financial	-	318,208	52,914	265,294	38,627
Madison County	73,381	-	34,134	39,247	35,525
Total	694,674	418,574	187,808	925,440	173,955
Other Liabilities:					
Net Pension Obligation	2,176,253	1,395,211	-	3,571,464	-
Compensated Absences	1,845,088	243,028	-	2,088,116	478,617
Total Other Liabilities	4,021,341	1,638,239	-	5,659,580	478,617
Govermental Activities Long-Term Liabilities	$ 4,716,015	$ 2,056,813	$ 187,808	$ 6,585,020	$ 652,572
Business-Type Activities:					
Notes Payable:					
IL EPA (1)	$ 1,360,548	$ -	$ 206,255	$ 1,154,293	$ 214,052
IL EPA (2)	3,890,389	-	163,880	3,726,509	168,002
Total Notes Payable	5,250,937	-	370,135	4,880,802	382,054
Other Liabilities:					
Compensated Absences	298,655	-	14,227	284,428	59,614
Business-Type Activities Long-Term Liabilities	$ 5,549,592	$ -	$ 384,362	$ 5,165,230	$ 441,668

NOTE 11. TAX INCREMENT FINANCING SPECIAL REVENUE FUND

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

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

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

NOTE 12. 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.

As of April 30, 2007, there were three series of Industrial Project Revenue Bonds outstanding, with a principal amount payable of $5,427,500.

NOTE 13. DEFICIT NET ASSETS

The City has deficit net assets in the Capital Projects Fund as of April 30, 2007 of $22,205.

NOTE 14. TRANSFERS

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

NOTE 15. LINE ITEM EXPENDITURES IN EXCESS OF BUDGET

During the year ended April 30, 2007, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 37 to 39.

NOTE 16. LEASE REVENUE

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

Location	Current Annual Payment	Expiration (Including Extensions)
1411 19th Street	$ -	Expired
1509 Pontoon Road	42,000	October 2010
1801 State Strret	5,220	December 2009
Iowa & 24th Street	3,900	September 2010
2001 Madison Avenue	226,600	January 2060
Signage	1,600	June 2011

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

Year	Amount
2008	$ 277,580
2009	253,100
2010	232,100
2011	229,825
2012	226,600
Total	$ 1,219,205

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)
Receipts:			
Taxes	$ 16,508,916	$ 16,508,916	$ 17,384,858
Intergovernmental Revenue (Grants)	795,375	795,375	394,013
Charges for Services	2,216,948	2,216,948	2,063,438
Licenses and Permits	961,370	961,370	648,099
Fines and Forfeits	304,825	304,825	145,935
Investment Earnings	176,000	176,000	311,211
Miscellaneous	29,000	29,000	257,476
Total Receipts	20,992,434	20,992,434	21,205,030
Disbursements			
Mayor	622,634	622,634	630,811
Alderman	135,172	135,172	137,685
Clerk	282,919	282,919	318,534
Treasurer	303,657	303,657	291,592
Informational Technology	150,188	150,188	135,060
Financial	2,088,465	2,863,465	2,580,471
Police	5,975,569	5,975,569	6,664,308
Fire	5,872,172	5,872,172	6,042,029
Street and Alley	3,049,596	3,374,596	3,570,204
Sanitation	455,645	455,645	641,663
Public Works	906,865	906,865	902,506
Safety and Risk	131,228	131,228	81,359
Civil Defense	46,402	46,402	37,309
Capital Improvements	140,000	140,000	-
Total Disbursements	20,160,512	21,260,512	22,033,531
Excess of Receipts over Disbursements	$ 831,922	$ (268,078)	(828,501)
Change in Intergovernmental Revenue on Modified Accrual Basis			624,628
Change in Prepaid Insurance			20,158
Change in Deposits			(216,000)
Change in Accrued Employee Obligations			76,821
Change in Accounts Payable on Modified Accrual Basis			30,881
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			$ (292,013)

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)
Receipts:			
Intergovernmental:			
Motor Fuel Tax	$ 907,554	$ 907,554	$ 905,627
Grants	5,000,000	5,000,000	5,259,404
Investment Earnings	9,500	9,500	126,223
Total Receipts	5,917,054	5,917,054	6,291,254
Disbursements			
Maintenance	405,000	405,000	277,920
Street Overlay Program	500,000	500,000	316,787
Engineering	27,749	27,749	50,908
Other Capital Projects	-	-	549,540
Pontoon Overpass	5,000,000	5,000,000	2,670,089
Total Disbursements	5,932,749	5,932,749	3,865,244
Excess of Receipts Over Disbursements	$ (15,695)	$ (15,695)	2,426,010
Change in Motor Fuel Tax Receivable on Modified Accrual Basis			2,650
Change in Grant Receivable on Modified Accrual Basis			75,318
Change in Accounts Payable on Modified Accrual Basis			(277,936)
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			$ 2,226,042

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)
Receipts:			
Real Estate Taxes	$ 1,017,049	$ 1,017,049	$ 1,058,086
Real Estate Taxes - GCS	796,000	796,000	832,762
Real Estate Taxes - AS	67,000	67,000	86,781
Real Estate Taxes - Rt 3	1,000,000	1,000,000	1,005,766
Real Estate Taxes - Nameoki	108,000	108,000	66,573
Sales Taxes	32,000	32,000	99,388
Local Sales Taxes	167,000	167,000	166,020
Rent	260,000	260,000	226,600
Investment Earnings	64,000	64,000	117,592
Bond Issues	8,000,000	8,000,000	-
Other	2,400	2,400	131,837
Total Receipts	11,513,449	11,513,449	3,791,405
Disbursements			
Downtown TIF	1,600,000	1,600,000	1,144,822
Granite City Steel TIF	796,000	796,000	832,762
American Steel TIF	67,000	67,000	67,637
Route 3 TIF	910,000	910,000	922,626
Nameoki Village TIF	140,000	140,000	170,750
Port District Projects	8,000,000	8,000,000	6,024
Total Disbursements	11,513,000	11,513,000	3,144,621
Excess of Receipts Over Disbursements	$ 449	$ 449	646,784
Change in Revenue on Modified Accrual Basis			(22,034)
Change in Accounts Payable on Modified Accrual Basis			(255,383)
Direct Contract for Deed Payments			(5,226)
Change in Real Estate Investment			251,926
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			$ 616,067

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF POLICE AND FIREMEN'S PENSION
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
APRIL 30, 2007

	Fiscal Year Valuation					
	2006	2005	2004	2003	2001	2000
Police Pension:						
Actuarial Value of Assets	$ 16,331,354	$ 15,285,262	$ 15,433,005	$ 14,280,601	$ 15,012,923	$ 14,455,581
Actuarial Accrued Liability (AAL)	36,536,908	34,708,648	33,161,001	32,453,157	23,279,088	21,084,914
Unfunded AAL (UAAL)	20,205,554	19,423,386	17,727,996	18,172,556	8,266,165	6,629,333
Funded Ratio	44.70%	44.04%	46.54%	44.00%	64.49%	68.56%
Covered Payroll	2,741,223	2,699,133	2,651,481	2,781,163	2,663,559	2,665,161
UAAL as a % of Covered Payroll	737.10%	719.62%	668.61%	653.42%	310.34%	248.74%
Employer Contributions:						
Required	1,303,754	1,226,782	1,122,464	1,139,566	925,179	801,091
Made	-	648,523	375,833	386,296	1,250,583	568,598
Percentage of Employer Contributions Made to Required Contribution	0.00%	52.86%	33.48%	33.90%	135.17%	70.98%
Firemen's' Pension:						
Actuarial Value of Assets	18,545,115	17,220,222	$ 17,196,296	$ 15,730,725	$ 16,243,326	$ 16,326,369
Actuarial Accrued Liability (AAL)	37,325,323	35,220,804	34,263,848	32,170,731	24,748,970	23,334,316
Unfunded AAL (UAAL)	18,780,208	18,000,582	17,067,552	16,440,006	8,505,644	7,007,947
Funded Ratio	49.69%	48.89%	50.19%	48.90%	65.63%	69.97%
Covered Payroll	2,924,371	2,733,551	2,764,386	2,781,766	2,639,790	2,643,637
UAAL as a % of Covered Payroll	642.20%	658.51%	617.41%	590.99%	322.21%	265.09%
Employer Contributions:						
Required	1,476,722	1,377,073	1,323,855	1,284,845	1,124,986	1,008,176
Made	-	900,153	600,141	597,866	1,479,909	751,525
Percentage of Employer Contributions Made to Required Contribution	0.00%	65.37%	45.33%	46.53%	131.55%	74.54%

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

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

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

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

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
APRIL 30, 2007

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2006	$ 433,021	100%	$ -
12/31/2005	359,456	100%	-
12/31/2004	177,300	100%	-
12/31/2003	136,872	100%	-
12/31/2002	65,242	100%	-
12/31/2001	61,411	100%	-
12/31/2000	179,952	100%	-
12/31/1999	312,222	100%	-
12/31/1998	322,120	100%	-
12/31/1997	356,279	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entriy Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c.)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2006	$ 15,553,820	$ 15,465,360	$ (88,460)	100.57%	$ 5,339,347	0%
12/31/2005	15,023,927	14,409,113	(614,814)	104.27%	4,550,082	0%
12/31/2004	14,411,248	13,928,632	(482,616)	103.46%	4,443,600	0%
12/31/2003	14,992,430	14,220,717	(771,713)	105.43%	4,472,941	0%
12/31/2002	15,466,974	13,573,077	(1,893,897)	113.95%	4,468,700	0%
12/31/2001	15,789,761	13,206,589	(2,583,172)	119.56%	4,835,549	0%
12/31/2000	14,842,190	11,819,034	(3,023,156)	125.58%	4,498,811	0%
12/31/1999	13,175,717	10,477,618	(2,698,099)	125.75%	4,174,108	0%
12/31/1998	11,445,808	10,016,828	(1,428,980)	114.27%	3,909,221	0%
12/31/1997	9,727,015	9,149,768	(577,247)	106.31%	3,756,233	0%

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

On a market value basis, the actuarial value of assets as of December 31, 2006 is $16,902,184. On a market basis, the funded ratio would be 109.29%.

Digest of Changes - The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study. The principal changes were:

- The 1994 group annuity mortality implemented.

- For regular members, fewer normal and more early retirements are expected to occur.

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
APRIL 30, 2007

	Special Revenue Funds					
	Drug Traffic Prevention	Community Development	Total	Capital Projects	Debt Service	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 54,542	$ -	$ 54,542	$ 11,598	$ -	$ 66,140
Receivables:						
Intergovernmental	-	65,595	65,595	10,484	-	76,079
Total Assets	$ 54,542	$ 65,595	$ 120,137	$ 22,082	$ -	$ 142,219
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	4,913	48,805	53,718	-	-	53,718
Due to Other Funds	1,000	16,790	17,790	44,287	-	62,077
Total Liabilities	5,913	65,595	71,508	44,287	-	115,795
Fund Balances:						
Unreserved	48,629	-	48,629	(22,205)	-	26,424
Total Fund Balances	48,629	-	48,629	(22,205)	-	26,424
Total Liabilities and Fund Balances	$ 54,542	$ 65,595	$ 120,137	$ 22,082	$ -	$ 142,219

CITY OF GRAFTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2007

	Special Revenue Funds					
	Drug Traffic Prevention	Community Development	Total	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues:						
Intergovernmental	$ 15,330	$ 389,441	$ 404,771	$ -	$ -	$ 404,771
Fines and Forfeitures	45,307	-	45,307	-	-	45,307
Investment Earnings	1,405	-	1,405	428	-	1,833
Miscellaneous	3,584	-	3,584	-	-	3,584
Total Revenues	65,626	389,441	455,067	428	-	455,495
Expenditures:						
Public Safety	42,465	176,880	219,345	-	-	219,345
Public Works	-	212,561	212,561	-	-	212,561
Debt Service	-	-	-	-	212,091	212,091
Total Expenditures	42,465	389,441	431,906	-	212,091	643,997
Revenues Over (Under) Expenditures	23,161	-	23,161	428	(212,091)	(188,502)
Other Financing Sources:						
Operating Transfer In	-	-	-	-	212,091	212,091
Total other Financing Sources	-	-	-	-	212,091	212,091
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing	23,161	-	23,161	428	-	23,589
Fund Balances - Beginning	25,468	-	25,468	(22,633)	-	2,835
Fund Balance - Ending	$ 48,629	$ -	$ 48,629	$ (22,205)	$ -	$ 26,424

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
APRIL 30, 2007

	Pension Trust Funds		
	Police	Firemen	Total
ASSETS			
Cash and Cash Equivalents	$ 972,877	$ 1,037,326	$ 2,010,203
Investments	15,385,086	17,001,777	32,386,863
Receivables:			
Property Taxes	254,305	469,823	724,128
Accrued Interest	70,672	70,914	141,586
Total Assets	16,682,940	18,579,840	35,262,780
LIABILITIES			
Liabilities	-	-	-
Total Liabilities	-	-	-
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 16,682,940	$ 18,579,840	$ 35,262,780

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2007

	Pension Trust Funds		
	Police	Firemen	Total
Additions			
Investment Earnings:			
Investment Earnings:	$ 1,586,220	$ 1,595,641	$ 3,181,861
Less: Investment Expense	(39,488)	(56,562)	(96,050)
Net Investment Earnings	1,546,732	1,539,079	3,085,811
Property Taxes	250,949	464,760	715,709
Replacement Taxes	132,858	222,773	355,631
Additional City Funding	264,716	274,910	539,626
Employee Contributions	370,655	290,919	661,574
Total Additions	2,565,910	2,792,441	5,358,351
Deductions:			
Benefit Payments	1,915,913	2,029,579	3,945,492
Contractual Services	15,047	28,075	43,122
Total Deductions	1,930,960	2,057,654	3,988,614
Change in Net Assets	634,950	734,787	1,369,737
Net Assets - Beginning	16,047,990	17,845,053	33,893,043
Net Assets - Ending	$ 16,682,940	$ 18,579,840	$ 35,262,780

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUNDS
APRIL 30, 2007

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	Totals
Assets							
Cash	$ 1,517,468	$ 86,781	$ -	$ 248,442	$ 2,096	$ (76)	$ 1,854,711
Receivables:							
Property Taxes	1,136,733	108,248	877,221	1,081,148	191,939	14,740	3,410,029
Intergovernmental Receivable	3,683	-	-	-	29,084	-	32,767
Development Loans	28,529	-	-	-	-	-	28,529
Accrued Interest	1,871	-	-	-	-	-	1,871
Due from Other Funds	-	-	-	-	2,760	-	2,760
Rental Real Estate Investment	2,667,631	-	-	-	-	-	2,667,631
General Real Estate Investment	569,984	-	-	92,903	-	-	662,887
Total Assets	5,925,899	195,029	877,221	1,422,493	225,879	14,664	8,661,185
Liabilities and Fund Balance							
Liabilities:							
Accounts Payable	173,683	-	-	88,011	-	-	261,694
Due to Other Funds	2,760	-	-	12,480	-	-	15,240
Due to Other Governments	-	-	-	-	2,760	-	2,760
Deferred Revenues:							
Property Taxes	1,136,733	108,248	877,221	1,081,148	191,939	14,740	3,410,029
Total Liabilities	1,313,176	108,248	877,221	1,181,639	194,699	14,740	3,689,723
Fund Balance:							
Unreserved:							
Designated for Redevelopment	4,612,723	86,781	-	240,854	31,180	(76)	4,971,462
Total Fund Balance	4,612,723	86,781	-	240,854	31,180	(76)	4,971,462
Total Liabilities and Fund Balance	$ 5,925,899	$ 195,029	$ 877,221	$ 1,422,493	$ 225,879	14,664	$ 8,661,185

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, 2007

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	Totals
Revenues:							
Property Taxes	$ 1,058,086	$ 86,781	$ 832,762	$ 1,005,766	$ -	$ -	$ 2,983,395
Intergovernmental	145,571	-	-	-	172,496	-	318,067
Investment Earnings	84,489	-	-	29,150	1,370	-	115,009
Miscellaneous	344,620	-	-	2,583	-	472	347,675
Total Revenues	1,632,766	86,781	832,762	1,037,499	173,866	472	3,764,146
Expenditures:							
General Government	112,680	67,637	832,762	925,396	170,750	6,024	2,115,249
Public Works	930,682	-	-	-	-	-	930,682
Capital Outlay	16,907	-	-	-	-	-	16,907
Total Expenditures	1,060,269	67,637	832,762	925,396	170,750	6,024	3,062,838
Excess of Revenues over Expenditures	572,497	19,144	-	112,103	3,116	(5,552)	701,308
Other Financing Sources (Uses):							
Operating Transfers From (To) other Funds	-	-	-	(85,241)	-	-	(85,241)
Total Other Financing Sources (Uses)	-	-	-	(85,241)	-	-	(85,241)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	572,497	19,144	-	26,862	3,116	(5,552)	616,067
Fund Balance - Beginning	4,040,226	67,637	-	213,992	28,064	5,476	4,355,395
Fund Balance (Deficit) - Ending	$ 4,612,723	$ 86,781	$ -	$ 240,854	$ 31,180	$ (76)	$ 4,971,462

Hughes & Associates
Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

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, 2007, and have issued our report thereon dated December 6, 2007. 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.
December 6, 2007

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

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 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, 2007, which collectively comprise the City of Granite City, Illinois' basic financial statements and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over financial reporting in order to determine 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Granite City, Illinois' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Granite City, Illinois' financial statements that is more than inconsequential will not be prevented or detected by the City of Granite City, Illinois' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Granite City, Illinois' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 misstatements, 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 matters that we reported to management of the City of Granite City, Illinois, in a separate letter dated December 6, 2007.

This report is intended solely for the information and use of the City Council, the Mayor, the management and federal awarding agencies 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
December 6, 2007

Hughes & Associates
Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

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

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

Compliance

We have audited the compliance of the City of Granite City, Illinois, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2007. The City of Granite City, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to it major federal programs is the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on the City of Granite City, Illinois' compliance based on our audit.

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

In our opinion, the City of Granite City, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2007.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the City Council, the Mayor, management and federal awarding agencies 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
December 6, 2007

CITY OF GRANITE CITY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2007

Federal Grantor and Program Title	Federal CFDA Number	Agreement Number	Pass-Through Grantor Niumber	Federal Expenditures
Department of Homeland Security				
Assistance to Firefighters Grant (SAFER)	97.044	EMW-2006-FF-04605		$ 27,159
Assistance to Firefighters Grant	97.044	EMW-2005-FG-19813		432,000
Pass Through Program From Illinois Emergency Management Agency				
Disaster Grants - Public Assistance	97.036		1681-119-03926-00	55,560
Total Expenditures of Federal Awards				$ 514,719

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2007

NOTE 1. BASIS OF PRESENTATION

General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Granite City, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended April 30, 2007.

NOTE 2. INSURANCE

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

NOTE 3. SUBRECIPIENTS

The City did not pass through any federal funds to subrecipients during the year ended April 30, 2007.

1. SUMMARY OF AUDITOR'S RESULTS

   a. The auditor's report expresses an unqualified opinion on the financial statements of the City.

   b. No reportable conditions in internal control were disclosed by the audit of the financial statements of the City.

   c. No instances of noncompliance material to the financial statement of the City were disclosed during the audit.

   d. No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements of the City.

   e. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.

   f. The audit did not disclose any audit findings that are required to be reported under Section .510(a) of OMB Circular A-133.

   g. The City's major program is the Assistance to Firefighters Grant – CFDA #97.044.

   h. The threshold for distinguishing between Type A and Type B programs was $300,000.

   i. The City does not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

2. FINDINGS – FINANCIAL STATEMENTS AUDIT

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

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

   The City has no findings or questioned costs for federal award programs.