



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

CITY OF COLLINSVILLE, ILLINOIS

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

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CITY OF COLLINSVILLE, ILLINOIS

CITY OFFICIALS

December 31, 2003

MAYOR

Stan Schaeffer

CITY MANAGER

Henry Sinda

CITY CLERK

Louis Jackstadt

CITY TREASURER

Mary Ann White

CITY ATTORNEY

Paul Welch

CORPORATE COUNSEL

Steven Giacoletto

CITY COUNCIL

Rick Rehg

Joy Springer

Fred Dalton

James Pulley

CITY OF COLLINSVILLE, ILLINOIS

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CITY OF COLLINSVILLE, ILLINOIS

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CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
Collinsville, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Collinsville, Illinois as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City of Collinsville, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Collinsville, Illinois as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of December 31, 2003.

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2004 on our consideration of the City of Collinsville, Illinois' internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (pages 3 to 9), budgetary comparison information (pages 51 to 54) and schedules of funding progress and employer contributions (pages 55 to 56) 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 Collinsville's basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is also not a required part of the basic financial statements of the City of Collinsville. The combining nonmajor fund financial statements, other schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

C. J. Schlessel & Company L.L.C.
Certified Public Accountants

March 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Collinsville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2003. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Collinsville exceeded its liabilities at the close of the most recent fiscal year by \$36.9 million. Of this amount, \$6 million may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2.2 million, attributable to two large road improvement projects.
- At the close of the current fiscal year, the City of Collinsville's governmental funds reported combined ending fund balances of \$8,179,175. Approximately \$7.4 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 \$2,886,961 or 25% of total general fund expenditures.
- In the City's business-type activities, revenues exceeded expenses and net assets increased by \$335,686.

USING THIS ANNUAL REPORT

Due to various pronouncements issued by the Government Accounting Standards Board (GASB), the City has been required to implement various changes in their reporting format and accounting procedures for the fiscal year ending 2003. In December 1998, GASB released statement No. 33 "Accounting and Financial Reporting For Nonexchange Transactions" which revised the reporting recognition of property tax revenue. In June 1999, GASB released statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". GASB Statement No. 34 requires a new reporting format that provides a comprehensive one-line look at the entity as a whole in addition to requiring the capitalization and depreciation of the City's fixed assets. As a result of these changes, the City's new financial statement format is designed to emulate corporate presentation models whereby all City activities are consolidated into one total. By combining and consolidating current financial resources with capital assets, the focus of the Statement of Net Assets is designed to present total financial position at the end of the annual reporting period. The Statement of Revenues, Expenses and Changes in Net Assets focuses on both the gross costs and the net costs of City activities that are supported mainly by property taxes, state revenue and other revenues. This statement is designed to present the annual combined changes in net assets of the City.

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 Collinsville.

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 Collinsville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets (public works), sanitation, and community development. The business-type activities include water and sewer service.

The government-wide financial statements include not only the City of Collinsville itself, but also the Collinsville Memorial Public Library, a legally separate entity for which the City is financially accountable. Financial information for the library is presented separately as a component unit.

The government-wide financial statements can be found on pages 10 and 11 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 Collinsville maintains twelve individual governmental funds; four are considered to be major funds: the general fund, the liability insurance fund, the motor fuel tax fund and the TIF (tax increment financing) fund. Information on major funds is presented separately; data from the other eight funds is combined and included in "Other Governmental Funds". Governmental fund statements can be found on pages 12 to 15 of this report. Individual data for the "other governmental funds" is provided in the form of combining statements on pages 57 and 58 of this report.

Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses. For the City of Collinsville, the Water & Sewer Fund is a proprietary fund. The basic financial statements can be found on pages 16 to 18 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 Fire 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 19 and 20 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 December 31, 2003, the City of Collinsville's assets exceeded liabilities (net assets) by \$36.9 million.

By far the largest portion of the City of Collinsville's net assets (71 percent) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt that is still outstanding. The City of Collinsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Collinsville'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 Collinsville's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6 million) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Collinsville's Net Assets - 2003

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 8,778,575	\$ 3,844,179	\$ 12,622,754
Capital assets	8,999,884	22,247,890	31,247,774
Total assets	17,778,459	26,092,069	43,870,528
Long-term liabilities outstanding	2,309,758	2,072,429	4,382,187
Other liabilities	1,248,454	1,275,903	2,524,357
Total liabilities	3,558,212	3,348,332	6,906,544
Net assets:			
Invested in capital assets, net			
of related debt	6,569,884	19,668,130	26,238,014
Restricted	3,982,077	660,354	4,642,431
Unrestricted	3,668,286	2,415,253	6,083,539
Total net assets	\$ 14,220,247	\$ 22,743,737	\$ 36,963,984

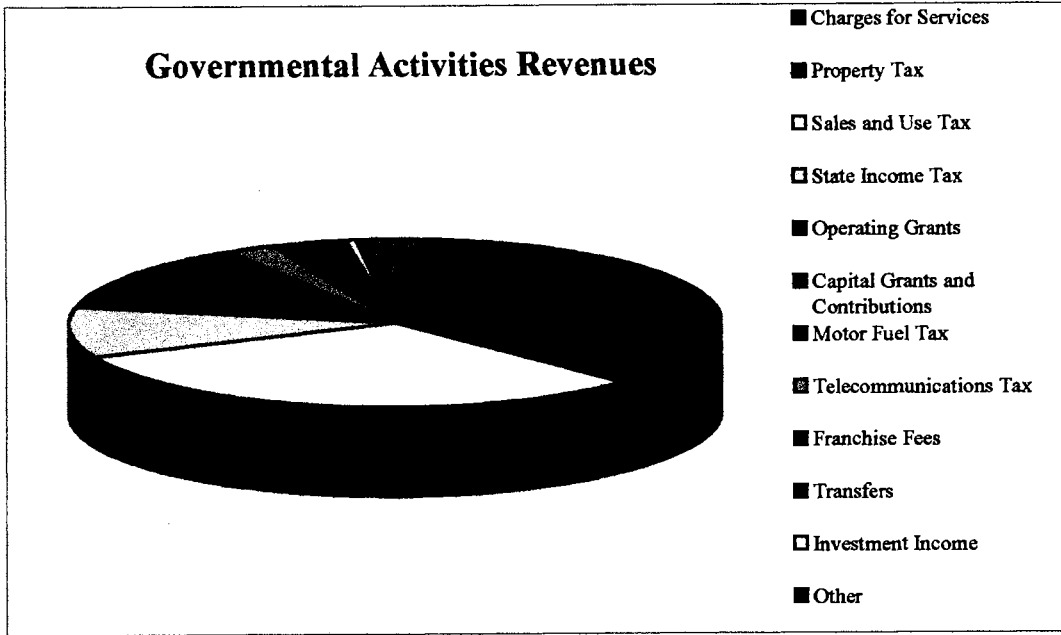
At the end of the current fiscal year, the City of Collinsville is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

Governmental activities increased the City of Collinsville's net assets by approximately \$1.9 million, thereby accounting for 85% of the total growth in the net assets of the City of Collinsville. Revenues and transfers in the governmental activities were 15.9 million with the largest amounts coming from sales and use taxes (4.9 million), charges for services (3.2 million) and property taxes (2.7 million). Total expenditures in the governmental activities were 14.0 million with the largest percentage being spent on public safety (6.6 million). Net assets also increased due to the capitalization of two major road improvement projects. The business-type activities had an increase of \$335,686. This represents revenues over expenditures in the water and sewer funds. Operating revenues increased by approximately \$136,000 to \$5,020,559 with operating expenses increasing by approximately \$357,000 to \$4,450,904. A breakdown of the governmental activities revenues in list and chart formats follows:

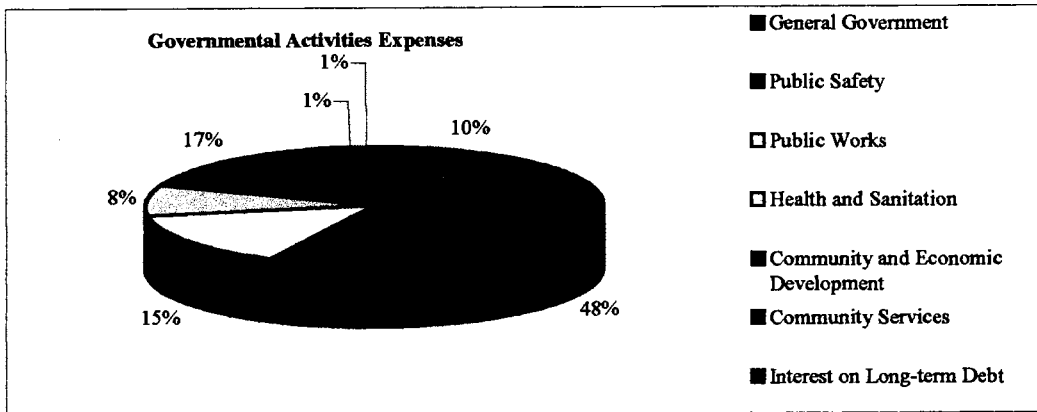
Charges for Services	\$ 3,267,115
Property Tax	2,738,566
Sales and Use Tax	4,905,114
State Income Tax	1,518,099
Operating Grants	539,005
Capital Grants and Contributions	785,159
Motor Fuel Tax	733,165
Telecommunications Tax	417,787
Franchise Fees	294,217
Transfers	258,181
Investment Income	108,758
Other	308,378
	<u>\$ 15,873,544</u>

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

General Government	\$ 1,397,254
Public Safety	6,664,343
Public Works	2,081,598
Health and Sanitation	1,169,464
Community and Economic Development	2,367,520
Community Services	187,560
Interest on Long-term Debt	<u>135,841</u>
	<u>\$ 14,003,580</u>



The City's property tax rates remained virtually unchanged from the previous year. The levy was increased by 5 percent, in line with the increase in Equalized Assessed Valuation. The City of Collinsville strives to fund its governmental activities with other revenue as much as possible.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As of the end of the current fiscal year, the City of Collinsville's governmental funds reported combined ending fund balances of \$8.18 million, a decrease of \$77,000 in comparison with the prior year. The City spent over \$2 million in the improvement of its streets during fiscal year 2003. These improvements were paid with monies from the TIF and motor fuel tax funds

The general fund is the chief operating fund of the City of Collinsville. For the year ended December 31, 2003, the City's general fund had an increase in fund balance of approximately \$352,000. At the end of the current fiscal year, unreserved fund balance in the general fund was \$2.9 million, representing 26 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (\$165,167 increase in appropriations) and can be briefly summarized as follows:

- \$66,000 increase in police department, funded by LLEB Grant and insurance reimbursements.
- \$63,500 increase in public works department, funded by insurance reimbursement.
- \$23,667 increase in fire department, funded by IL EMA Grant.
- \$12,000 increase in community development, funded by developer reimbursements.

Actual expenditures were \$669,906 below final budget amounts in the general fund.

CAPITAL ASSETS

The City of Collinsville's investment in capital assets for its governmental and business type activities as of December 31, 2003 amounts to \$26.2 million (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, roads, highways and bridges.

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

- Completion of a Streetscape design in a three-block area of the City's downtown, including new pavement, curbs and gutters, decorative lighting and sidewalks.
- Widening, straightening, and leveling of West Country Lane, a major arterial road, including new pavement, curbs and gutters.
- Installation of sewer lines on two newly-annexed streets.

LONG-TERM DEBT

At December 31, 2003, the City of Collinsville had total bonded debt outstanding of \$4,295,000. This represents less than 20 percent of the City's bonded debt limit. All of the bonds are secured by specified revenue sources and backed by the taxing powers of the City (i.e., alternate revenue bonds). During the year, the City refinanced some of its existing debt to take advantage of favorable interest rates. The refinancing is expected to decrease future debt service payments by \$82,000.

As of December 31, 2003, the outstanding balance on a loan from the Illinois EPA amounted to \$754,000. The original loan of \$946,000 was used for filter system improvements at the City's wastewater plant. Repayment is being funded with user fees.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Collinsville'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 Office of the Finance Director, 125 South Center, Collinsville, IL 62234.

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CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,988,315	\$ 1,062,605	\$ 7,050,920	\$ 270,975
Investments	725,217	525,217	1,250,434	-
Receivables (Net of allowance for uncollectibles):	1,979,174	923,295	2,902,469	3,154
Inventory	70,458	189,089	259,547	-
Prepaid Expenses	-	136,631	136,631	-
Restricted Assets:				
Cash and Cash Equivalents	-	977,751	977,751	-
Capital Assets (Net of accumulated depreciation)				
Land	319,708	377,205	696,913	-
Buildings and Improvements	3,849,378	6,388,530	10,237,908	1,009,607
Equipment	1,557,832	890,284	2,448,116	72,995
Vehicles	1,094,106	121,964	1,216,070	-
Infrastructure	2,178,860	14,469,907	16,648,767	-
Other Assets	15,411	29,591	45,002	-
Total Assets	17,778,459	26,092,069	43,870,528	1,356,731
<u>Liabilities</u>				
Accounts Payable	321,152	100,500	421,652	16,057
Accrued Wages	188,613	44,576	233,189	7,998
Accrued Interest Payable	7,172	-	7,172	-
Liabilities Payable from Restricted Assets	74,224	335,322	409,546	-
Noncurrent Liabilities:				
Due Within One Year	657,293	795,505	1,452,798	13,279
Due in More Than One Year	2,309,758	2,072,429	4,382,187	-
Total Liabilities	3,558,212	3,348,332	6,906,544	37,334
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	6,569,884	19,668,130	26,238,014	1,082,602
Restricted for:				
Debt Service	384,010	660,354	1,044,364	-
Economic Development	3,234,090	-	3,234,090	-
Other Purposes	363,977	-	363,977	-
Unrestricted	3,668,286	2,415,253	6,083,539	236,795
Total Net Assets	14,220,247	22,743,737	36,963,984	1,319,397

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

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,397,254	\$ 288,551	\$ -	\$ -	\$ (1,108,703)		\$ (1,108,703)	
Public Safety	6,664,343	846,691	284,338	-	(5,533,314)		(5,533,314)	
Public Works	2,081,598	174,713	1,200	785,159	(1,120,526)		(1,120,526)	
Health and Sanitation	1,169,464	920,504	-	-	(248,960)		(248,960)	
Community and Economic Development	2,367,520	1,032,919	225,000	-	(1,109,601)		(1,109,601)	
Community Services	187,560	3,737	28,467	-	(155,356)		(155,356)	
Interest on Long-term Debt	135,841	-	-	-	(135,841)		(135,841)	
Total Governmental Activities (see Note 1)	14,003,580	3,267,115	539,005	785,159	(9,412,301)		(9,412,301)	
Business-type Activities:								
Water and Sewer	4,582,139	5,020,559	-	154,209		\$ 592,629	592,629	
Total Business-type Activities	4,582,139	5,020,559	-	154,209		592,629	592,629	
Total Primary Government	\$ 18,585,719	\$ 8,287,674	\$ 539,005	\$ 939,368	(9,412,301)	592,629	(8,819,672)	
Component Unit:								
Library	\$ 689,644	\$ 32,812	\$ 84,244	\$ 32,006				\$ (540,582)
Total Component Unit	\$ 689,644	\$ 32,812	\$ 84,244	\$ 32,006				(540,582)
General Revenues:								
Property Tax, Levied for General Purposes					2,738,566	-	2,738,566	429,928
Sales and Use Tax					4,905,114	-	4,905,114	-
Replacement Tax					26,042	-	26,042	18,155
State Income Tax					1,518,099	-	1,518,099	-
Motor Fuel Tax					733,165	-	733,165	-
Telecommunications Tax					417,787	-	417,787	-
Franchise Fees					294,217	-	294,217	-
Other					83,632	-	83,632	-
Grants and Contributions not Restricted to Specific Programs					102,413	-	102,413	248,350
Unrestricted Investment Earnings					108,758	43,057	151,815	3,345
Miscellaneous					96,291	-	96,291	8,703
Transfers					258,181	(300,000)	(41,819)	41,819
Total General Revenues and Transfers					11,282,265	(256,943)	11,025,322	750,300
Change in Net Assets					1,869,964	335,686	2,205,650	209,718
Net Assets - Beginning					12,350,283	22,408,051	34,758,334	1,109,679
Net Assets - Ending					\$ 14,220,247	\$ 22,743,737	\$ 36,963,984	\$ 1,319,397

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

CITY OF COLLINSVILLE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General Fund	Liability Insurance Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents:						
Cash	\$ 249,084	\$ -	\$ -	\$ -	\$ 37,698	\$ 286,782
Seized Funds Escrow	74,217	-	-	-	-	74,217
Investments	1,516,067	-	1,317,865	2,358,727	434,657	5,627,316
Total Cash and Cash Equivalents	<u>1,839,368</u>	<u>-</u>	<u>1,317,865</u>	<u>2,358,727</u>	<u>472,355</u>	<u>5,988,315</u>
Investments	-	-	-	725,217	-	725,217
Receivables (Net, where applicable, of allowances for uncollectibles):						
Property Tax	752,120	415,910	-	-	242,978	1,411,008
Services	272,636	-	-	-	88,974	361,610
Intergovernmental	1,262,341	-	56,873	139,137	9,014	1,467,365
Accrued Interest	-	-	-	3,565	-	3,565
Other	146,634	-	-	-	-	146,634
Due From Other Funds	-	-	-	11,131	-	11,131
Inventory	70,458	-	-	-	-	70,458
Total Assets	<u>\$ 4,343,557</u>	<u>\$ 415,910</u>	<u>\$ 1,374,738</u>	<u>\$ 3,237,777</u>	<u>\$ 813,321</u>	<u>\$ 10,185,303</u>
<u>Liabilities and Fund Equity</u>						
Liabilities:						
Accounts Payable	\$ 113,009	\$ -	\$ 78,851	\$ 2,620	\$ 126,672	\$ 321,152
Accrued Wages and Compensated Absences	187,546	-	-	1,067	-	188,613
Due to Other Funds	11,131	-	-	-	-	11,131
Liabilities Payable from Restricted Assets:						
Seized Fund Escrow Liability	74,224	-	-	-	-	74,224
Deferred Revenue	752,120	415,910	-	-	242,978	1,411,008
Total Liabilities	<u>1,138,030</u>	<u>415,910</u>	<u>78,851</u>	<u>3,687</u>	<u>369,650</u>	<u>2,006,128</u>
Fund Equity:						
Fund Balance:						
Reserved For:						
Debt Service	-	-	-	-	391,182	391,182
Employees' Retirement Benefit	-	-	-	-	45,411	45,411
Inventory	70,458	-	-	-	-	70,458
Forfeited Funds	242,570	-	-	-	-	242,570
Other	5,538	-	-	-	-	5,538
Unreserved	2,886,961	-	1,295,887	3,234,090	-	7,416,938
Unreserved, Reported In:						
Special Revenue Funds	-	-	-	-	7,078	7,078
Total Fund Equity	<u>3,205,527</u>	<u>-</u>	<u>1,295,887</u>	<u>3,234,090</u>	<u>443,671</u>	<u>8,179,175</u>
Total Liabilities and Fund Equity	<u>\$ 4,343,557</u>	<u>\$ 415,910</u>	<u>\$ 1,374,738</u>	<u>\$ 3,237,777</u>	<u>\$ 813,321</u>	<u>\$ 10,185,303</u>

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

CITY OF COLLINSVILLE, ILLINOIS

**RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 8,179,175
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	8,999,884
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(537,051)
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(2,430,000)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(7,172)
Debt issuance costs are not reported as an asset to be amortized on the balance sheet of the governmental funds.	15,411
Net assets of governmental activities	<u>\$ 14,220,247</u>

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

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Liability Insurance Fund	Motor Fuel Tax Fund	Tax Increment Financing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Tax	\$ 852,836	\$ 398,411	\$ -	\$ 1,252,290	\$ 235,029	\$ 2,738,566
Intergovernmental:						
Sales and Use Tax	4,389,143	-	-	993,097	-	5,382,240
Replacement Tax	17,028	-	-	-	9,014	26,042
State Income Tax	1,518,099	-	-	-	-	1,518,099
Motor Fuel Tax	-	-	733,165	-	-	733,165
Telecommunications Tax	417,787	-	-	-	-	417,787
Grants	314,005	-	-	-	225,000	539,005
Other	83,632	-	-	-	-	83,632
Other Local Taxes	24,630	-	-	-	1,020,419	1,045,049
Drug Forfeiture Revenue	136,954	-	-	-	-	136,954
Licenses, Fees and Permits	551,871	-	-	-	-	551,871
Charges for Services	1,395,456	-	-	-	-	1,395,456
Fines	155,463	-	-	-	-	155,463
Investment Earnings	23,301	1,281	16,573	59,343	8,260	108,758
Gifts and Donations	18,133	-	-	-	84,280	102,413
Miscellaneous Revenues and Reimbursements	372,830	-	785,159	-	-	1,157,989
Total Revenues	10,271,168	399,692	1,534,897	2,304,730	1,582,002	16,092,489
Expenditures:						
Current:						
General Government	1,814,123	-	-	-	832	1,814,955
Public Safety	6,062,307	-	-	57,050	-	6,119,357
Public Works	1,523,742	-	338,808	2,195	-	1,864,745
Health and Sanitation	1,169,464	-	-	-	-	1,169,464
Community and Economic Development	134,405	-	-	898,813	1,329,648	2,362,866
Community Services	91,448	-	-	85,137	-	176,585
Debt Service:						
Principal	-	-	-	230,000	55,000	285,000
Interest	-	-	-	95,711	36,403	132,114
Capital Outlay	309,025	-	1,107,081	1,163,450	-	2,579,556
Total Expenditures	11,104,514	-	1,445,889	2,532,356	1,421,883	16,504,642
Excess (Deficiency) of Revenues Over Expenditures	(833,346)	399,692	89,008	(227,626)	160,119	(412,153)
Other Financing Sources (Uses):						
Operating Transfers In	1,108,289	-	-	-	-	1,108,289
Operating Transfers Out	-	(408,411)	(130,000)	(65,000)	(246,697)	(850,108)
Proceeds Of Lease	50,000	-	-	-	-	50,000
Proceeds Of Refunding Bonds	-	-	-	-	715,000	715,000
Debt Issuance Costs	-	-	-	-	(16,495)	(16,495)
Payment To Refunded Bond Escrow Agent	-	-	-	-	(698,505)	(698,505)
Total Other Financing Sources	1,158,289	(408,411)	(130,000)	(65,000)	(246,697)	308,181
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	324,943	(8,719)	(40,992)	(292,626)	(86,578)	(103,972)
Fund Balance, Beginning of Year	2,853,699	8,719	1,336,879	3,526,716	530,249	8,256,262
Increase in Reserve for Inventory	26,885	-	-	-	-	26,885
Fund Balance, End of Year	\$ 3,205,527	\$ -	\$ 1,295,887	\$ 3,234,090	\$ 443,671	\$ 8,179,175

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

CITY OF COLLINSVILLE, ILLINOIS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Net change in fund balances - total governmental funds \$ (103,972)

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

1,736,900

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

(21,122)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.

231,273

The governmental funds report the changes in inventory as a direct change to fund balances. The statement of activities reports the change in inventory as a change to the supplies expense account where the purchases were recorded. This amount is the change in inventory balances between the beginning and end of the year.

26,885

Change in net assets of governmental activities

\$ 1,869,964

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

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF NET ASSETS
 PROPRIETARY FUND - WATER AND SEWER FUND
 DECEMBER 31, 2003

Assets:

Current Assets:

Cash and Cash Equivalents:

Cash	\$ 39,139
Investments	1,023,466
Total Cash and Cash Equivalents	<u>1,062,605</u>

Investments	525,217
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Receivables (Net, where applicable, of allowances for uncollectibles):

Services	919,840
Accrued Interest	3,455

Inventory	189,089
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Prepaid Expenses	136,631
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Total Current Assets	<u>2,836,837</u>
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Noncurrent Assets:

Restricted Assets:

Cash and Cash Equivalents - Investments:

Customer Deposits	317,397
Bond Account	104,756
Bond Reserve Account	303,053
Depreciation Account	151,527

Improvement, Extension, Replacement and Bond Redemption Account	101,018
Total Restricted Assets	<u>977,751</u>

Capital Assets:

Land	377,205
Buildings and Improvements	11,830,764
Equipment	2,007,312
Vehicles	844,438
Water and Sewer Lines	28,901,539
Construction in Progress	114,638
Total	<u>44,075,896</u>

Less - Accumulated Depreciation	<u>(21,828,006)</u>
Net Capital Assets	<u>22,247,890</u>

Other Assets:

Bond Issuance Costs	29,591
Total Other Assets	<u>29,591</u>

Total Noncurrent Assets	<u>23,255,232</u>
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Total Assets	<u>\$ 26,092,069</u>
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Liabilities:

Current Liabilities:

Accounts Payable	\$ 100,500
Accrued Wages	44,576
Lease/Loan Payable	90,887
Total Current Liabilities	<u>235,963</u>

Current Liabilities Payable from Restricted Assets:

Customer Deposits	317,397
Current Portion of Bonds	600,000
Accrued Interest Payable	17,925
Total Current Liabilities Payable from Restricted Assets	<u>935,322</u>

Noncurrent Liabilities:

Accrued Compensated Absences	288,174
Lease/Loan Payable	687,026
General Obligation Bonds - 1998 Series	570,000
General Obligation Bonds - 2003A Series	1,345,000
Current Portion Of Debt	(690,887)
Deferred Refunding Expense	(22,266)
Total Noncurrent Liabilities	<u>2,177,047</u>

Total Liabilities	<u>3,348,332</u>
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Net Assets:

Invested in Capital Assets, Net of Related Debt	19,668,130
Restricted for Debt Service	660,354
Unrestricted	2,415,253
Total Net Assets	<u>\$ 22,743,737</u>

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

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Revenues:	
Charges for Services	\$ 4,589,919
Fees	381,673
Miscellaneous Revenue	48,967
Total Operating Revenues	<u>5,020,559</u>
Operating Expenses:	
Salaries	1,428,356
Employee Benefits	435,006
Maintenance	108,120
Contractual Services	788,448
Commodities	537,533
Miscellaneous	15,079
Bad Debt Expense	65,557
Depreciation	1,072,805
Total Operating Expenses	<u>4,450,904</u>
Operating Income	<u>569,655</u>
Nonoperating Revenues (Expenses):	
Amortization of Bond Discount and Bond Issuance Costs	(8,378)
Investment Earnings	43,057
Interest and Fiscal Charges	(122,857)
Total Nonoperating Revenues (Expenses)	<u>(88,178)</u>
Income Before Contributions and Transfers	481,477
Transfers Out	(300,000)
Capital Contributions	<u>154,209</u>
Change in Net Assets	335,686
Net Assets - Beginning of Year	<u>22,408,051</u>
Net Assets - End of Year	<u><u>\$ 22,743,737</u></u>

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

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CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 4,986,965
Payments to Suppliers	(1,951,955)
Payments to Employees	(1,404,085)
Net Cash Provided by Operating Activities	<u>1,630,925</u>
Cash Flows from Noncapital Financing Activities:	
Payments to Other Funds	(300,000)
Net Cash (Used) by Noncapital Financing Activities	<u>(300,000)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Expenditures	(624,715)
Principal Payments on Bonds	(555,000)
Interest Payments and Fiscal Charges	(122,840)
Principal Payments on Lease/Loan	(88,627)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,391,182)</u>
Cash Flows from Investing Activities:	
Interest Received	42,816
Proceeds from Bond Refunding	6,260
Sale of Long-Term Investments	231,671
Net Cash Provided by Investing Activities	<u>280,747</u>
Net Increase in Cash and Cash Equivalents	220,490
Cash and Cash Equivalents, Beginning of Year	<u>1,819,866</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,040,356</u></u>
Reconciliation of Operating Income to Net Cash Provided	
by Operating Activities:	
Operating Income	\$ 569,655
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,072,805
(Increase) Decrease in Assets:	
Services Receivables	(48,824)
Inventory	31,747
Prepaid Expenses	(7,030)
Increase (Decrease) in Liabilities:	
Accrued Wages and Compensated Absences	24,271
Accounts Payable	(26,929)
Restricted Customer Deposits	15,230
Net Cash Provided by Operating Activities	<u><u>\$ 1,630,925</u></u>

Noncash capital and investing activities:

The City issued 2003A Bonds of \$1,345,000 to refund outstanding 1993A Bonds of \$1,325,000 resulting in a net cash receipt, after paying issuance costs, of \$6,260.

The Enterprise Fund received capital contributions of \$154,209 from other funds.

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

CITY OF COLLINSVILLE, ILLINOIS

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
DECEMBER 31, 2003**

Assets:

Cash and Cash Equivalents:

Cash \$ 370,393

Investments 211,019

Investments 24,816,657

Receivables:

Property Tax 577,568

Replacement Tax 21,318

Accrued Interest 146,012

Total Assets 26,142,967

Liabilities:

Accounts Payable 15,000

Total Liabilities 15,000

Net Assets:

Held in Trust For Pension
Benefits and Other Purposes \$ 26,127,967

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

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Additions:	
Taxes	\$ 729,966
Employee Contributions	306,023
Investment Earnings:	
Investment Earnings	2,686,649
Less: Investment Expense	<u>(75,321)</u>
Net Investment Earnings	<u>2,611,328</u>
Total Additions	<u>3,647,317</u>
Deductions:	
Benefit Payments	1,188,424
Refund of Contributions	14,017
Contractual Services	19,209
Total Deductions	<u>1,221,650</u>
Change in Net Assets	2,425,667
Net Assets - Beginning of Year	<u>23,702,300</u>
Net Assets - End of Year	<u>\$ 26,127,967</u>

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

CITY OF COLLINSVILLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Collinsville, Illinois was incorporated November 30, 1872. The City operates under a City Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and safety, public welfare, water and sewerage and general administrative services. The City Manager and council members exercise oversight responsibility for all of these governmental services.

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

(a) The financial reporting entity

The City is a political subdivision of the State of Illinois. An elected board of four council members and a mayor governs the City. The council members are elected at large. These financial statements present all the fund types and account groups of the City (the primary government) and its component units. Component units are legally separate entities for which the City is financially accountable. Component units, although legally separate entities, are part of the City's operations.

Collinsville Public Library

The Collinsville Public Library (the Library) is governed by a board appointed by the Mayor with the advice and consent of the City Council. The Library provides services to residents within the geographic boundaries of the City. Budgetary and tax levy functions are also combined with the City.

As required by GAAP, these financial statements present the City and its component unit. The component unit (the Library) is included in the City's reporting entity because of the significance of its operational or

financial relationship with the City. The Library is presented as a discretely presented component unit in a separate column in the financial statements of the City. The Library is reported in this manner to indicate that it is legally separate from the City. The City maintains the financial reporting statements for the Library.

Related organization

The City's Mayor and Council are also responsible for appointing and approving the members of the Collinsville Metropolitan Exposition Auditorium and Office Building Authority. However, the City's accountability for the Authority does not extend beyond making the appointments. The Authority's operations, capital and debt service expenditures are financed entirely from the Authority's operations. The City has no involvement in the determination of the Authority's budget and rental rates and no obligations for the Authority's outstanding debts.

(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 primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

(c) Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized, when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The liability insurance fund accounts for the collection of property taxes to be transferred to other funds to pay insurance expenses of the City.

The motor fuel tax fund accounts for the taxes 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 connected to the tax increment financing areas.

The government reports the following major proprietary fund:

The water and sewer funds account for all activities related to the billing, administration, distribution and collection processes of the water and sewer utilities. The City operates the water distribution system as well as the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The pension trust fund accounts for the activities of the police and fire pension funds, which accumulates resources for pension benefit payments to qualified public safety employees.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2)

operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

(d) Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. All short-term cash surpluses are maintained in a cash and investment pool and interest allocated to each fund based on month-end balances and investment policies.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds, the Illinois Metropolitan Investment Fund 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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The allowance for uncollectibles, which has been deducted from the related receivable on the statement of net assets, consists of the following amounts.

General Fund	Garbage Receivables	\$ 17,256
General Fund	Ambulance Receivables	163,121
Proprietary Fund	Water and Sewer Receivables	<u>113,491</u>
Total		<u>\$ 293,868</u>

Unbilled water and sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to December 31 and prorating the applicable number of days to the current fiscal year.

Unbilled garbage receivables related to the governmental activities are recorded and reported in the same manner as the water and sewer billings.

The City levied its property taxes on December 9, 2002 based upon the assessed valuation as of the previous January 1. Property taxes are due in two installments in the following year, usually in June and August, and are considered delinquent after the due dates. Property taxes for 2002 become an enforceable lien in January 2003. Because this tax levy will be used to pay expenses budgeted in 2004, no part of this tax levy is shown as a receivable as of December 31, 2003 in the statement of activities.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory in the governmental fund consists of expendable street department supplies held for consumption. Inventory in the business-type fund consists of waterworks and sewerage supplies.

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.

Restricted assets

City ordinances require that all revenues derived from the operation of the Waterworks and Sewerage System be deposited into the Waterworks and Sewerage Fund.

Monies deposited into this fund are allocated to specific accounts as determined by covenants contained within City Ordinance No. 2877. The process used to allocate funds of the Waterworks and Sewerage Fund is in order of the account listed below at the amounts specified. The following is a description of each account by the ordinance:

Waterworks and Sewerage Operation and Maintenance Account – This account is used to accumulate an amount sufficient to pay the next succeeding month's operating, maintenance and repair expenses. The required amount in this account is to be one-twelfth of all such expenses computed on an annual basis.

Waterworks and Sewerage Bond Account – This account provides an amount sufficient to retire bond principal and interest as they become due and payable. On a monthly basis, this account is credited with an amount equal to one-sixth of the next interest payment due (interest is paid semi-annually) and one-twelfth of the next principal payment due (principal is paid on annual basis).

Waterworks and Sewerage Depreciation Account – Funds accumulated in this account can be used for payment of the cost of necessary repairs and replacements, the payment for which no other funds are available, in order that the system may at all times be able to render efficient services. Funds are accumulated at the rate of \$1,250 a month until a maximum of \$150,000 is achieved.

Waterworks and Sewerage Improvement, Extension, Replacement and Bond Redemption Account – All monies remaining in the Waterworks and Sewerage Fund, after crediting the required amounts to the respective accounts as described above, and after making up any deficiency in the above accounts from previous month(s) is accumulated in this account. The first \$100,000 accumulated in this account can be used to (1) pay interest and principal of any subordinate debt issued to acquire or construct improvements and extensions to the Waterworks and Sewerage System or (2) to improve, extend or replace components of the Waterworks and Sewerage System. Funds in excess of \$100,000 can be used for (1) and (2) above, or for calling and redeeming, prior to their maturity, any bond authorized and issued under this ordinance.

At December 31, 2003, the various restricted accounts contained the following amounts:

Waterworks and Sewerage Customer Deposits	\$ 317,397
Waterworks and Sewerage Bond Accounts	407,809
Waterworks and Sewerage Depreciation Account	151,527
Waterworks and Sewerage Improvement, Extension, Replacement and Bond Redemption Account	<u>101,018</u>
	<u>\$ 977,751</u>

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental 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. The City did not record any capitalized interest in the current year, due to any calculated amounts being immaterial.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7 - 40
Public domain infrastructure	20 - 40
System infrastructure	20 - 50
Vehicles	5 - 10
Office and other equipment	5 - 15

Compensated absences

Accumulated unpaid vacation and sick pay amounts are accrued when incurred. The City's policy permits employees to earn one to four weeks of vacation per year, based on length of service. In addition, employees earn sick leave at the rate of eighteen days per year. The maximum accumulation for any employee is one year vacation earned and ninety days of sick leave. Accumulated unused sick leave is paid to an employee upon retirement.

At December 31, 2003, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$332,735 and \$204,316, respectively. Amounts reflected in the financial statements at December 31, 2003 for Enterprise Fund employees related to unused vacation and sick leave benefits totaled \$104,618 and \$183,556, 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 following details the description and amount of all reserves recorded by the City in the fund financial statements:

Governmental Funds

Reserved for Inventory	\$ 70,458
Reserved for Future Projects	5,538
Reserved for Forfeited Funds	242,570
Reserved for Employees' Retirement Benefits	45,411
Reserved for Debt Service	<u>391,182</u>
	<u>\$ 536,846</u>

Proprietary Funds

Reserved for Depreciation	\$ 151,527
Reserved for Future Bond Debt Service	407,809
Reserved for Renewal and Replacement	<u>101,018</u>
	<u>\$ 660,354</u>

Fiduciary Funds

Reserved for Employees' Pension Benefits	<u>\$ 26,132,967</u>
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Estimates

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

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-side statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

Elements that comprise the reconciling differences include bonds and leases payable as well as the related accrued interest and unamortized premiums/discounts and refunding costs. In addition, accrued absences for sick leave and accrued vacation are reported on the schedule. Capital assets, net of accumulated depreciation, are also reported on the schedule as a reconciling item. These different categories of assets and liabilities are considered as not current and therefore are not reported in the governmental funds.

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation states, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,736,900 difference are as follows:

Capital outlay	\$ 2,579,556
Depreciation expense	<u>(842,656)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,736,900</u>

Another element of that reconciliation states, “The governmental funds report the changes in inventory as a direct change to fund balances.” This results in a reconciling amount of \$26,885.

A third element of that reconciliation states, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities". The details of this \$231,273 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ 50,000
Issuance of general obligation bonds	715,000
Principal repayments:	
General obligation debt	(285,000)
Change in accrued interest	4,138
Capitalize issuance and refunding costs	(16,495)
Amortization of issuance costs and deferred charges	(411)
Payment to escrow agent for refunding	<u>(698,505)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(231,273)</u>

A final element of that reconciliation states, "The amount of change in compensated absences is not recorded as expense in the fund financial statements." This results in a reconciling amount of \$21,122.

NOTE 3: BUDGETARY AND LEGAL COMPLIANCE

(a) Appropriated and Budgetary Data

The City followed these procedures in establishing the appropriated and budgetary data reported in the financial statements for the year ended December 31, 2003:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them for the governmental and business-type funds.
2. A public hearing is conducted in regards to the appropriation ordinance to obtain taxpayer comments.

3. Prior to March 31, the appropriation is legally enacted through passage of an ordinance.
4. Operating budgets, which are used as a management control device, are adopted by the City Council in the form of a resolution for the governmental, enterprise and fiduciary funds.
5. Amendments to the appropriation ordinance that affect transfers of amounts between line items within a department must be approved by the City Council.
6. Supplements to the appropriation ordinance, which alter the total expenditures of a fund, must also be approved by the City Council.
7. Formal budgetary integration is employed as a management control device during the year for the governmental, enterprise and fiduciary funds.
8. The City prepares its annual budget on a cash basis (budget basis), which differs from accounting principles generally accepted in the United States of America (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the required supplementary information for the major governmental funds to provide a meaningful comparison of actual results with the budget. The difference between budget and GAAP basis is that the budget is prepared on the cash basis of accounting.

Budgeted amounts are as originally adopted, unless amended by the City Council. If amended, the amounts presented in the required supplementary information represent original and final authorized amounts. Comparisons of actual to budgeted amounts are performed using the operating budget amounts for all funds. Budgeted amounts are always less than the appropriation amounts. Unexpended appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as of the balance sheet date in order to reserve that portion of the applicable appropriations, is not employed as of December 31, 2003.

(b) Excess Expenditures/Expenses Over Appropriations

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

NOTE 4: CASH AND INVESTMENTS

(a) Deposits and Investments – Primary Government and Fiduciary Funds

At December 31, 2003, the carrying amount of the City's deposits was \$8,423,916 and the bank balance was \$8,680,495. Following is a summary of deposits:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Checking	\$ 118,167	\$ 64,494	\$ --	\$ 182,661	\$ 139,973
Checking-Interest	480,158	139,139	--	619,297	405,406
Savings	--	316,383	--	316,383	316,383
Money Market	303,730	--	--	303,730	303,730
Certificates of Deposits	<u>6,507,990</u>	<u>750,434</u>	<u>--</u>	<u>7,258,424</u>	<u>7,258,424</u>
Total Deposits	<u>\$ 7,410,045</u>	<u>\$ 1,270,450</u>	<u>\$ --</u>	<u>\$ 8,680,495</u>	<u>\$ 8,423,916</u>

It is the City's policy for deposits to be 102% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at December 31, 2003. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 – Uncollateralized.

At December 31, 2003, the carrying amount and market value of the City's investments was \$26,252,778. Following is a summary of investments:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Fair Value</u>
Federal Government Obligations	\$ 10,282,489	\$ --	\$ --	\$ 10,282,489
Federal Money Funds	46,472	--	--	46,472
Repurchase Agreements	<u>2,635,622</u>	<u>--</u>	<u>--</u>	<u>2,635,622</u>
	<u>\$ 12,964,583</u>	<u>\$ --</u>	<u>\$ --</u>	12,964,583
Illinois Metropolitan Investment Fund				1,592,949
The Illinois Funds Common Stock				3,472,798
Mutual Funds				3,992,715
Annuities				<u>3,817,728</u>
				<u>412,005</u>
			Total Investments	26,252,778
			Total Deposits	8,423,916
			Cash on Hand	480
				<u>\$ 34,677,174</u>

Category 1 – Insured or registered, with securities held by the entity or its agent in the entity’s name. Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the entity’s name. Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity’s name.

As Reported in these Financial Statements:

Statement of Net Assets:

Cash and Cash Equivalents	\$ 7,050,920
Investments	1,250,434
Restricted Assets -	
Cash and Cash Equivalents	977,751

Statement of Fiduciary Net Assets:

Cash and Cash Equivalents:	
Cash	370,393
Investments	211,019
Investments	<u>24,816,657</u>
	<u>\$ 34,677,174</u>

(b) Deposits and Investments – Component Unit

At December 31, 2003, the carrying amount of the deposits of the City Library, the City’ component unit, was \$229,860 and the bank balance was \$230,492. Following is a summary of deposits:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Checking	\$ 54,240	\$ --	\$ --	\$ 54,240	\$ 53,608
Money Market	59,493	--	--	59,493	59,493
Prime Accounts	<u>100,000</u>	<u>16,759</u>	<u>--</u>	<u>116,759</u>	<u>116,759</u>
Total Deposits	<u>\$ 213,733</u>	<u>\$ 16,759</u>	<u>\$ --</u>	<u>\$ 230,492</u>	229,860
				Petty Cash	50
				Illinois Funds	<u>41,065</u>
				Per Statement of Net Assets	<u>\$ 270,975</u>

See Note 1(e) for additional information related to the City’s cash and investments.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 248,834	\$ 70,874	\$ --	\$ 319,708
Capital assets, being depreciated:				
Buildings and improvements	5,185,564	9,032	--	5,194,596
Equipment	3,648,862	248,332	--	3,897,194
Vehicles	2,578,505	61,831	--	2,640,336
Infrastructure	<u>--</u>	<u>2,189,487</u>	<u>--</u>	<u>2,189,487</u>
Total capital assets being depreciated	<u>11,412,931</u>	<u>2,508,682</u>	<u>--</u>	<u>13,921,613</u>
Less accumulated depreciation for:				
Buildings and improvements	1,183,153	162,065	--	1,345,218
Equipment	1,946,144	393,218	--	2,339,362
Vehicles	1,269,484	276,746	--	1,546,230
Infrastructure	<u>--</u>	<u>10,627</u>	<u>--</u>	<u>10,627</u>
Total accumulated depreciation	<u>4,398,781</u>	<u>842,656</u>	<u>--</u>	<u>5,241,437</u>
Total capital assets, being depreciated, net	<u>7,014,150</u>	<u>1,666,026</u>	<u>--</u>	<u>8,680,176</u>
Governmental activities capital assets, net	<u>\$ 7,262,984</u>	<u>\$ 1,736,900</u>	<u>\$ --</u>	<u>\$ 8,999,884</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 377,205	\$ --	\$ --	\$ 377,205
Construction in progress	<u>1,127,898</u>	<u>--</u>	<u>1,013,260</u>	<u>114,638</u>
Total capital assets, not being depreciated	<u>1,505,103</u>	<u>--</u>	<u>1,013,260</u>	<u>491,843</u>
Capital assets, being depreciated:				
Buildings and improvements	11,625,083	205,681	--	11,830,764
Water and sewer lines	27,416,451	1,485,088	--	28,901,539
Equipment	1,928,382	78,930	--	2,007,312
Vehicles	<u>821,953</u>	<u>22,485</u>	<u>--</u>	<u>844,438</u>
Total capital assets, being depreciated	<u>41,791,869</u>	<u>1,792,184</u>	<u>--</u>	<u>43,584,053</u>
Less accumulated depreciation for:				
Buildings and improvements	5,166,998	275,237	--	5,442,235
Water and sewer lines	13,930,420	615,849	--	14,546,269
Equipment	1,011,881	105,147	--	1,117,028
Vehicles	<u>645,902</u>	<u>76,572</u>	<u>--</u>	<u>722,474</u>
Total accumulated depreciation	<u>20,755,201</u>	<u>1,072,805</u>	<u>--</u>	<u>21,828,006</u>
Total capital assets, being depreciated, net	<u>21,036,668</u>	<u>719,379</u>	<u>1,013,260</u>	<u>21,756,047</u>
Business-type activities capital assets, net	<u>\$ 22,541,771</u>	<u>\$ 719,379</u>	<u>\$ 1,013,260</u>	<u>\$ 22,247,890</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 54,566
Public safety	529,724
Highways and streets, including depreciation of general infrastructure assets	244,552
Community and economic development	2,839
Community services	<u>10,975</u>
Total depreciation expense – governmental activities	<u>\$ 842,656</u>
Business-type activities:	
Water and sewer	<u>\$ 1,072,805</u>

Construction commitments

The government has active construction projects as of December 31, 2003. The projects include water and sewer lines and construction of an alum feed line. At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>To Complete</u>
Gaylord/Linda Streets water and sewer lines	\$ 20,830	N/A
Alum feed line	<u>93,808</u>	<u>99,542</u>
Total	<u>\$ 114,638</u>	

Discretely presented component units

Activity for the City Library for the year ended December 31, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,621,317	\$ 197,818	\$ --	\$ 1,819,135
Equipment	<u>253,275</u>	<u>20,319</u>	<u>--</u>	<u>273,594</u>
Total, capital assets being depreciated	<u>1,874,592</u>	<u>218,137</u>	<u>--</u>	<u>2,092,729</u>
Less accumulated depreciation for:				
Buildings and improvements	760,938	48,590	--	809,528
Equipment	<u>178,503</u>	<u>22,096</u>	<u>--</u>	<u>200,599</u>
Total accumulated depreciation	<u>939,441</u>	<u>70,686</u>	<u>--</u>	<u>1,010,127</u>
Total capital assets, being depreciated, net	<u>935,151</u>	<u>147,451</u>	<u>--</u>	<u>1,082,602</u>
Component unit capital assets, net	<u>\$ 935,151</u>	<u>\$ 147,451</u>	<u>\$ --</u>	<u>\$ 1,082,602</u>

NOTE 6: RECEIVABLES

Receivables as of year-end for the City as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Other Major Funds</u>	<u>Water and Sewer</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ --	\$ 3,565	\$ 3,455	\$ --	\$ 7,020
Fines/Franchise Fees	146,634	--	--	--	146,634
Accounts	453,013	--	1,033,331	88,974	1,575,318
Intergovernmental	<u>1,262,341</u>	<u>196,010</u>	<u>--</u>	<u>9,014</u>	<u>1,467,365</u>
Gross Receivables	1,861,988	199,575	1,036,786	97,988	3,196,337
Less: Allowance for Uncollectibles	<u>180,377</u>	<u>--</u>	<u>113,491</u>	<u>--</u>	<u>293,868</u>
Net Total Receivables	<u>\$ 1,681,611</u>	<u>\$ 199,575</u>	<u>\$ 923,295</u>	<u>\$ 97,988</u>	<u>\$ 2,902,469</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ 1,411,008	\$ --

NOTE 7: LONG-TERM DEBT

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The City has the following outstanding bond issues:

\$715,000 General Obligation Refunding Bonds (Tax Increment Alternate Revenue Source), Series 2003B dated September 3, 2003, due in annual installments of \$65,000 to \$85,000 through December 1, 2013; interest at 2.00% to 4.00%. The amount of bonds outstanding as of December 31, 2003 is \$715,000.

\$2,900,000 General Obligation Tax Increment Bonds, Series 1997 dated May 15, 1997, due in annual installments of \$240,000 to \$315,000 through December 30, 2009; interest at 4.90% to 5.15%. Bonds aggregating \$900,000 and due December 30, 2007 or thereafter, are subject to redemption prior to their maturity, at the option of the City, in whole or in part in integral multiples of \$5,000 from any funds available on December 1, 2006, and on any business day thereafter, at the redemption date. The amount of bonds outstanding as of December 31, 2003 is \$1,665,000.

\$1,345,000 General Obligation Refunding Bonds (Current Refunding Water and Sewer Portion), Series 2003A, dated September 3, 2003, due in annual installments of \$320,000 to \$350,000 through December 1, 2007; interest at 2.00% to 2.35%. The amount of bonds outstanding as of December 31, 2003 is \$1,345,000.

\$990,000 General Obligation Alternative Revenue Refunding Bonds, Series 1998, dated August 1, 1998, due in annual installments of \$280,000 to \$290,000 through September 1, 2005; interest at 4.50%. The amount of bonds outstanding as of December 31, 2003 is \$570,000.

The annual requirements to retire general obligation debt as of December 31, 2002 are as follows:

Fiscal Year Ended December 31	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 300,000	\$ 110,694	\$ 600,000	\$ 60,806
2005	315,000	92,355	620,000	34,775
2006	335,000	78,533	345,000	15,125
2007	355,000	63,733	350,000	8,225
2008	365,000	47,695	--	--
2009-2013	<u>710,000</u>	<u>62,462</u>	<u>--</u>	<u>--</u>
	<u>\$ 2,380,000</u>	<u>\$ 455,472</u>	<u>\$ 1,915,000</u>	<u>\$ 118,931</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

The City has entered into a loan agreement with the Illinois Environmental Protection Agency for filter system improvements. The loan consists of drawdowns of \$927,678 and accrued interest of \$18,668 for a total loan of \$946,346. The loan is to be repaid in 20 semi-annual installments of \$53,866 including interest at 2.535 percent. The accrued interest on the loan has been capitalized and included in the cost of the project for construction purposes.

The annual requirements to retire the loan are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 90,888	\$ 16,844	\$ 107,732
2005	93,207	14,525	107,732
2006	95,584	12,148	107,732
2007	98,023	9,709	107,732
2008	100,523	7,209	107,732
2009 – 2010	<u>208,801</u>	<u>6,663</u>	<u>215,464</u>
	<u>\$ 687,026</u>	<u>\$ 67,098</u>	<u>\$ 754,124</u>

The City also has entered into a lease-purchase agreement to purchase a 2004 Pelican street sweeper. The lease-purchase is to be repaid in two annual installments of \$26,358 including interest at 3.60 percent. The annual requirements to retire the loan are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 24,558	\$ 1,800	\$ 26,358
2005	<u>25,442</u>	<u>916</u>	<u>26,358</u>
	<u>\$ 50,000</u>	<u>\$ 2,716</u>	<u>\$ 52,716</u>

The following is a summary of changes in long-term liabilities for the year ended December 31, 2003.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Government Activities:</u>					
<u>Bond and notes payable</u>					
General obligation debt	\$ 2,650,000	\$ 715,000	\$ (985,000)	\$ 2,380,000	\$ 300,000
Equipment lease	<u>--</u>	<u>50,000</u>	<u>--</u>	<u>50,000</u>	<u>24,558</u>
	2,650,000	765,000	(985,000)	2,430,000	324,558
Less: deferred amount on refunding	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total bonds and leases payable	2,650,000	765,000	(985,000)	2,430,000	324,558
<u>Other liabilities</u>					
Compensated absences	<u>515,929</u>	<u>21,122</u>	<u>--</u>	<u>537,051</u>	<u>332,735</u>
<u>Governmental activities</u>					
long-term liabilities	<u>\$ 3,187,051</u>	<u>\$ 786,122</u>	<u>\$ (985,000)</u>	<u>\$ 2,967,051</u>	<u>\$ 657,293</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Bond and notes payable					
General obligation debt	\$ 2,450,000	\$1,345,000	\$(1,880,000)	\$1,915,000	\$ 600,000
IEPA Loan	<u>775,653</u>	<u>--</u>	<u>(88,627)</u>	<u>687,026</u>	<u>90,887</u>
	3,225,653	1,345,000	(1,968,627)	2,602,026	690,887
Less: deferred amount on refunding	<u>--</u>	<u>(24,458)</u>	<u>2,192</u>	<u>(22,266)</u>	<u>--</u>
Total bonds and leases payable	3,225,653	1,320,542	(1,966,435)	2,579,760	690,887
Other liabilities					
Compensated absences	<u>270,438</u>	<u>17,736</u>	<u>--</u>	<u>288,174</u>	<u>104,618</u>
Business-type activities long-term liabilities					
	<u>\$ 3,496,091</u>	<u>\$1,338,278</u>	<u>\$(1,966,435)</u>	<u>\$ 2,867,934</u>	<u>\$ 795,505</u>

On September 3, 2003, the City issued \$2,060,000 in General Obligation Refunding Bonds with interest rates of 2.0% to 4.0% to advance refund \$2,025,000 of outstanding 1993 Series bonds with interest rates of 4.0% to 5.15%. The net proceeds of \$2,020,676 (after payment of \$33,340 for the original issue discount and underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series bonds. The 1993 Bonds were fully called for redemption on December 1, 2003 using the funds deposited in the escrow account.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$22,746. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year ended December 31, 2013 using the effective interest method. The District completed the advance refunding to reduce its total debt service payments over the next ten years by \$82,292 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$72,557.

NOTE 8: INTERGOVERNMENTAL AGREEMENT

The City entered into an intergovernmental agreement with the Collinsville Metropolitan Exposition, Auditorium and Office Building Authority (the "Authority"). This agreement, as amended on April 7, 1988, requires the City to collect Hotel-Motel Tax and Food and Beverages Tax. All proceeds from the taxes shall be used for the support, construction, maintenance or financing of a facility of the "Authority".

The City has agreed to allow these funds to be used to:

1. Pay the principal and interest on the revenue bonds of the Authority, and
2. Establish and a maintain a reserve fund at \$300,000 for the payment of deficits as they become due.

The City's Hotel-Motel Tax Ordinance provides for the payment of an administration fee to the City in the amount of \$12,500 per annum after the payments noted above have been provided for.

The Authority has allowed the City to withhold the administrative fee of \$12,500 for the year regardless of the balance in the reserve fund.

NOTE 9: LEGAL DEBT MARGIN

The computation of legal debt margin at December 31, 2003 is as follows:

Assessed Valuation	<u>\$ 275,747,991</u>
Bonded Debt Limit*	\$ 23,783,265
Bonded Indebtedness	<u>4,295,000</u>
Legal Debt Margin	<u>\$ 19,488,265</u>

- * The bonded indebtedness of the City of Collinsville, Illinois is limited by Chapter 50, Section 405/1 of the Illinois Compiled Statutes to 8.625% of the assessed valuation of taxable tangible property.

NOTE 10: TAX INCREMENT FINANCING DISTRICT

In 1986, the City established a Tax Increment Financing (TIF) District. Provisions for the establishment and operation of a TIF District are in the Illinois Compiled Statutes, Chapter 65, Act 5, Article 11, Division 74.4. The goals of the District are defined in a redevelopment plan adopted by the City and dated December 26, 1986.

The objectives of the Collinsville, Illinois, Tax Increment Redevelopment Plan No. 1 are:

1. To reduce or eliminate those conditions which qualify the areas as a "conservation area".
2. To prevent the recurrence of those conditions.
3. To enhance the tax base of the City of Collinsville and the other taxing districts which extend into the project area.
4. To preserve and enhance the value of properties adjacent to the project area.
5. To encourage private investment, rehabilitation and redevelopment in the project area.
6. To provide necessary incentives to attract quality new commercial activities in the project area that are compatible with the land use plan of the City.
7. To participate in planning, studies, professional services, site assembly, demolition, relocation, construction of public works, job training and retraining, financing costs, payment in lieu of taxes, developers' interest costs and other qualified project costs to attract the private investment, rehabilitation and redevelopment in an orderly plan in accordance with the City's land use plans and regulations.

The redevelopment project costs of the District are financed from three sources:

1. The real estate property taxes derived from any increment in property tax valuation from an established base period.
2. The sales use and service tax increment, which generally is a state formula computation of the annual state sales tax increment from sales within the District compared to the base period.
3. The "municipal sales tax increment" which is an amount equal to the increase in the aggregate amount of taxes paid to the City from the Local Government Tax Fund compared to the base year which shall be the calendar year immediately prior to the year in which the City adopted tax increment allocation financing.

Funds from the above sources are to be deposited in a Special Tax Allocation Fund and redevelopment project costs are to be paid from this fund.

On October 22, 2001, the City established TIF District #2 to provide funds for development in a new area of the City. The objectives are primarily the same as those set forth in establishing the initial TIF District. The TIF District #2 will be financed only with increases in property values and the related incremental taxes.

NOTE 11: SEIZED FUND ESCROW

The City maintains a seized fund escrow account where it deposits monies seized by the police department until a determination is made regarding the distribution of those funds. The balance in this account at December 31, 2002 is \$74,217. The escrow liability directly offsets this account except for net interest income and bank service charges in the amount of \$7.

NOTE 12: SOLID WASTE LANDFILL

The City maintained a solid waste landfill east of Collinsville. This disposal facility was closed in 1986 and was determined by the Illinois Environmental Protection Agency to be satisfactorily closed and covered on October 24, 1986.

The Illinois Environmental Protection Agency requires the City to have sufficient operable equipment, personnel and supervision available to comply with applicable regulations; to provide a final cover of adequate depth; and adequate monitoring and control over leachate, gas, water and settling. In the inspection made by the Madison County Building, Zoning and Environmental Department, the City was found to be in compliance with applicable regulations.

In 1998, the IEPA notified the City that an inspection revealed possible environmental violations. The City hired an engineer to examine the cause of the violations and provide further guidance on what measures, if any, need to be taken by the City. The engineer is currently monitoring the problem and working toward submitting a plan to resolve the problems. Any possible future costs related to the landfill compliance is not known at this time.

NOTE 13: FEDERAL DRUG FORFEITURE REVENUE AND EXPENSES

During the year, the City received \$80,956 in federal drug forfeiture revenue and from those funds expended \$149,360. The City's police department assists in drug raids and seizes assets during those raids. All seized assets are turned over to Federal governmental agencies and then shared on a percentage basis by municipalities and/or organizations that participated in the drug raids. The governmental agencies require that those funds be used for police operations and, in some cases, drug enforcement.

NOTE 14: RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

The City's multi-employer 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 publicly available 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 2002 was 1.04 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2002 was 10 years.

For December 31, 2002, the City's annual pension cost of \$31,666 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The assumptions used for the 2001 actuarial valuation information were based on the 1996-1998 experience study. However, the 2002 actuarial valuation information shown on the Schedule of Funding Progress in the required supplementary information is based on the assumptions derived from the 1999-2001 experience study. The effect of the assumption change increased the unfunded actuarial accrued liability by \$19,798.

Trend Information for IMRF

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	\$ 31,666	100%	\$ 0
12/31/01	81,665	100%	0
12/31/00	156,904	100%	0

2. **Police Pension Fund and Firefighters' Pension Fund**

a) **Plan Description and Contribution Information**

Information is shown at various dates, which presents the most current information available.

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 – Act 5, Article 3) and may be amended only by the Illinois legislature. 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 December 31, 2003 was \$1,842,652. At December 31, 2003, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	28
Current Employees	<u>37</u>
Total	<u>65</u>

The following is a summary of the Police Pension Plan as provided in the Illinois Compile Statutes:

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 an annual retirement benefit of one-half of the 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 pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such 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 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 current pension.

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. The City is required to contribute the remaining amount necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Fire sworn personnel are covered by the Firefighter's Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40 – Act 5, Article 4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firefighters' Pension Plan for the year ended December 31, 2003 was \$1,459,242. At December 31, 2003, the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	19
Current Employees	<u>29</u>
Total	<u>48</u>

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

The Firefighters' 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 one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, 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 at least the age of 55, by 3% of the original pension and an additional 3% annually, in January thereafter.

Covered employees are required to contribute 8.455% of their salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded. 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 Firefighters' Pension Plan is fully funded.

b) Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

c) Annual Pension Cost and Net Pension Obligation

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$ 368,611	\$ 345,290
Interest on net pension obligation	--	--
Adjustment to annual required contribution	--	--
Annual pension cost	<u>368,611</u>	<u>345,290</u>
Contributions made	<u>369,018</u>	<u>345,824</u>
Increase (decrease) in net pension obligation	(407)	(534)
Net pension obligation beginning of year	<u>(323,547)</u>	<u>(137,177)</u>
Net pension obligation end of year	<u>\$ (323,954)</u>	<u>\$ (137,711)</u>

The annual required contribution for the current year was determined at part of the December 31, 2001, 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 amortized costs. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002, was 30.4986 years.

Three-Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
Police Pension	12/31/01	\$ 368,611	100.11%	\$ (323,954)
	12/31/00	313,753	100.26%	(323,547)
	12/31/99	237,553	99.92%	(322,744)
Fire Pension	12/31/01	\$ 345,290	100.15%	\$ (137,711)
	12/31/00	299,006	100.31%	(137,177)
	12/31/99	258,665	99.89%	(136,253)

d) Concentration

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

Police Pension:

US Treasury Note 05/31/2005	\$ 698,250
US Treasury Note 11/15/2005	697,938
FNMA 10/15/2005	1,018,440
FNMA 05/15/2008	681,691
FHLB 12/15/2005	809,000

Firefighter's Pension:

Bank of Edwardsville	\$ 950,000
Collinsville Building & Loan	2,586,764
First Collinsville Bank	1,619,712
DFA Enhanced US Large Co. Portfolio	761,277
DFA Large Cap Value Portfolio	770,595

e) Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 13,494,852
Firefighter's Pension	12,638,115

NOTE 15: CONDUIT DEBT OBLIGATIONS

The City has previously issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial 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. The City, or any political subdivision thereof, is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2003, there are various series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the one series, issued after July 1, 1995, was \$3,465,000. The aggregate principal amount payable for any series issued prior to July 1, 1995, could not be determined.

NOTE 16: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS) - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		Actual
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Property Tax	\$ 830,000	\$ 830,000	\$ 868,857
Intergovernmental:			
Sales and Use Tax	4,455,000	4,455,000	4,266,030
Replacement Tax	13,300	13,300	17,028
State Income Tax	1,620,000	1,620,000	1,520,371
Telecommunications Tax	220,000	220,000	240,166
Grants	360,321	360,321	331,596
Other	68,000	68,000	83,632
Other Local Taxes	22,000	22,000	24,630
Drug Forfeiture Revenue	130,000	130,000	136,954
Licenses, Fees and Permits	557,100	557,100	556,130
Charges for Services	1,317,100	1,317,100	1,375,269
Fines	146,500	146,500	146,829
Investment Earnings	54,050	54,050	26,831
Gifts and Donations	3,500	3,500	18,133
Miscellaneous Revenues and Reimbursements	366,000	366,000	372,857
Total Receipts	<u>10,162,871</u>	<u>10,162,871</u>	<u>9,985,313</u>
Disbursements			
Current:			
General Government	1,867,475	1,866,225	1,817,409
Public Safety	6,250,823	6,274,490	5,998,203
Public Works	1,825,800	1,825,800	1,528,940
Health and Sanitation	1,168,800	1,168,800	1,181,804
Community and Economic Development	142,495	154,495	133,627
Community Services	97,170	97,170	91,117
Capital Outlay	200,523	331,273	297,247
Total Disbursements	<u>11,553,086</u>	<u>11,718,253</u>	<u>11,048,347</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(1,390,215)</u>	<u>(1,555,382)</u>	<u>(1,063,034)</u>
Other Financing Sources:			
Proceeds From Lease	-	-	50,000
Operating Transfers In	1,118,500	1,118,500	1,108,289
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements	<u>\$ (271,715)</u>	<u>\$ (436,882)</u>	95,255
Change in property tax receivable on modified accrual basis			(16,022)
Change in intergovernmental revenue on modified accrual basis			295,296
Change in accrued interest receivable on modified accrual basis			(3,530)
Change in accrued salaries on modified accrual basis			(21,820)
Change in accounts payable on modified accrual basis			28,530
Change in franchise fees receivable on modified accrual basis			(4,259)
Change in garbage fees receivable on modified accrual basis			14,396
Adjustment for allowance of uncollectible amounts			(62,903)
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 324,943</u>

CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
LIABILITY INSURANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Property Tax	\$ 397,900	\$ 397,900	\$ 405,767
Investment Earnings	2,350	2,350	1,281
Total Receipts	<u>400,250</u>	<u>400,250</u>	<u>407,048</u>
Disbursements:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Receipts Over Disbursements	<u>400,250</u>	<u>400,250</u>	<u>407,048</u>
Other Financing Sources (Uses):			
Operating Transfers Out	<u>(401,613)</u>	<u>(401,613)</u>	<u>(408,411)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>\$ (1,363)</u>	<u>\$ (1,363)</u>	(1,363)
Change in property tax receivable on modified accrual basis			(7,356)
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (8,719)</u>

CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Motor Fuel Tax	\$ 700,000	\$ 700,000	\$ 735,660
Investment Earnings	25,000	25,000	16,573
Reimbursements	40,000	40,000	785,159
Total Receipts	<u>765,000</u>	<u>765,000</u>	<u>1,537,392</u>
Disbursements:			
Current:			
Public Works	364,500	364,500	321,147
Capital Outlay	1,415,000	1,415,000	1,060,011
Total Disbursements	<u>1,779,500</u>	<u>1,779,500</u>	<u>1,381,158</u>
Excess (Deficiency) of Receipts Over Disbursements	(1,014,500)	(1,014,500)	156,234
Other Financing Sources (Uses):			
Operating Transfers Out	<u>(205,000)</u>	<u>(205,000)</u>	<u>(130,000)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>\$ (1,219,500)</u>	<u>\$ (1,219,500)</u>	26,234
Change in motor fuel tax receivable on modified accrual basis			(2,495)
Change in accounts payable on modified accrual basis			(64,731)
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (40,992)</u>

CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
 TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Sales Tax	\$ 975,000	\$ 975,000	\$ 983,623
Property Tax	1,200,000	1,200,000	1,255,397
Investment Earnings	80,000	80,000	62,698
Total Receipts	<u>2,255,000</u>	<u>2,255,000</u>	<u>2,301,718</u>
Disbursements:			
Current:			
Public Safety	75,000	75,000	57,050
Public Works	2,195	2,195	2,195
Community and Economic Development	1,263,675	1,263,675	744,761
Community Services	130,000	130,000	85,137
Debt Service:			
Principal	230,000	230,000	230,000
Interest	95,655	95,655	95,725
Capital Outlay	<u>3,607,805</u>	<u>3,607,805</u>	<u>1,320,778</u>
Total Disbursements	<u>5,404,330</u>	<u>5,404,330</u>	<u>2,535,646</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(3,149,330)</u>	<u>(3,149,330)</u>	<u>(233,928)</u>
Other Financing Sources (Uses):			
Operating Transfers In	40,000	40,000	-
Operating Transfers Out	<u>(147,910)</u>	<u>(147,910)</u>	<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>(107,910)</u>	<u>(107,910)</u>	<u>(65,000)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>\$ (3,257,240)</u>	<u>\$ (3,257,240)</u>	<u>(298,928)</u>
Change in property tax receivable on modified accrual basis			(3,107)
Change in sales tax receivable on modified accrual basis			9,474
Change in accrued interest receivable on modified accrual basis			(3,355)
Change in accrued salaries on modified accrual basis			674
Change in accounts payable on modified accrual basis			2,616
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (292,626)</u>

CITY OF COLLINSVILLE, ILLINOIS

SCHEDULE OF POLICE AND FIREFIGHTERS' PENSION
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2003

	Calendar Year					
	2001	2000	1999	1998	1997	1996
Police Pension:						
Actuarial Value of Assets	\$ 12,483,567	\$ 12,538,961	\$ 12,758,802	(1)	\$ 10,765,502	\$ 10,115,765
Actuarial Accrued Liability (AAL)	14,623,618	13,730,805	12,768,608	-	10,937,303	10,188,795
Unfunded AAL (UAAL)	2,140,051	1,191,844	9,806	-	171,801	73,030
Funded Ratio	85.37%	91.32%	99.92%	-	98.43%	99.28%
Covered Payroll	1,765,880	1,681,294	1,518,775	1,523,584	1,561,556	1,402,196
UAAL as a % of Covered Payroll	121.19%	70.89%	0.65%	-	11.00%	5.21%
Employer Contributions:						
Required	368,611	313,753	237,553	243,485	249,418	219,614
Made	369,018	314,556	237,367	257,210	242,879	219,022
Percentage of Employer Contributions						
Made to Required Contributions	100.11%	100.26%	99.92%	105.64%	97.38%	99.73%
Firefighters' Pension:						
Actuarial Value of Assets	11,016,801	10,753,007	10,278,197	(1)	9,237,182	8,594,408
Actuarial Accrued Liability (AAL)	12,237,917	11,637,904	10,734,146	-	9,126,125	8,573,254
Unfunded AAL (UAAL)	1,221,116	884,897	455,949	-	(111,057)	(21,154)
Funded Ratio	90.02%	92.40%	95.75%	-	101.22%	100.25%
Covered Payroll	1,327,668	1,189,203	1,094,382	1,051,035	1,024,831	989,490
UAAL as a % of Covered Payroll	91.97%	74.41%	41.66%	-	(10.84%)	(2.14%)
Employer Contributions:						
Required	345,290	299,006	258,665	234,041	209,416	208,233
Made	345,824	299,930	258,387	222,957	208,997	207,811
Percentage of Employer Contributions						
Made to Required Contributions	100.15%	100.31%	99.89%	95.26%	99.80%	99.80%

2001 is the latest year for which a tax was levied and collected. The 2002 actuarial estimate is levied in 2003 and collected in 2004.

(1) The 1998 actuarial estimate was levied in 1999 and collected in 2000. The Illinois Department of Insurance did not perform an actuarial for this year so the City estimated the tax levy based on salaries.

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:	31.4986 Years
Asset Valuation Method:	Cost or Amortized Cost
Actuarial Assumptions:	
Interest Rate	7.0 %
Salary Progression	5.5 %
Cost of Living Adjustments	3.0 %

CITY OF COLLINSVILLE, ILLINOIS

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2003

	Calendar Year					
	2002	2001	2000	1999	1998	1997
Regular:						
Actuarial Value of Assets	\$ 8,706,530	\$ 8,781,025	\$ 7,970,818	\$ 6,788,194	\$ 5,988,368	\$ 5,016,846
Actuarial Accrued Liability (AAL)	7,317,676	6,612,422	5,973,809	5,457,461	5,392,876	5,292,138
Unfunded AAL (UAAL)	(1,388,854)	(2,168,603)	(1,997,009)	(1,330,733)	(595,492)	275,292
Funded Ratio	118.98%	132.80%	133.43%	124.38%	111.04%	94.80%
Covered Payroll	3,044,820	2,845,458	2,796,868	2,735,594	2,564,739	2,526,637
UAAL as a % of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	10.90%
Employer Contributions:						
Required	31,666	81,665	156,904	239,638	242,881	257,658
Made	31,666	81,665	156,904	239,638	242,881	257,658
Percentage of Employer Contributions						
Made to Required Contributions	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

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

CITY OF COLLINSVILLE, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	Special Revenue Funds							Debt Service Fund	Total Nonmajor Governmental Funds	
	Tree Memorial Fund	Retirement Fund	Motel Use/ Food & Beverage Tax Fund	Audit Fund	Unemployment Fund	FICA/ Medicare Fund	POW WOW Convention Fund	TIF Debt Service Fund		
Assets										
Cash and Cash Equivalents:										
Cash	\$ -	\$ -	\$ 37,698	\$ -	\$ -	\$ -	\$ -	\$ 37,698	\$ -	\$ 37,698
Investments	4,897	36,397	-	294	1,887	-	-	43,475	391,182	434,657
Total Cash and Cash Equivalents	4,897	36,397	37,698	294	1,887	-	-	81,173	391,182	472,355
Receivables:										
Accounts Receivable	-	-	88,974	-	-	-	-	88,974	-	88,974
Property Tax	-	20,994	-	22,885	10,447	188,652	-	242,978	-	242,978
Intergovernmental	-	9,014	-	-	-	-	-	9,014	-	9,014
Total Assets	\$ 4,897	\$ 66,405	\$ 126,672	\$ 23,179	\$ 12,334	\$ 188,652	\$ -	\$ 422,139	\$ 391,182	\$ 813,321
Liabilities and Fund Balance										
Liabilities:										
Accounts Payable	\$ -	\$ -	\$ 126,672	\$ -	\$ -	\$ -	\$ -	\$ 126,672	\$ -	\$ 126,672
Deferred Revenue	-	20,994	-	22,885	10,447	188,652	-	242,978	-	242,978
Total Liabilities	-	20,994	126,672	22,885	10,447	188,652	-	369,650	-	369,650
Fund Balance:										
Reserved:										
Employees' Retirement Benefit	-	45,411	-	-	-	-	-	45,411	-	45,411
Debt Service	-	-	-	-	-	-	-	-	391,182	391,182
Unreserved:										
Undesignated	4,897	-	-	294	1,887	-	-	7,078	-	7,078
Total Fund Balance	4,897	45,411	-	294	1,887	-	-	52,489	391,182	443,671
Total Liabilities and Fund Balance	\$ 4,897	\$ 66,405	\$ 126,672	\$ 23,179	\$ 12,334	\$ 188,652	\$ -	\$ 422,139	\$ 391,182	\$ 813,321

CITY OF COLLINSVILLE, ILLINOIS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Special Revenue Funds							Debt Service Fund	Total Nonmajor Governmental Funds	
	Tree Memorial Fund	Retirement Fund	Motel Use/ Food & Beverage Tax Fund	Audit Fund	Unemployment Fund	FICA/ Medicare Fund	POW WOW Convention Fund	TIF Debt Service Fund		
Revenues:										
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Property Tax	-	16,872	-	23,198	11,596	183,363	-	235,029	235,029	
Replacement Tax	-	9,014	-	-	-	-	-	9,014	9,014	
Motel Use Tax	-	-	677,763	-	-	-	-	677,763	677,763	
State Grant	-	-	-	-	-	-	225,000	225,000	225,000	
Food and Beverage Tax	-	-	342,656	-	-	-	-	342,656	342,656	
Investment Earnings	52	471	95	87	52	749	134	1,640	6,620	
Gifts and Donations	280	-	-	-	-	-	84,000	84,280	-	
Total Revenues	<u>332</u>	<u>26,357</u>	<u>1,020,514</u>	<u>23,285</u>	<u>11,648</u>	<u>184,112</u>	<u>309,134</u>	<u>1,575,382</u>	<u>6,620</u>	<u>1,582,002</u>
Expenditures:										
Contractual Services	-	-	-	-	-	-	309,134	309,134	-	309,134
Commodities	832	-	-	-	-	-	-	832	-	832
Debt Service	-	-	-	-	-	-	-	-	91,403	91,403
Support of Collinsville Metropolitan Authority	-	-	1,020,514	-	-	-	-	1,020,514	-	1,020,514
Total Expenditures	<u>832</u>	<u>-</u>	<u>1,020,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,134</u>	<u>1,330,480</u>	<u>91,403</u>	<u>1,421,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500)</u>	<u>26,357</u>	<u>-</u>	<u>23,285</u>	<u>11,648</u>	<u>184,112</u>	<u>-</u>	<u>244,902</u>	<u>(84,783)</u>	<u>160,119</u>
Other Financing Sources (Uses):										
Operating Transfers Out	-	(17,924)	-	(23,465)	(10,358)	(194,950)	-	(246,697)	-	(246,697)
Proceeds Of Refunding Bonds	-	-	-	-	-	-	-	-	715,000	715,000
Debt Issuance Costs	-	-	-	-	-	-	-	-	(16,495)	(16,495)
Payment To Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	(698,505)	(698,505)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(17,924)</u>	<u>-</u>	<u>(23,465)</u>	<u>(10,358)</u>	<u>(194,950)</u>	<u>-</u>	<u>(246,697)</u>	<u>-</u>	<u>(246,697)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>(500)</u>	<u>8,433</u>	<u>-</u>	<u>(180)</u>	<u>1,290</u>	<u>(10,838)</u>	<u>-</u>	<u>(1,795)</u>	<u>(84,783)</u>	<u>(86,578)</u>
Fund Balance, Beginning of Year	<u>5,397</u>	<u>36,978</u>	<u>-</u>	<u>474</u>	<u>597</u>	<u>10,838</u>	<u>-</u>	<u>54,284</u>	<u>475,965</u>	<u>530,249</u>
Fund Balance, End of Year	<u>\$ 4,897</u>	<u>\$ 45,411</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 1,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,489</u>	<u>\$ 391,182</u>	<u>\$ 443,671</u>

CITY OF COLLINSVILLE, ILLINOIS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents:			
Cash	\$ 96,270	\$ 274,123	\$ 370,393
Investments	-	211,019	211,019
Investments	13,022,097	11,794,560	24,816,657
Receivables:			
Property Tax	289,814	287,754	577,568
Replacement Tax	11,938	9,380	21,318
Accrued Interest	84,733	61,279	146,012
Total Assets	<u>13,504,852</u>	<u>12,638,115</u>	<u>26,142,967</u>
Liabilities:			
Accounts Payable	10,000	5,000	15,000
Total Liabilities	<u>10,000</u>	<u>5,000</u>	<u>15,000</u>
Net Assets:			
Held in Trust For Pension Benefits and Other Purposes	<u>\$ 13,494,852</u>	<u>\$ 12,633,115</u>	<u>\$ 26,127,967</u>

CITY OF COLLINSVILLE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighters'</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
Additions:			
Property Tax	\$ 291,702	\$ 289,733	\$ 581,435
Replacement Tax	84,766	63,765	148,531
Employee Contributions	183,180	122,843	306,023
Investment Earnings:			
Investment Earnings	998,483	1,688,166	2,686,649
Less: Investment Expense	(51,230)	(24,091)	(75,321)
Net Investment Earnings	<u>947,253</u>	<u>1,664,075</u>	<u>2,611,328</u>
Total Additions	<u>1,506,901</u>	<u>2,140,416</u>	<u>3,647,317</u>
Deductions:			
Benefit Payments	680,946	507,478	1,188,424
Refunds of Contributions	14,017	-	14,017
Contractual Services	14,076	5,133	19,209
Total Deductions	<u>709,039</u>	<u>512,611</u>	<u>1,221,650</u>
Change in Net Assets	797,862	1,627,805	2,425,667
Net Assets, Beginning of Year	<u>12,696,990</u>	<u>11,005,310</u>	<u>23,702,300</u>
Net Assets, End of Year	<u>\$ 13,494,852</u>	<u>\$ 12,633,115</u>	<u>\$ 26,127,967</u>

CITY OF COLLINSVILLE, ILLINOIS

ASSESSED VALUATIONS, TAX RATES, EXTENSIONS AND COLLECTIONS
DECEMBER 31, 2003

Levy Date - Calendar Year	1993		1994		1995		1996		1997	
	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County
Revenue Collection Date - Fiscal Year Ended	12/31/94	12/31/94	12/31/95	12/31/95	12/31/96	12/31/96	12/31/97	12/31/97	12/31/98	12/31/98
Assessed Valuation	\$ 157,551,612	\$ 16,428,113	\$ 161,928,910	\$ 18,401,864	\$ 171,292,458	\$ 19,798,275	\$ 177,011,281	\$ 21,176,680	\$ 185,720,054	\$ 22,284,592
Tax Rates (Per \$100 Equalized Assessed Valuation):										
General Government	\$ 0.0977	\$ 0.1008	\$ 0.0955	\$ 0.0969	\$ 0.0884	\$ 0.0938	\$ 0.0867	\$ 0.0861	\$ 0.0424	\$ 0.0449
Fire Protection	0.0697	0.0717	0.0682	0.0692	0.0630	0.0669	0.0618	0.0614	0.0357	0.0377
Police Protection	0.0521	0.0538	0.0510	0.0517	0.0470	0.0500	0.0462	0.0459	0.0358	0.0377
Garbage	0.1909	0.1966	0.1866	0.1893	0.1136	0.1211	0.1120	0.1112	0.1360	0.1428
Public Library	0.1489	0.1500	0.1489	0.1500	0.1392	0.1478	0.1500	0.1500	0.1500	0.1500
Retirement	0.0618	0.0636	0.0569	0.0577	0.0318	0.0341	0.0368	0.0366	0.0597	0.0625
Police Pension	0.1089	0.1123	0.1144	0.1161	0.1179	0.1251	0.0886	0.0880	0.0768	0.0808
Firefighters' Pension	0.1103	0.1136	0.0996	0.1010	0.0771	0.0820	0.0605	0.0600	0.0823	0.0864
Tort Liability	0.1539	0.1580	0.1507	0.1529	0.2204	0.2330	0.2093	0.2078	0.1795	0.1889
Social Security	-	-	-	-	-	-	0.0450	0.0447	0.0707	0.0741
Audit	-	-	-	-	-	-	0.0122	0.0122	0.0116	0.0121
Unemployment	-	-	-	-	-	-	0.0055	0.0055	0.0033	0.0034
Total Tax Rates	\$ 0.9942	\$ 1.0204	\$ 0.9718	\$ 0.9848	\$ 0.8984	\$ 0.9538	\$ 0.9146	\$ 0.9094	\$ 0.8838	\$ 0.9213
Tax Extensions:										
General Government	\$ 153,928	\$ 16,560	\$ 154,642	\$ 17,832	\$ 151,423	\$ 18,571	\$ 153,469	\$ 18,233	\$ 78,745	\$ 10,007
Fire Protection	109,814	11,779	110,436	12,734	107,914	13,245	109,393	13,003	66,302	8,401
Police Protection	82,084	8,838	82,584	9,514	80,507	9,899	81,779	9,720	66,488	8,401
Garbage	300,766	32,298	302,159	34,835	194,588	23,976	198,253	23,548	252,579	31,822
Public Library	234,594	24,642	241,112	27,603	238,439	29,262	265,517	31,765	278,580	33,427
Retirement	97,367	10,448	92,138	10,618	54,471	6,751	65,140	7,751	110,875	13,928
Police Pension	171,574	18,449	185,246	21,365	201,954	24,768	156,832	18,635	142,633	18,006
Firefighters' Pension	173,779	18,662	161,281	18,586	132,066	16,235	107,092	12,706	152,848	19,254
Tort Liability	242,472	25,956	244,027	28,136	377,529	46,130	370,484	44,005	333,368	42,096
Social Security	-	-	-	-	-	-	79,655	9,466	131,304	16,513
Audit	-	-	-	-	-	-	21,595	2,584	21,544	2,696
Unemployment	-	-	-	-	-	-	9,736	1,165	6,128	758
Total Tax Extensions	\$ 1,566,378	\$ 167,632	\$ 1,573,625	\$ 181,223	\$ 1,538,891	\$ 188,837	\$ 1,618,945	\$ 192,581	\$ 1,641,394	\$ 205,309
Total Tax Collections Through Fiscal Year End	\$ 1,388,858	\$ 170,331	\$ 1,570,096	\$ 182,716	\$ 1,545,762	\$ 166,160	\$ 1,627,118	\$ 193,354	\$ 1,638,678	\$ 203,924
Percent of Total Taxes Collected	88.67%	101.61%	99.78%	100.82%	100.45%	87.99%	100.50%	100.40%	99.83%	99.33%

CITY OF COLLINSVILLE, ILLINOIS

ASSESSED VALUATIONS, TAX RATES, EXTENSIONS AND COLLECTIONS (CONTINUED)
 DECEMBER 31, 2003

Levy Date - Calendar Year	1998		1999		2000		2001		2002	
	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County	Madison County	St. Clair County
Revenue Collection Date - Fiscal Year Ended	12/31/99	12/31/99	12/31/00	12/31/00	12/31/01	12/31/01	12/31/02	12/31/02	12/31/03	12/31/03
Assessed Valuation	\$ 195,018,592	\$ 23,082,365	\$ 203,251,195	\$ 23,405,504	\$ 213,195,916	\$ 24,398,588	\$ 230,197,803	\$ 26,009,004	\$ 248,191,846	\$ 27,556,145
Tax Rates (Per \$100 Equalized Assessed Valuation):										
General Government	\$ 0.0759	\$ 0.0793	\$ 0.0800	\$ 0.0800	\$ 0.0796	\$ 0.0800	\$ 0.0770	\$ 0.0766	\$ 0.0762	\$ 0.0762
Fire Protection	0.0409	0.0427	0.0563	0.0563	0.0558	0.0563	0.0543	0.0539	0.0534	0.0534
Police Protection	0.0422	0.0441	0.0563	0.0563	0.0558	0.0563	0.0543	0.0539	0.0534	0.0534
Garbage	0.1237	0.1292	0.1249	0.1296	0.1284	0.1340	0.1116	0.1109	0.0726	0.0726
Public Library	0.1500	0.1500	0.1500	0.1500	0.1492	0.1500	0.1557	0.1547	0.1557	0.1601
Retirement	0.0552	0.0577	0.0352	0.0366	0.0169	0.0177	0.0077	0.0077	0.0061	0.0061
Police Pension	0.0824	0.0861	0.0828	0.0859	0.0699	0.0729	0.0928	0.0923	0.1031	0.1031
Firefighters' Pension	0.0783	0.0818	0.0766	0.0795	0.0852	0.0889	0.0949	0.0943	0.1024	0.1024
Tort Liability	0.1517	0.1585	0.1212	0.1257	0.1344	0.1403	0.1373	0.1365	0.1443	0.1443
Social Security	0.0681	0.0711	0.0770	0.0799	0.0744	0.0776	0.0700	0.0696	0.0664	0.0664
Audit	0.0115	0.0120	0.0115	0.0120	0.0112	0.0117	0.0087	0.0086	0.0084	0.0084
Unemployment	0.0039	0.0040	0.0035	0.0037	0.0039	0.0041	0.0041	0.0040	0.0042	0.0042
Total Tax Rates	\$ 0.8838	\$ 0.9165	\$ 0.8753	\$ 0.8955	\$ 0.8647	\$ 0.8898	\$ 0.8684	\$ 0.8630	\$ 0.8462	\$ 0.8506
Tax Extensions:										
General Government	\$ 148,019	\$ 18,305	\$ 162,601	\$ 18,725	\$ 169,704	\$ 19,520	\$ 177,252	\$ 19,924	\$ 189,122	\$ 20,998
Fire Protection	79,763	9,856	114,430	13,177	118,963	13,736	124,997	14,019	132,534	14,715
Police Protection	82,298	10,179	114,430	13,177	118,963	13,736	124,997	14,019	132,534	14,715
Garbage	241,238	29,822	253,861	30,334	273,744	32,694	256,901	28,844	180,187	20,006
Public Library	292,528	34,624	304,877	35,109	318,088	36,598	358,418	40,236	386,435	44,118
Retirement	107,650	13,319	71,544	8,566	36,030	4,319	17,725	2,003	15,140	1,681
Police Pension	160,695	19,874	168,292	20,105	149,024	17,787	213,624	24,006	255,886	28,410
Firefighters' Pension	152,700	18,881	155,690	18,607	181,643	21,690	218,458	24,526	254,149	28,217
Tort Liability	295,843	36,586	246,341	29,421	286,535	34,231	316,062	35,502	358,141	39,764
Social Security	132,808	16,412	156,504	18,701	158,618	18,933	161,138	18,102	164,799	18,297
Audit	22,427	2,770	23,374	2,809	23,878	2,855	20,027	2,237	20,848	2,315
Unemployment	7,606	923	7,114	866	8,315	1,000	9,438	1,040	10,424	1,157
Total Tax Extensions	\$ 1,723,575	\$ 211,551	\$ 1,779,058	\$ 209,597	\$ 1,843,505	\$ 217,099	\$ 1,999,037	\$ 224,458	\$ 2,100,199	\$ 234,393
Total Tax Collections Through Fiscal Year End	\$ 1,710,808	\$ 209,978	\$ 1,767,353	\$ 209,403	\$ 1,838,481	\$ 210,373	\$ 1,971,345	\$ 200,615	\$ 2,097,812	\$ 232,953
Percent of Total Taxes Collected	99.26%	99.26%	99.34%	99.91%	99.73%	96.90%	98.61%	89.38%	99.89%	99.39%

CITY OF COLLINSVILLE, ILLINOIS

CASH AND INVESTMENTS
DECEMBER 31, 2003

(With Comparative Totals for December 31, 2002)

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Police Pension Fund	Firefighters' Pension Fund	Total Primary Government	Component Unit	Totals Reporting Entity	
							2003		2003	2002
Petty Cash	\$ 480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480	\$ 50	\$ 530	\$ 530
UMB First National Bank	124,079	37,698	18,191	82,728	-	274,123	536,819	5,896	542,715	744,550
The Illinois Funds	1,016,770	1,556,466	-	688,543	-	211,019	3,472,798	41,065	3,513,863	2,727,746
US Bank	5,452	-	-	-	-	32,633	38,085	47,540	85,625	55,024
US Trust	-	-	-	-	232,545	-	232,545	-	232,545	218,210
Morgan Stanley Dean Witter	-	-	-	-	-	317,894	317,894	-	317,894	300,548
Dunn & Klevorn	-	-	-	-	-	15,658	15,658	-	15,658	7,881
Mutual Funds	-	-	-	-	-	3,817,728	3,817,728	-	3,817,728	2,614,115
First Collinsville Bank	316,383	-	-	39,139	-	1,619,713	1,975,235	30,695	2,005,930	3,072,382
United States Treasury Obligations	-	-	-	-	8,796,837	1,485,652	10,282,489	-	10,282,489	11,587,094
Bank of Edwardsville	441	200,000	-	-	-	950,000	1,150,441	116,931	1,267,372	1,237,582
Collinsville Building & Loan	-	525,217	-	525,217	-	2,586,764	3,637,198	28,798	3,665,996	3,475,134
Union Planters	3,500	-	-	-	6,500	556,513	566,513	-	566,513	537,500
Illinois Metropolitan Investment Fund	205,671	514,038	205,531	667,709	-	-	1,592,949	-	1,592,949	1,564,861
Common Stock	-	-	-	-	3,992,715	-	3,992,715	-	3,992,715	1,902,352
Repurchase Agreements -										
Sweep Accounts	166,592	1,649,563	167,460	562,237	89,770	-	2,635,622	-	2,635,622	2,440,608
Annuities	-	-	-	-	-	412,005	412,005	-	412,005	333,046
Total	\$ 1,839,368	\$ 4,482,982	\$ 391,182	\$ 2,565,573	\$ 13,118,367	\$ 12,279,702	\$ 34,677,174	\$ 270,975	\$ 34,948,149	\$ 32,819,163

CITY OF COLLINSVILLE, ILLINOIS

**ENTERPRISE FUND LONG-TERM DEBT
DECEMBER 31, 2003**

GENERAL OBLIGATION REFUNDING BOND ISSUE

Paying Agent: United Missouri Bank of Kansas City, N.A., Kansas City, Missouri
Original Issue Amount: \$1,345,000
Original Issue Date: September 3, 2003
Interest: \$ 995,000 2.00%
 350,000 2.35%

Fiscal Year Ended December 31	Principal Due December 1	Interest	
		June 1	December 1
2004	\$ 320,000	\$ 21,094	\$ 14,062
2005	330,000	10,862	10,863
2006	345,000	7,563	7,562
2007	<u>350,000</u>	<u>4,113</u>	<u>4,112</u>
	<u>\$ 1,345,000</u>	<u>\$ 43,632</u>	<u>\$ 36,659</u>

GENERAL OBLIGATION REFUNDING BOND ISSUE

Paying Agent: Bank of New York, St. Louis, Missouri
Original Issue Amount: \$990,000
Original Issue Date: August 1, 1998
Interest: 4.50%

Fiscal Year Ended December 31	Principal Due September 1	Interest	
		March 1	September 1
2004	\$ 280,000	\$ 12,825	\$ 12,825
2005	<u>290,000</u>	<u>6,525</u>	<u>6,525</u>
	<u>\$ 570,000</u>	<u>\$ 19,350</u>	<u>\$ 19,350</u>

TOTAL ENTERPRISE FUND LONG-TERM DEBT

Fiscal Year Ended December 31	Principal Due	Interest Due	Total Due
2004	\$ 600,000	\$ 60,806	\$ 660,806
2005	620,000	34,775	654,775
2006	345,000	15,125	360,125
2007	<u>350,000</u>	<u>8,225</u>	<u>358,225</u>
	<u>\$ 1,915,000</u>	<u>\$ 118,931</u>	<u>\$ 2,033,931</u>

CITY OF COLLINSVILLE, ILLINOIS

**GOVERNMENTAL FUND LONG-TERM DEBT
DECEMBER 31, 2003**

GENERAL OBLIGATION BOND ISSUE

Paying Agent: United Missouri Bank of Kansas City, N.A., Kansas City, Missouri

Original Issue Amount: \$2,900,000

Original Issue Date: May 15, 1997

Interest: \$ 240,000 @ 4.90
255,000 @ 4.95
270,000 @ 5.00
285,000 @ 5.05
300,000 @ 5.10
315,000 @ 5.15

\$ 1,665,000

<u>Fiscal</u> <u>Year Ended</u> <u>December 31</u>	<u>Principal</u> <u>Due</u> <u>December 30</u>	<u>Interest</u>	
		<u>June 30</u>	<u>December 30</u>
2004	\$ 240,000	\$ 41,899	\$ 41,899
2005	255,000	36,019	36,019
2006	270,000	29,707	29,707
2007	285,000	22,958	22,958
2008	300,000	15,761	15,761
2009	<u>315,000</u>	<u>8,111</u>	<u>8,111</u>
	<u>\$ 1,895,000</u>	<u>\$ 154,455</u>	<u>\$ 154,455</u>

CITY OF COLLINSVILLE, ILLINOIS

**GOVERNMENTAL FUND LONG-TERM DEBT (CONTINUED)
DECEMBER 31, 2003**

GENERAL OBLIGATION REFUNDING BOND ISSUE

Paying Agent: United Missouri Bank of Kansas City, N.A., Kansas City, Missouri

Original Issue Amount: \$715,000

Original Issue Date: September 3, 2003

Interest:	\$ 185,000	@	2.00
	70,000	@	2.35
	65,000	@	2.80
	70,000	@	3.10
	75,000	@	3.40
	80,000	@	3.70
	85,000	@	3.85
	<u>85,000</u>	@	4.00

\$ 715,000

Fiscal Year Ended <u>December 31</u>	Principal Due <u>December 1</u>	Interest	
		<u>June 1</u>	<u>December 1</u>
2004	\$ 60,000	\$ 16,138	\$ 10,758
2005	60,000	10,159	10,158
2006	65,000	9,559	9,560
2007	70,000	8,909	8,908
2008	65,000	8,086	8,087
2009	70,000	7,176	7,177
2010	75,000	6,091	6,092
2011	80,000	4,816	4,816
2012	85,000	3,336	3,336
2013	<u>85,000</u>	<u>1,700</u>	<u>1,700</u>
	<u>\$ 715,000</u>	<u>\$ 75,970</u>	<u>\$ 70,592</u>

CITY OF COLLINSVILLE, ILLINOIS

**GOVERNMENTAL FUND LONG-TERM DEBT (CONTINUED)
DECEMBER 31, 2003**

TOTAL GOVERNMENTAL FUND LONG-TERM DEBT

<u>Fiscal Year Ended December 31</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2004	\$ 300,000	\$ 110,694	\$ 410,694
2005	315,000	92,355	407,355
2006	335,000	78,533	413,533
2007	355,000	63,733	418,733
2008	365,000	47,695	412,695
2009	385,000	30,575	415,575
2010	75,000	12,183	87,183
2011	80,000	9,632	89,632
2012	85,000	6,672	91,672
2013	<u>85,000</u>	<u>3,400</u>	<u>88,400</u>
	<u>\$ 2,380,000</u>	<u>\$ 455,472</u>	<u>\$ 2,835,472</u>

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

Honorable Mayor and Members
of the City Council
Collinsville, Illinois

We have audited the general purpose financial statements of the City of Collinsville, Illinois for the year ended December 31, 2003, and have issued our report thereon dated March 22, 2004. The financial statements are the responsibility of the City of Collinsville, Illinois' management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

The management of the City of Collinsville, 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 Collinsville, 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 Collinsville, Illinois was not in compliance with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

C. J. Schlosser & Company L.L.C.
Certified Public Accountants

March 22, 2004
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C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Honorable Mayor and Members
of the City Council
Collinsville, Illinois

We have audited the financial statements of the City of Collinsville, Illinois as of and for the year ended December 31, 2003, and have issued our report thereon dated March 22, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Collinsville, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

C. J. Schlosser & Company L.L.C.
Certified Public Accountants

March 22, 2004



C. J. SCHLOSSER
& COMPANY, L.L.C.
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members
of the City Council
Collinsville, Illinois

Compliance

We have audited the compliance of the City of Collinsville 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 December 31, 2003. The City of Collinsville, 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 each of its major federal programs is the responsibility of the City of Collinsville, Illinois' management. Our responsibility is to express an opinion on the City of Collinsville, 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 Collinsville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Collinsville, Illinois' compliance with those requirements.

In our opinion, the City of Collinsville, 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 December 31, 2003.

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Internal Control Over Compliance

The management of the City of Collinsville, Illinois is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Collinsville, 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 internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control structure over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 considered to be material weaknesses.

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

C. J. Schloer & Company L.L.C.
Certified Public Accountants

March 22, 2004

CITY OF COLLINSVILLE, ILLINOIS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Grantor and Program Title</u>	<u>Federal CFDA No.</u>	<u>Project or Grant No.</u>	<u>Award Period</u>	<u>Grant Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
Department of Health and Human Services:						
Title XX Donated Fund Initiative	93.667	21X3DF3139	07/01/02 - 06/30/03	\$ 28,559	\$ 12,853	\$ 12,853
		21X40004DFI	07/01/03 - 06/30/04	28,559	15,614	15,614
					<u>28,467</u>	<u>28,467</u>
Department of Justice:						
* MEGSI - Expanding Multi-Jurisdictional Narcotic Units	16.579	402014	07/01/02 - 03/01/04	1,022,870	610,621	610,621
		400134	07/01/03 - 09/30/03	14,356	14,356	14,356
Local Law Enforcement Block Grant	16.592	200LBBX1279	10/01/00 - 09/30/02	15,911	15,911	15,911
Cops More Grant	16.710	2000SHWX0752	09/01/00 - 08/31/03	250,000	75,103	75,103
					<u>715,991</u>	<u>715,991</u>
Department of Homeland Security:						
Community Emergency Response Team	97.054	N/A	09/01/03 - 03/31/04	23,667	14,004	14,004
Assistance to Firefighters Grant	97.044	EMW2002FG15978	01/01/03 - 12/31/03	41,571	41,571	41,571
					<u>55,575</u>	<u>55,575</u>
Department of Education:						
Family Literacy Grant	84.002	FAM 03 032	07/01/02 - 06/30/03	35,000	35,000	35,000
Department of Transportation:						
State and Community Highway Safety	20.600	AL3-1205-105	10/01/02 - 09/30/03	71,191	18,552	18,552
Total Federal Awards					<u><u>\$ 853,585</u></u>	<u><u>\$ 853,585</u></u>
* Major Federal Award						
<u>State Grant</u>						
Illinois State Police - MEGSI Grant	N/A	FY 03	07/01/02 - 07/01/03	160,000	\$ 40,000	**
Illinois State Police - MEGSI Grant	N/A	FY 04	07/01/03 - 07/01/04	153,000	76,500	**
					<u><u>\$ 116,500</u></u>	<u><u>**</u></u>

** Actual disbursements are not applicable since the grant is based strictly on the existence of MEGSI and its operation.

See Notes to Schedule of Expenditures of Federal Awards

CITY OF COLLINSVILLE, ILLINOIS

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2003**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Collinsville, Illinois. The City's reporting entity is defined in Note 1 to the City's financial statements. Federal awards that have been passed through to other government agencies are included on the schedule.

Basis of Accounting

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

Relationship to Basic Financial Statements

Federal awards received are reflected in the City's financial statements within the governmental funds as revenue.

CITY OF COLLINSVILLE, ILLINOIS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003**

Part 1 -- Summary of Auditor's Results

- a) An unqualified opinion was issued in the report on the financial statements.
- b) No reportable conditions in internal control were disclosed by the audit of the financial statements of the City.
- c) The audit did not disclose any noncompliance which is material to the financial statements of the City
- d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements of the City.
- e) An unqualified opinion was issued in the report on compliance for major programs.
- f) The audit did not disclose any audit findings that are required to be reported under Section .510(a).
- g) The City's major program is MEGSI – CFDA #16.579.
- h) The dollar threshold to distinguish between Type A and Type B programs is \$300,000.
- i) The City qualifies as a low-risk auditee under Section .530.

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

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