



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, 2005**

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CITY OF COLLINSVILLE, ILLINOIS

CITY OFFICIALS

December 31, 2005

MAYOR

Stan Schaeffer

CITY MANAGER

Henry Sinda

CITY CLERK

Louis Jackstadt

CITY TREASURER

Tamara Ammann

CITY ATTORNEY

Paul Welch

CORPORATE COUNSEL

Steven Giacoletto

CITY COUNCIL

Nancy Moss

Joy Springer

John Miller

James Pulley

CITY OF COLLINSVILLE, ILLINOIS

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CITY OF COLLINSVILLE, ILLINOIS

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

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Tefeller
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, each major fund and the aggregate remaining fund information of the City of Collinsville, Illinois as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, each major fund and the aggregate remaining fund information of the City of Collinsville, Illinois as of December 31, 2005, 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.

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In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 11), budgetary comparison information (pages 49 to 51) and schedules of funding progress and employer contributions (pages 52 to 53) 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, Illinois' 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, Illinois. 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. Schlosser & Company, L.L.C.
Certified Public Accountants

April 7, 2006

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Management's Discussion and Analysis

For the year ended December 31, 2005

As management of the City of Collinsville, Illinois (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended, December 31, 2005.

FINANCIAL HIGHLIGHTS

On a government-wide basis, the assets of the City of Collinsville exceeded its liabilities for the most recent fiscal year by \$41,344,933. Of this amount, \$7,517,377 may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by \$1,935,554.
- At the end of 2005, unreserved fund balance for the General Fund was \$3,248,364 or 24.6% of total General Fund expenditures and transfers for the year.
- At the end of 2005, unreserved fund balance for all governmental funds combined was \$4,747,329 or 22.7% of total expenditures for the year.
- Net assets of the City's business-type activities increased by \$250,026.
- The City's total bonded debt decreased by \$935,000, a drop of 27.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. There are three components to the basic statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude fiduciary fund activities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Management's Discussion and Analysis

For the year ended December 31, 2005

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g. uncollected taxes and accrued vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and sanitation, community and economic development and community services. The business-type activities include water and sewer.

The government-wide financial statements can be found on pages 12 and 13 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary and fiduciary.

Governmental Funds. Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City of Collinsville maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for three major funds: General Fund, Liability Insurance Fund and Tax Increment Financing Fund. Data from the other governmental

CITY OF COLLINSVILLE, ILLINOIS
Management's Discussion and Analysis

For the year ended December 31, 2005

funds are combined into a single, aggregated presentation called "Other Governmental Funds." Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules in the other supplementary information section of this report.

The City adopts an annual budget for all governmental funds. Budgetary comparison schedules have been provided to demonstrate legal compliance with the adopted budget.

The governmental fund financial statements can be found on pages 14 and 16 of this report.

Proprietary funds. Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The City of Collinsville uses an enterprise fund to account for its water and sewer operations.

The basic proprietary fund financial statements can be found on pages 18, 19 and 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 own programs. The accounting used for fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements can be found on page 21 and 22 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 23 of this report.

Other supplementary information. The combining and individual fund statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 through 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year that the City has presented its financial statements under the new reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$41,344,933 at the close of the most recent fiscal year (December 31, 2005).

Management's Discussion and Analysis

For the year ended December 31, 2005

By far the largest portion of the City's net assets (75.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The condensed statement of net assets is as follows:

	Governmental Activities		Business-type Activities		Total	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
ASSETS						
Current and other assets	\$ 9,120,764	10,359,200	3,757,870	3,984,807	12,878,634	14,344,007
Capital assets, net	12,789,173	9,971,135	21,257,003	21,488,088	34,046,176	31,459,223
Total assets	<u>21,909,937</u>	<u>20,330,335</u>	<u>25,014,873</u>	<u>25,472,895</u>	<u>46,924,810</u>	<u>45,803,230</u>
LIABILITIES						
Other liabilities	1,878,919	1,645,536	1,042,613	1,332,303	2,921,532	2,977,839
Long-term liabilities	1,702,223	2,041,532	956,122	1,374,480	2,658,345	3,416,012
Total liabilities	<u>3,581,142</u>	<u>3,687,068</u>	<u>1,998,735</u>	<u>2,706,783</u>	<u>5,579,877</u>	<u>6,393,851</u>
NET ASSETS						
Invested in capital assets, net of related debt	11,023,768	7,876,775	20,072,702	19,580,041	31,096,470	27,456,816
Restricted	2,731,086	4,331,703	-	627,730	2,731,086	4,959,433
Unrestricted	4,573,941	4,434,789	2,943,436	2,558,341	7,517,377	6,993,130
Total net assets	<u>\$ 18,328,795</u>	<u>16,643,267</u>	<u>23,016,138</u>	<u>22,766,112</u>	<u>41,344,933</u>	<u>39,409,379</u>

A portion of the City's net assets (6.6%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,517,377) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City of Collinsville's net assets increased, or improved, by \$1,935,554 during the current fiscal year. This increase is less than prior years' but represents the degree to which increases in ongoing revenues have outpaced similar increases in ongoing expenses.

Governmental activities. Governmental activities increased the City's net assets by \$1,685,528, thereby accounting for 87% of the total growth in the net assets of the City of Collinsville.

Management's Discussion and Analysis

For the year ended December 31, 2005

Business-type activities. Business-type activities increased the City's net assets by \$250,026, thereby accounting for 13% of the total growth in the net assets of the City of Collinsville. For the most part, increases in expenses closely paralleled inflation and growth in the demand for water and sewer services. Water and sewer fees are adjusted each year to insure that revenues also keep up with inflation. The \$109,662 or 2.2% increase in expenses was offset by a \$300,187 or 5.7% increase in revenues in the business-type activities. The condensed statement of activities is as follows:

	Governmental Activities		Business-type Activities		Total	
	For The Year Ended December 31, 2005	For The Year Ended December 31, 2004	For The Year Ended December 31, 2005	For The Year Ended December 31, 2004	For The Year Ended December 31, 2005	For The Year Ended December 31, 2004
REVENUES						
Program revenues:						
Charges for services	\$ 3,471,702	3,141,515	5,546,280	5,246,093	9,017,982	8,387,608
Federal, state and county grants	1,151,242	1,112,923	-	-	1,151,242	1,112,923
General revenues:						
Property taxes	3,258,191	2,945,981	-	-	3,258,191	2,945,981
Sales taxes	5,212,653	5,100,145	-	-	5,212,653	5,100,145
State income taxes	1,865,028	1,581,396	-	-	1,865,028	1,581,396
Motor fuel taxes	735,202	720,021	-	-	735,202	720,021
Telecommunications taxes	1,101,544	1,158,028	-	-	1,101,544	1,158,028
Utility taxes	822,865	650,621	-	-	822,865	650,621
Franchise fees	269,377	288,562	-	-	269,377	288,562
Investment earnings	250,159	119,357	80,004	42,878	330,163	162,235
Miscellaneous	341,599	275,334	-	-	341,599	275,334
Transfers	300,000	256,301	(300,000)	(300,000)	-	(43,699)
Total revenues	<u>18,779,562</u>	<u>17,350,184</u>	<u>5,326,284</u>	<u>4,988,971</u>	<u>24,105,846</u>	<u>22,339,155</u>
EXPENSES						
Governmental activities:						
General government	1,721,188	1,659,517	-	-	1,721,188	1,659,517
Public safety	7,945,928	6,909,889	-	-	7,945,928	6,909,889
Public works	2,393,157	2,421,557	-	-	2,393,157	2,421,557
Health and sanitation	1,252,739	1,198,901	-	-	1,252,739	1,198,901
Community development	2,175,968	2,175,082	-	-	2,175,968	2,175,082
Community services	1,511,882	455,202	-	-	1,511,882	455,202
Interest on long-term debt	93,172	107,016	-	-	93,172	107,016
Business-type activities:						
Water and sewer	-	-	5,076,258	4,966,596	5,076,258	4,966,596
Total expenses	<u>17,094,034</u>	<u>14,927,164</u>	<u>5,076,258</u>	<u>4,966,596</u>	<u>22,170,292</u>	<u>19,893,760</u>
Change in net assets	1,685,528	2,423,020	250,026	22,375	1,935,554	2,445,395
Net assets - beginning	<u>16,643,267</u>	<u>14,220,247</u>	<u>22,766,112</u>	<u>22,743,737</u>	<u>39,409,379</u>	<u>36,963,984</u>
Net assets - ending	<u>\$ 18,328,795</u>	<u>16,643,267</u>	<u>23,016,138</u>	<u>22,766,112</u>	<u>41,344,933</u>	<u>39,409,379</u>

FUNDS FINANCIAL ANALYSIS

As noted earlier, the City of Collinsville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2004, the City's governmental funds reported combined ending fund balances of \$7,932,145, a decrease of \$1,456,661 in comparison with the prior year. Approximately 84% of this total amount (\$6,698,431) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. However, \$3,450,067 (51.5% of the total unreserved governmental funds fund balance) has been designated for specific purposes. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed or is subject to external restrictions:

1. For debt service (\$387,264)
2. For employees' retirement benefit (\$14,700)
3. For inventory (\$87,384)
4. For police forfeitures (\$166,865)
5. For fire equipment (\$66,224)
6. For animal shelter project (\$511,277)

The general fund is the chief operating fund of the City of Collinsville. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$3,248,364, while total fund balance reached \$3,568,837. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.4% of total general fund expenditures, while total fund balance represents 27.9% of that same amount.

The fund balance of the City's general fund decreased by \$268,825 during the current fiscal year. Key factors in this decline are as follows:

- Public safety expenditures increased by \$936,061 or 14.9% due to increases in personnel costs including increased salaries, health insurance benefits, retroactive payments (due upon settlement of union contract) and tuition reimbursements.
- Operating transfers out increased by \$400,000 due to the general fund assisting the capital projects fund with reconstruction of St. Clair Avenue from Arrowhead to South Morrison.

CITY OF COLLINSVILLE, ILLINOIS

Management's Discussion and Analysis

For the year ended December 31, 2005

The tax increment financing (TIF) fund is a major special revenue fund of the City. Its resources are to be used entirely for leveraging development within the boundaries of the City's three tax increment financing districts. At the end of the current fiscal year, the unreserved fund balance of the TIF fund was \$1,498,965, which is a decrease of \$1,688,214 from 2004. Key factors in this decline are the renovation of the former police station into a new fire station and payments to the Collinsville Convention Center in accordance with the City's agreement to assist with its expansion.

Proprietary fund. The City of Collinsville's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$2,943,436, an increase of \$385,095 or 15%. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were no budget adjustments. Actual expenditures in the general fund were \$115,232 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Collinsville's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$34,046,176, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total increase in capital assets for the current year was \$2,586,953 or 8.2% (a \$2,818,038 or 28.3% increase for governmental activities and a \$231,085 or 1.1% decrease for business-type activities.)

The major portion of the increase for governmental activities was due to construction of a new fire station, which is reflected in the buildings and improvements amount as well as the construction of a new intersection at Collinsville Road and St. Louis Road near Collinsville Middle School, which is reflected in the infrastructure amount. The City's capital assets, net of depreciation, are as follows:

Management's Discussion and Analysis

For the year ended December 31, 2005

	Governmental Activities		Business-type Activities		Total	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Land	\$ 315,797	319,708	377,205	377,205	693,002	696,913
Construction in progress	-	-	455,178	-	455,178	-
Buildings and improvements	5,281,811	3,975,449	5,866,443	6,125,579	11,148,254	10,101,028
Water and sewer lines	-	-	13,582,439	14,047,088	13,582,439	14,047,088
Equipment	1,093,777	1,397,579	917,817	852,347	2,011,594	2,249,926
Vehicles	924,811	1,008,649	57,921	85,869	982,732	1,094,518
Infrastructure	5,172,977	3,269,750	-	-	5,172,977	3,269,750
Total net assets	\$ 12,789,173	9,971,135	21,257,003	21,488,088	34,046,176	31,459,223

For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of 2005. Fund financial statements record capital asset purchases as expenditures.

Additional information on the City's capital assets can be found in Note 4 on pages 35 and 36 of this report.

Long-term Debt

At the end of 2005, the City of Collinsville had total long-term debt obligations for governmental and business-type activities in the amount of \$2,460,000 compared to \$3,395,000 at the end of 2004. All of the bonds are backed by the full faith and credit of the City.

The following bonds are covered by insurance policies insuring the payment of principal and interest when due. Consequently, the bonds have been assigned a rating of "Aaa" by Moody's Investor Services, Inc.

	Governmental Activities		Business-type Activities		Total	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
General Obligation Debt:						
Tax Increment Bonds, Series 1997	\$ 1,170,000	1,425,000	-	-	1,170,000	1,425,000
Refunding Bonds (Tax Increment Alternate Revenue) Series 2003B	595,000	655,000	-	-	595,000	655,000
Refunding Bonds Series 2003A	-	-	695,000	1,025,000	695,000	1,025,000
Alternative Revenue Refunding Bonds Series 1998	-	-	-	290,000	-	290,000
Total Debt	\$ 1,765,000	2,080,000	695,000	1,315,000	2,460,000	3,395,000

Management's Discussion and Analysis

For the year ended December 31, 2005

As of December 31, 2005, the outstanding balance on a loan from the Illinois Environmental Protection Agency amounted to \$502,933. 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.

Additional information regarding the City's long-term debt can be found in Note 6 on pages 37 through 39 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Collinsville, Director of Finance, 125 South Center Street, Collinsville, IL 62234.

CITY OF COLLINSVILLE, ILLINOIS

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 6,379,050	\$ 1,587,209	\$ 7,966,259
Investments	669,153	565,516	1,234,669
Receivables (Net of allowance for uncollectibles):	1,977,561	942,480	2,920,041
Inventory	87,384	166,233	253,617
Prepaid Expenses	-	164,051	164,051
Restricted Assets:			
Cash and Cash Equivalents	-	325,445	325,445
Capital Assets:			
Land	315,797	377,205	693,002
Buildings and Improvements	6,645,014	11,843,697	18,488,711
Equipment	3,888,384	2,265,923	6,154,307
Vehicles	2,755,095	883,224	3,638,319
Infrastructure	5,408,254	29,829,944	35,238,198
Less: Accumulated Depreciation	<u>(6,223,371)</u>	<u>(23,942,990)</u>	<u>(30,166,361)</u>
Net Capital Assets	12,789,173	21,257,003	34,046,176
Other Assets	<u>7,616</u>	<u>6,936</u>	<u>14,552</u>
Total Assets	<u>21,909,937</u>	<u>25,014,873</u>	<u>46,924,810</u>
<u>Liabilities</u>			
Accounts Payable	491,999	102,927	594,926
Accrued Wages	601,225	65,825	667,050
Accrued Interest Payable	1,593	1,261	2,854
Liabilities Payable from Restricted Assets	87,779	325,445	413,224
Noncurrent Liabilities:			
Due Within One Year	696,323	547,155	1,243,478
Due in More Than One Year	<u>1,702,223</u>	<u>956,122</u>	<u>2,658,345</u>
Total Liabilities	<u>3,581,142</u>	<u>1,998,735</u>	<u>5,579,877</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	11,023,768	20,072,702	31,096,470
Restricted for:			
Debt Service	385,671	-	385,671
Economic Development	1,498,965	-	1,498,965
Other Purposes	846,450	-	846,450
Unrestricted	<u>4,573,941</u>	<u>2,943,436</u>	<u>7,517,377</u>
Total Net Assets	<u>\$ 18,328,795</u>	<u>\$ 23,016,138</u>	<u>\$ 41,344,933</u>

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, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 1,721,188	\$ 346,337	\$ 3,468	\$ -	\$ (1,371,383)	\$	\$ (1,371,383)
Public Safety	7,945,928	1,037,823	221,900	55,000	(6,631,205)		(6,631,205)
Public Works	2,393,157	45,926	31,584	746,437	(1,569,210)		(1,569,210)
Health and Sanitation	1,252,739	1,022,320	-	-	(230,419)		(230,419)
Community and Economic Development	2,175,968	1,015,837	64,697	-	(1,095,434)		(1,095,434)
Community Services	1,511,882	3,459	28,156	-	(1,480,267)		(1,480,267)
Interest on Long-term Debt	93,172	-	-	-	(93,172)		(93,172)
Total Governmental Activities (see Note 1)	17,094,034	3,471,702	349,805	801,437	(12,471,090)		(12,471,090)
Business-type Activities:							
Water and Sewer	5,076,258	5,546,280	-	-	\$ 470,022	\$	470,022
Total Business-type Activities	5,076,258	5,546,280	-	-	470,022		470,022
Total Primary Government	\$ 22,170,292	\$ 9,017,982	\$ 349,805	\$ 801,437	(12,471,090)		(12,001,068)
General Revenues:							
Property Tax, Levied for General Purposes					3,258,191	-	3,258,191
Sales and Use Tax					5,212,653	-	5,212,653
Replacement Tax					79,034	-	79,034
State Income Tax					1,865,028	-	1,865,028
Motor Fuel Tax					735,202	-	735,202
Telecommunications Tax					1,101,544	-	1,101,544
Utility Tax					822,865	-	822,865
Franchise Fees					269,377	-	269,377
Other					156,826	-	156,826
Grants and Contributions not Restricted to Specific Programs					1,759	-	1,759
Unrestricted Investment Earnings					250,159	80,004	330,163
Miscellaneous					103,980	-	103,980
Transfers					300,000	(300,000)	-
Total General Revenues and Transfers					14,156,618	(219,996)	13,936,622
Change in Net Assets					1,685,528	250,026	1,935,554
Net Assets - Beginning					16,643,267	22,766,112	39,409,379
Net Assets - Ending					\$ 18,328,795	\$ 23,016,138	\$ 41,344,933

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

CITY OF COLLINSVILLE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General Fund</u>	<u>Liability Insurance Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents:					
Cash	\$ 777,447	\$ -	\$ 170,459	\$ 731,777	\$ 1,679,683
Seized Funds Escrow	89,226	-	-	-	89,226
Investments	1,986,708	-	569,636	2,053,797	4,610,141
Total Cash and Cash Equivalents	<u>2,853,381</u>	<u>-</u>	<u>740,095</u>	<u>2,785,574</u>	<u>6,379,050</u>
Investments	-	-	669,153	-	669,153
Receivables (Net, where applicable, of allowances for uncollectibles):					
Property Tax	800,400	432,500	-	340,600	1,573,500
Services	325,292	-	-	176,802	502,094
Intergovernmental	1,137,344	-	186,455	75,479	1,399,278
Accrued Interest	-	-	3,723	-	3,723
Other	72,466	-	-	-	72,466
Inventory	87,384	-	-	-	87,384
Total Assets	<u>\$ 5,276,267</u>	<u>\$ 432,500</u>	<u>\$ 1,599,426</u>	<u>\$ 3,378,455</u>	<u>\$ 10,686,648</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts Payable	\$ 219,639	\$ -	\$ 98,848	\$ 173,512	\$ 491,999
Accrued Wages and Compensated Absences	599,612	-	1,613	-	601,225
Liabilities Payable from Restricted Assets:					
Seized Fund Escrow Liability	87,779	-	-	-	87,779
Deferred Revenue	800,400	432,500	-	340,600	1,573,500
Total Liabilities	<u>1,707,430</u>	<u>432,500</u>	<u>100,461</u>	<u>514,112</u>	<u>2,754,503</u>
Fund Equity:					
Fund Balance:					
Reserved For:					
Debt Service	-	-	-	387,264	387,264
Employees' Retirement Benefit	-	-	-	14,700	14,700
Inventory	87,384	-	-	-	87,384
Forfeited Funds	166,865	-	-	-	166,865
Fire Equipment	66,224	-	-	-	66,224
Other	-	-	-	511,277	511,277
Unreserved	3,248,364	-	1,498,965	-	4,747,329
Unreserved, Reported In:					
Special Revenue Funds	-	-	-	1,695,263	1,695,263
Capital Projects Fund	-	-	-	255,839	255,839
Total Fund Equity	<u>3,568,837</u>	<u>-</u>	<u>1,498,965</u>	<u>2,864,343</u>	<u>7,932,145</u>
Total Liabilities and Fund Equity	<u>\$ 5,276,267</u>	<u>\$ 432,500</u>	<u>\$ 1,599,426</u>	<u>\$ 3,378,455</u>	<u>\$ 10,686,648</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, 2005**

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 7,932,145
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	12,789,173
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(633,546)
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(1,765,000)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(1,593)
Debt issuance costs are not reported as an asset to be amortized on the balance sheet of the governmental funds.	7,616
Net assets of governmental activities	<u>\$ 18,328,795</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, 2005

	<u>General Fund</u>	<u>Liability Insurance Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Tax	\$ 899,380	\$ 431,769	\$ 1,647,556	\$ 279,486	\$ 3,258,191
Intergovernmental:					
Sales and Use Tax	4,542,085	-	1,304,554	-	5,846,639
Replacement Tax	64,334	-	-	14,700	79,034
State Income Tax	1,865,028	-	-	-	1,865,028
Motor Fuel Tax	-	-	-	735,202	735,202
Telecommunications Tax	1,101,544	-	-	-	1,101,544
Grants	180,832	-	18,000	68,584	267,416
Other	156,826	-	-	-	156,826
Other Local Taxes	18,414	-	-	1,828,202	1,846,616
Drug Forfeiture Revenue	227,190	-	-	-	227,190
Licenses, Fees and Permits	553,867	-	-	-	553,867
Charges for Services	1,704,074	-	-	-	1,704,074
Fines	168,391	-	-	-	168,391
Investment Earnings	76,792	5,153	89,248	78,966	250,159
Gifts and Donations	72,692	-	-	1,759	74,451
Miscellaneous Revenues and Reimbursements	171,697	-	64,697	746,437	982,831
Total Revenues	<u>11,803,146</u>	<u>436,922</u>	<u>3,124,055</u>	<u>3,753,336</u>	<u>19,117,459</u>
Expenditures:					
Current:					
General Government	2,322,431	-	-	4,188	2,326,619
Public Safety	7,231,530	-	-	6,876	7,238,406
Public Works	1,652,441	-	49,587	299,371	2,001,399
Health and Sanitation	1,252,739	-	-	-	1,252,739
Community and Economic Development	180,411	-	983,620	1,005,499	2,169,530
Community Services	107,362	-	1,403,269	-	1,510,631
Debt Service:					
Principal	-	-	255,000	85,442	340,442
Interest	-	-	72,038	21,234	93,272
Capital Outlay	61,270	-	1,982,040	1,901,716	3,945,026
Total Expenditures	<u>12,808,184</u>	<u>-</u>	<u>4,745,554</u>	<u>3,324,326</u>	<u>20,878,064</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,005,038)</u>	<u>436,922</u>	<u>(1,621,499)</u>	<u>429,010</u>	<u>(1,760,605)</u>
Other Financing Sources (Uses):					
Operating Transfers In	1,132,269	-	-	-	1,132,269
Operating Transfers Out	(400,000)	(436,922)	(66,715)	71,368	(832,269)
Total Other Financing Sources	<u>732,269</u>	<u>(436,922)</u>	<u>(66,715)</u>	<u>71,368</u>	<u>300,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(272,769)</u>	<u>-</u>	<u>(1,688,214)</u>	<u>500,378</u>	<u>(1,460,605)</u>
Fund Balance, Beginning of Year	3,837,662	-	3,187,179	2,363,965	9,388,806
Increase in Reserve for Inventory	3,944	-	-	-	3,944
Fund Balance, End of Year	<u>\$ 3,568,837</u>	<u>\$ -</u>	<u>\$ 1,498,965</u>	<u>\$ 2,864,343</u>	<u>\$ 7,932,145</u>

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, 2005**

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

Net change in fund balances - total governmental funds \$ (1,460,605)

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. 2,818,038

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. (12,925)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is 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. 337,076

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. 3,944

Change in net assets of governmental activities \$ 1,685,528

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, 2005

Assets:		
Current Assets:		
Cash and Cash Equivalents:		
Cash	\$ 934,554	\$ 102,927
Investments	652,655	65,825
Total Cash and Cash Equivalents	<u>1,587,209</u>	<u>95,584</u>
Investments	565,516	264,336
Receivables (Net, where applicable, of allowances for uncollectibles):		
Services	938,757	325,445
Accrued Interest	3,723	345,000
Inventory	166,233	1,261
Prepaid Expenses	164,051	
Total Current Assets	<u>3,425,489</u>	<u>671,706</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents - Investments:		
Customer Deposits	325,445	312,040
Total Restricted Assets	<u>325,445</u>	<u>502,933</u>
Capital Assets:		
Land	377,205	695,000
Buildings and Improvements	11,843,697	(440,584)
Equipment	2,265,923	(6,696)
Vehicles	883,224	1,062,693
Water and Sewer Lines	29,829,944	1,998,735
Total	<u>45,199,993</u>	
Less - Accumulated Depreciation	<u>(23,942,990)</u>	
Net Capital Assets	<u>21,257,003</u>	

Other Assets:		
Bond Issuance Costs	6,936	20,072,702
Total Other Assets	<u>6,936</u>	<u>2,943,436</u>
Total Noncurrent Assets	<u>21,589,384</u>	
Total Assets	<u>\$ 25,014,873</u>	<u>\$ 23,016,138</u>

Liabilities:	
Current Liabilities:	
Accounts Payable	
Accrued Wages	
Loan Payable	
Total Current Liabilities	
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	
Current Portion of Bonds	
Accrued Interest Payable	
Total Current Liabilities Payable from Restricted Assets	
Noncurrent Liabilities:	
Accrued Compensated Absences	
Loan Payable	
General Obligation Bonds - 2003A Series	
Current Portion Of Debt	
Deferred Refunding Expense	
Total Noncurrent Liabilities	
Total Liabilities	

Net Assets:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	
Total Net Assets	

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, 2005

Operating Revenues:	
Charges for Services	\$ 5,123,602
Fees	337,969
Miscellaneous Revenue	84,709
Total Operating Revenues	<u>5,546,280</u>
Operating Expenses:	
Salaries	1,560,221
Employee Benefits	543,239
Maintenance	114,004
Contractual Services	1,179,141
Commodities	486,559
Miscellaneous	18,804
Bad Debt Expense	78,824
Depreciation	1,034,048
Total Operating Expenses	<u>5,014,840</u>
Operating Income	<u>531,440</u>
Nonoperating Revenues (Expenses):	
Amortization of Deferred Refunding and Bond Issuance Costs	(16,300)
Investment Earnings	80,004
Interest and Fiscal Charges	(45,118)
Total Nonoperating Revenues (Expenses)	<u>18,586</u>
Income Before Transfers	550,026
Transfers Out	<u>(300,000)</u>
Change in Net Assets	250,026
Net Assets - Beginning of Year	<u>22,766,112</u>
Net Assets - End of Year	<u>\$ 23,016,138</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, 2005

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 5,467,530
Payments to Suppliers	(2,408,706)
Payments to Employees	(1,522,984)
Net Cash Provided by Operating Activities	<u>1,535,840</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	(802,963)
Principal Payments on Bonds	(620,000)
Interest Payments and Fiscal Charges	(49,998)
Principal Payments on Lease/Loan	(93,206)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,566,167)</u>
Cash Flows from Investing Activities:	
Interest Received	79,332
Net Purchase of Long-Term Investments	(19,597)
Net Cash Provided by Investing Activities	<u>59,735</u>
Net Decrease in Cash and Cash Equivalents	(270,592)
Cash and Cash Equivalents, Beginning of Year	<u>2,183,246</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,912,654</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 531,440
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	1,034,048
(Increase) Decrease in Assets:	
Services Receivables	(179)
Inventory	(27,024)
Prepaid Expenses	(5,759)
Increase (Decrease) in Liabilities:	
Accrued Wages and Compensated Absences	37,237
Accounts Payable	(34,176)
Restricted Customer Deposits	253
Net Cash Provided by Operating Activities	<u>\$ 1,535,840</u>

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, 2005**

Assets:

Cash and Cash Equivalents:

Cash \$ 456,053

Investments 447,549

Investments 27,592,814

Receivables:

Property Tax 640,600

Replacement Tax 22,661

Accrued Interest 138,141

Total Assets 29,297,818

Liabilities:

Accounts Payable 15,000

Total Liabilities 15,000

Net Assets:

Held in Trust For Pension

Benefits and Other Purposes \$ 29,282,818

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, 2005

Additions:

Taxes	\$ 829,077
Employee Contributions	330,793
Investment Earnings:	
Investment Earnings	1,645,235
Less: Investment Expense	(88,173)
Net Investment Earnings	<u>1,557,062</u>
Total Additions	<u>2,716,932</u>

Deductions:

Benefit Payments	1,433,559
Contractual Services	19,236
Total Deductions	<u>1,452,795</u>

Change in Net Assets 1,264,137

Net Assets - Beginning of Year 28,018,681

Net Assets - End of Year \$ 29,282,818

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

CITY OF COLLINSVILLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

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, health and sanitation, community and economic development, community services, 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. Component units are legally separate entities for which the City is financially accountable. The City did not report any component units in the City's financial statements.

Related organization

The City's Mayor and Council are 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 City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

(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

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, intergovernmental revenues, franchise taxes 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 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 fund accounts 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 accumulate resources for pension benefit payments to qualified public safety employees.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and 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.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 28,703
General Fund	Ambulance Receivables	278,356
Proprietary Fund	Water and Sewer Receivables	<u>216,213</u>
Total		<u>\$ 523,272</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.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2004 property taxes on December 13, 2004 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 2005 become an enforceable lien in January 2006. Because this tax levy will be used to pay expenses budgeted in 2006, no part of this tax levy is shown as a receivable as of December 31, 2005 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.

At December 31, 2005, the following amounts are reported as restricted accounts by the City:

Waterworks and Sewerage Customer Deposits	\$ 325,445
---	------------

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.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City did not record any capitalized interest in the current year, due to any amounts being immaterial.

Property, plant and equipment are 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, 2005, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$361,323 and \$272,223, respectively. Amounts reflected in the financial statements at December 31, 2005 for Enterprise Fund employees related to unused vacation and sick leave benefits totaled \$106,571 and \$205,469, 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 any related deferred refunding costs. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 87,384
Reserved for Future Projects	511,277
Reserved for Forfeited Funds	166,865
Reserved for Fire Equipment	66,224
Reserved for Employees' Retirement	
Benefits	14,700
Reserved for Debt Service	<u>387,264</u>
	<u>\$ 1,233,714</u>

Fiduciary Funds

Reserved for Employees' Pension	
Benefits	<u>\$ 29,282,818</u>

Estimates

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

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

(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, 2005:

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 modified 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 modified cash basis of accounting.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2005.

(b) Excess Expenditures/Expenses Over Appropriations

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

NOTE 3: CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government & Business-Like Activities

At December 31, 2005, the carrying amount of the City's deposits was \$5,450,069 and the bank balance was \$5,770,377. The deposits were comprised of checking, interest checking, savings, money market and certificates of deposit.

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

As of December 31, 2005, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Illinois Metropolitan Investment Fund	1.00	\$ 1,110,524
The Illinois Funds (external investment pool)	13.00	<u>2,965,300</u>
		4,075,824
Cash on Hand		480
Deposits as reported above		<u>5,450,069</u>
Total deposits and investments		<u>\$ 9,526,373</u>
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		\$ 7,966,259
Cash and Cash Equivalents - Restricted		325,445
Investments		<u>1,234,669</u>
		<u>\$ 9,526,373</u>

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Credit Risk. As of December 31, 2005, the credit rating of the City's investments was as follows:

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

Concentration of Credit Risk. As of December 31, 2005, the City did not have a concentration of credit risk.

Foreign Currency Risk. As of December 31, 2005, the City has no foreign currency risk.

Firefighter's Pension Fund

At December 31, 2005, the carrying amount of the Firefighter's Pension Fund deposits was \$5,880,441 and the bank balance was \$5,893,851. The deposits were comprised of interest checking, money market and certificates of deposit.

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

As of December 31, 2005, the Firefighter's Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	13.00 (Days)	\$ 447,549
U.S. Treasury Notes	3.80	909,370
Federal National Mortgage Association	4.78	252,264
Federal Home Loan Bank	1.35	187,966
Federal Home Loan Mortgage	3.69	160,279
Mutual Funds	--	<u>6,444,209</u>
		8,401,637
Deposits as reported above		<u>5,880,441</u>
Total deposits and investments		<u>\$ 14,282,078</u>

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Credit Risk. As of December 31, 2005, the Firefighter's Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage	AAA	Aaa

Concentration of Credit Risk. As of December 31, 2005, the Firefighter's Pension Fund has no concentration of credit risk.

Foreign Currency Risk. As of December 31, 2005, the Firefighter's Pension Fund has no foreign currency risk.

Police Pension Fund

At December 31, 2005, the carrying amount of the Police Pension Fund's deposits was \$443,211 and the bank balance was \$475,243. The deposits were comprised of checking and interest checking.

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

As of December 31, 2005, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
U.S. Treasury Bonds	24.84	\$ 1,249,377
U.S. Treasury Notes	11.02	1,063,607
Federal National Mortgage Association	10.11	3,127,557
Federal Home Loan Bank	1.85	1,584,923
Federal Home Loan Mortgage	4.60	107,820
Federal Farm Credit Bank	1.16	800,000
Government National Mortgage Association	24.25	797,489
Domestic Equities	--	5,040,354
		<u>13,771,127</u>
Deposits as reported above		<u>443,211</u>
Total deposits and investments		<u>\$ 14,214,338</u>

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Credit Risk. As of December 31, 2005, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Federal National Mortgage Association	AAA	Aaa
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa

Concentration of Credit Risk. As of December 31, 2005, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Federal National Mortgage Association	22.00%
Federal Home Loan Bank	11.15%
Federal Farm Credit Bank	5.63%

Foreign Currency Risk. As of December 31, 2005, the Police Pension Fund has no foreign currency risk.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 319,708	\$ -	\$ 3,911	\$ 315,797
Capital assets, being depreciated:				
Buildings and improvements	5,480,497	1,564,596	400,079	6,645,014
Equipment	4,129,510	107,709	348,835	3,888,384
Vehicles	2,797,295	205,385	247,585	2,755,095
Infrastructure	3,340,918	2,067,336	-	5,408,254
Total capital assets being depreciated	<u>15,748,220</u>	<u>3,945,026</u>	<u>996,499</u>	<u>18,696,747</u>
Less accumulated depreciation for:				
Buildings and improvements	1,505,048	258,234	400,079	1,363,203
Equipment	2,731,931	411,511	348,835	2,794,607
Vehicles	1,788,646	289,223	247,585	1,830,284
Infrastructure	71,168	164,109	-	235,277
Total accumulated depreciation	<u>6,096,793</u>	<u>1,123,077</u>	<u>996,499</u>	<u>6,223,371</u>
Total capital assets, being depreciated, net	<u>9,651,427</u>	<u>2,821,949</u>	<u>-</u>	<u>12,473,376</u>
Governmental activities capital assets, net	<u>\$ 9,971,135</u>	<u>\$ 2,821,949</u>	<u>\$ 3,911</u>	<u>\$ 12,789,173</u>

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 377,205	\$ -	\$ -	\$ 377,205
Construction in progress	-	455,178	-	455,178
Total capital assets, not being depreciated	<u>377,205</u>	<u>455,178</u>	<u>-</u>	<u>832,383</u>
Capital assets, being depreciated:				
Buildings and improvements	11,843,697	9,492	-	11,853,189
Water and sewer lines	29,213,990	160,776	-	29,374,766
Equipment	2,078,914	177,517	-	2,256,431
Vehicles	883,224	-	-	883,224
Total capital assets, being depreciated	<u>44,019,825</u>	<u>347,785</u>	<u>-</u>	<u>44,367,610</u>
Less accumulated depreciation for:				
Buildings and improvements	5,718,118	268,628	-	5,986,746
Water and sewer lines	15,166,902	625,425	-	15,792,327
Equipment	1,226,567	112,047	-	1,338,614
Vehicles	797,355	27,948	-	825,303
Total accumulated depreciation	<u>22,908,942</u>	<u>1,034,048</u>	<u>-</u>	<u>23,942,990</u>
Total capital assets, being depreciated, net	<u>21,110,883</u>	<u>(686,263)</u>	<u>-</u>	<u>20,424,620</u>
Business-type activities capital assets, net	<u>\$ 21,488,088</u>	<u>\$ (231,085)</u>	<u>\$ -</u>	<u>\$ 21,257,003</u>

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

Governmental activities:	
General government	\$ 37,258
Public safety	683,096
Highways and streets, including depreciation of general infrastructure assets	397,951
Community and economic development	3,521
Community services	<u>1,251</u>
Total depreciation expense - governmental activities	<u>\$ 1,123,077</u>
Business-type activities:	
Water and sewer	<u>\$ 1,034,048</u>

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: RECEIVABLES

The City reports the following receivables in the statement of net assets as of December 31, 2005. These amounts are reported net of the applicable allowances for uncollectible accounts.

	<u>General</u>	<u>Other Major Funds</u>	<u>Water and Sewer</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ -	\$ 3,723	\$ 3,723	\$ -	\$ 7,446
Fines/Franchise Fees	72,466	-	-	-	72,466
Accounts	632,351	-	1,154,970	176,802	1,964,123
Intergovernmental	<u>1,137,344</u>	<u>186,455</u>	<u>-</u>	<u>75,479</u>	<u>1,399,278</u>
Gross Receivables	1,842,161	190,178	1,158,693	252,281	3,443,313
Less: Allowance for uncollectible	<u>307,059</u>	<u>-</u>	<u>216,213</u>	<u>-</u>	<u>523,272</u>
Net Total Receivables	<u>\$ 1,535,102</u>	<u>\$ 190,178</u>	<u>\$ 942,480</u>	<u>\$ 252,281</u>	<u>\$ 2,920,041</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	\$ 1,573,500	\$ --

NOTE 6: 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, 2005 is \$595,000.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

\$2,900,000 General Obligation Tax Increment Bonds, Series 1997 dated May 15, 1997, due in annual installments of \$270,000 to \$315,000 through December 30, 2009; interest at 5.00% 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, 2005 is \$1,170,000.

\$1,345,000 General Obligation Refunding Bonds (Current Refunding Water and Sewer Portion), Series 2003A, dated September 3, 2003, due in annual installments of \$345,000 to \$350,000 through December 1, 2007; interest at 2.00% to 2.35%. The amount of bonds outstanding as of December 31, 2005 is \$695,000.

The annual requirements to retire general obligation debt as of December 31, 2005 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>
2006	\$ 335,000	\$ 78,533	\$ 345,000	\$ 15,125
2007	355,000	63,733	350,000	8,225
2008	365,000	47,695	-	-
2009	385,000	30,575	-	-
2010	75,000	12,183	-	-
2011 - 2013	<u>250,000</u>	<u>19,704</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,765,000</u>	<u>\$ 252,423</u>	<u>\$ 695,000</u>	<u>\$ 23,350</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.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to retire the loan are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,584	\$ 12,148	\$ 107,732
2007	98,023	9,709	107,732
2008	100,523	7,209	107,732
2009	103,087	4,645	107,732
2010	<u>105,716</u>	<u>2,016</u>	<u>107,732</u>
	<u>\$ 502,933</u>	<u>\$ 35,727</u>	<u>\$ 538,660</u>

The following is a summary of changes in long-term liabilities for the year ended December 31, 2005:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General obligation debt	\$ 2,080,000	\$ -	\$ 315,000	\$ 1,765,000	\$ 335,000
Equipment lease	<u>25,442</u>	<u>-</u>	<u>25,442</u>	<u>-</u>	<u>-</u>
	2,105,442	-	340,442	1,765,000	335,000
Less: deferred amount on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bonds and leases payable	2,105,442	-	340,442	1,765,000	335,000
Other liabilities:					
Compensated absences	<u>620,621</u>	<u>12,925</u>	<u>-</u>	<u>633,546</u>	<u>361,323</u>
Governmental activities long-term liabilities	<u>\$ 2,726,063</u>	<u>\$ 12,925</u>	<u>\$ 340,442</u>	<u>\$ 2,398,546</u>	<u>\$ 696,323</u>
<u>Business-type Activities:</u>					
Bonds and notes payable:					
General obligation debt	\$ 1,315,000	\$ -	\$ 620,000	\$ 695,000	\$ 345,000
IEPA Loan	<u>596,139</u>	<u>-</u>	<u>93,206</u>	<u>502,933</u>	<u>95,584</u>
	1,911,139	-	713,206	1,197,933	440,584
Less: deferred amount on refunding	<u>13,420</u>	<u>-</u>	<u>6,724</u>	<u>6,696</u>	<u>-</u>
Total bonds and leases payable	1,897,719	-	706,482	1,191,237	440,584
Other liabilities:					
Compensated absences	<u>289,720</u>	<u>22,320</u>	<u>-</u>	<u>312,040</u>	<u>106,571</u>
Business-type activities long-term liabilities	<u>\$ 2,187,439</u>	<u>\$ 22,320</u>	<u>\$ 706,482</u>	<u>\$ 1,503,277</u>	<u>\$ 547,155</u>

NOTE 7: 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 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 8: 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.

NOTE 9: 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.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 to attract development in the vacant southwest quadrant of the interchange of I-255 and Horseshoe Lake Road. This 150-acre area is suitable for retail and commercial use. 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 within the district and the related incremental taxes.

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On January 27, 2003, the City established TIF District #3 to provide funds to attract development in the vacant northeast quadrant of the of I-255 and I-55/70 interchange. This 66-acre area is contiguous to TIF District #1 and is suitable for an industrial park. The objectives are primarily the same as those set forth in establishing the initial TIF District. The TIF District #3 will be financed only with increases in property values within the district and the related incremental taxes.

NOTE 10: 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, 2005 is \$89,226. The escrow liability directly offsets this account except for net interest income and bank service charges in the amount of \$1,447.

NOTE 11: 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. At that time, 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 City has since dug wells and performed extensive testing to remedy the situation. The engineer has now filed for official permanent closure but, at this time, the EPA has not granted that status. Future required testing costs for this project is expected to be approximately \$35,000 per year for the foreseeable future.

NOTE 12: FEDERAL DRUG FORFEITURE REVENUE AND EXPENSES

During the year, the City received \$223,550 in federal drug forfeiture revenue and from those funds expended \$209,936. 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 13: 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 financial report that includes financial statements and required supplementary information. The 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 2004 was 4.13 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 (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 10 years.

For December 31, 2004, the City's annual pension cost of \$136,788 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 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) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 with a 15% corridor. The assumptions used for the 2004 actuarial valuation information were based on the 1999-2001 experience study.

Trend Information for IMRF

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2004	\$ 136,788	100%	\$ -
12/31/2003	32,176	100%	-
12/31/2002	31,666	100%	-

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, 2005 was \$1,826,118.

At December 31, 2005, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	29
Current Employees	<u>37</u>
Total	<u>66</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, 2005 was \$1,584,614.

At December 31, 2005, the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	21
Current Employees	<u>29</u>
Total	<u>50</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 9.455% 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	\$ 439,475	\$ 373,179
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	<u>439,475</u>	<u>373,179</u>
Contributions made	<u>451,670</u>	<u>383,670</u>
Increase (decrease) in net pension obligation	(12,195)	(10,491)
Net pension obligation beginning of year	<u>(281,354)</u>	<u>(106,384)</u>
Net pension obligation end of year	<u>\$ (293,549)</u>	<u>\$ (116,875)</u>

The annual required contribution for the current year was determined at part of the December 31, 2003, 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, 2003, was 29.4986 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	12/31/2003	\$ 439,475	102.77%	\$ (293,549)
	12/31/2002	424,844	89.90%	(281,354)
	12/31/2001	368,611	100.11%	(323,954)
Fire Pension	12/31/2003	\$ 373,179	102.81%	\$ (116,875)
	12/31/2002	391,556	91.92%	(106,384)
	12/31/2001	345,290	100.15%	(138,011)

d) Concentration

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

CITY OF COLLINSVILLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Police Pension:

FNMA	\$ 3,127,557
FFCB	800,000
FHLB	1,584,923

Firefighter's Pension:

Bank of Edwardsville	\$ 1,320,988
Collinsville Building & Loan	1,771,634
First Collinsville Bank	1,546,906
DFA Enhanced US Large Co. Portfolio	1,250,418
DFA Large Cap Value Portfolio	1,270,501

e) Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 14,645,596
Firefighter's Pension	14,637,222

NOTE 14: LEGAL DEBT MARGIN

The City was certified as a home rule unit by the State of Illinois as of August 24, 2005. Under Section 6 of Article VII of the 1970 Illinois Constitution, home rule units have no debt limitation.

NOTE 15: SUBSEQUENT EVENT

On February 1, 2006, the City issued \$20,000,000 of General Obligation Bonds, Series 2006. These bonds mature in varying annual amounts starting December 15, 2008 and continue through December 15, 2026. Interest on these bonds will be paid semi-annually at rates of 4.00 to 4.45 percent. Bond proceeds are expected to be used to finance certain capital improvements to the City's water and sewer system and to pay the costs of issuance of the bonds.

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CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS) - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		Actual (Budget Basis)
	<u>Original</u>	<u>Budget</u>	
Receipts:			
Property Tax	\$ 899,540	\$ 899,540	\$ 899,380
Intergovernmental:			
Sales and Use Tax	4,550,000	4,550,000	4,553,217
Replacement Tax	10,000	10,000	65,634
State Income Tax	1,550,000	1,550,000	1,841,444
Telecommunications Tax	1,140,000	1,140,000	1,124,705
Grants	173,740	173,740	178,512
Other	155,700	155,700	156,826
Other Local Taxes	17,000	17,000	18,414
Drug Forfeiture Revenue	200,000	200,000	227,190
Licenses, Fees and Permits	479,200	479,200	615,578
Charges for Services	1,570,900	1,570,900	1,690,998
Fines	173,000	173,000	170,557
Investment Earnings	26,000	26,000	76,792
Gifts and Donations	8,000	8,000	72,692
Miscellaneous Revenues and Reimbursements	136,000	136,000	221,232
Total Receipts	<u>11,089,080</u>	<u>11,089,080</u>	<u>11,913,171</u>
Disbursements			
Current:			
General Government	2,267,636	2,267,636	2,339,092
Public Safety	6,856,695	6,856,695	6,798,784
Public Works	1,716,716	1,716,716	1,667,290
Health and Sanitation	1,235,000	1,235,000	1,154,832
Community and Economic Development	170,661	170,661	180,156
Community Services	103,055	103,055	104,775
Capital Outlay	72,600	72,600	62,202
Total Disbursements	<u>12,422,363</u>	<u>12,422,363</u>	<u>12,307,131</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(1,333,283)</u>	<u>(1,333,283)</u>	<u>(393,960)</u>
Other Financing Sources:			
Operating Transfers In	1,122,500	1,122,500	1,132,269
Operating Transfers Out	(422,660)	(422,660)	(400,000)
Total Other Financing Sources	<u>699,840</u>	<u>699,840</u>	<u>732,269</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements	<u>\$ (633,443)</u>	<u>\$ (633,443)</u>	338,309
Change in intergovernmental revenue on modified accrual basis			(15,210)
Change in accrued salaries on modified accrual basis			(397,255)
Change in accounts payable on modified accrual basis			(67,047)
Change in franchise fees receivable on modified accrual basis			(61,711)
Change in garbage fees receivable on modified accrual basis			7,240
Adjustment for allowance of uncollectible amounts			(77,095)
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (272,769)</u>

CITY OF COLLINSVILLE, ILLINOIS

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
LIABILITY INSURANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Property Tax	\$ 418,000	\$ 430,000	\$ 431,769
Investment Earnings	1,500	1,500	5,153
Total Receipts	<u>419,500</u>	<u>431,500</u>	<u>436,922</u>
Disbursements:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Receipts Over Disbursements	<u>419,500</u>	<u>431,500</u>	<u>436,922</u>
Other Financing Sources (Uses):			
Operating Transfers Out	<u>(431,500)</u>	<u>(431,500)</u>	<u>(436,922)</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>-</u>
Change due to accounting on modified accrual accounting basis			-
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ -</u>

CITY OF COLLINSVILLE, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
 TAX INCREMENT FINANCING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Budget</u>	<u>(Budget Basis)</u>
Receipts:			
Sales Tax	\$ 1,095,000	\$ 1,095,000	\$ 1,266,942
Property Tax	1,530,000	1,530,000	1,647,556
Grants	-	-	18,000
Investment Earnings	45,000	45,000	89,134
Miscellaneous Revenues & Reimbursements	-	-	64,697
Total Receipts	<u>2,670,000</u>	<u>2,670,000</u>	<u>3,086,329</u>
Disbursements:			
Current:			
Public Works	100,000	100,000	49,587
Community and Economic Development	1,012,766	1,012,766	1,059,278
Community Services	1,760,000	1,760,000	1,584,964
Debt Service:			
Principal	255,000	255,000	255,000
Interest	72,040	72,040	72,038
Capital Outlay	2,500,000	2,500,000	1,884,458
Total Disbursements	<u>5,699,806</u>	<u>5,699,806</u>	<u>4,905,325</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(3,029,806)</u>	<u>(3,029,806)</u>	<u>(1,818,996)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(63,400)	(63,400)	(66,715)
Total Other Financing Sources (Uses)	<u>(63,400)</u>	<u>(63,400)</u>	<u>(66,715)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>\$ (3,093,206)</u>	<u>\$ (3,093,206)</u>	<u>(1,885,711)</u>
Change in sales tax receivable on modified accrual basis			37,613
Change in accrued interest receivable on modified accrual basis			114
Change in accrued salaries on modified accrual basis			(371)
Change in accounts payable on modified accrual basis			160,141
As reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (1,688,214)</u>

CITY OF COLLINSVILLE, ILLINOIS

**SCHEDULE OF POLICE AND FIREFIGHTERS' PENSION
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2005**

	Calendar Year					
	2003	2002	2001	2000	1999	1998
Police Pension:						
Actuarial Value of Assets	\$ 13,308,434	\$ 12,256,407	\$ 12,483,567	\$ 12,538,961	\$ 12,758,802	(1)
Actuarial Accrued Liability (AAL)	16,787,473	15,590,466	14,623,618	13,730,805	12,768,608	-
Unfunded AAL (UAAL)	3,479,039	3,334,059	2,140,051	1,191,844	9,806	-
Funded Ratio	79.28%	78.61%	85.37%	91.32%	99.92%	-
Covered Payroll	1,801,893	1,789,992	1,765,880	1,681,294	1,518,775	1,523,584
UAAL as a % of Covered Payroll	193.08%	186.26%	121.19%	70.89%	0.65%	-
Employer Contributions:						
Required	439,475	424,844	368,611	313,753	237,553	243,485
Made	451,670	381,941	369,018	314,556	237,367	257,210
Percentage of Employer Contributions						
Made to Required Contributions	102.77%	89.90%	100.11%	100.26%	99.92%	105.64%
Firefighters' Pension:						
Actuarial Value of Assets	12,636,840	10,996,423	11,016,801	10,753,007	10,278,197	(1)
Actuarial Accrued Liability (AAL)	13,759,720	12,970,328	12,237,917	11,637,904	10,734,146	-
Unfunded AAL (UAAL)	1,122,880	1,973,905	1,221,116	884,897	455,949	-
Funded Ratio	91.84%	84.78%	90.02%	92.40%	95.75%	-
Covered Payroll	1,459,243	1,392,492	1,327,668	1,189,203	1,094,382	1,051,035
UAAL as a % of Covered Payroll	76.95%	141.75%	91.97%	74.41%	41.66%	-
Employer Contributions:						
Required	373,179	391,556	345,290	299,006	258,665	234,041
Made	383,670	359,929	345,824	299,930	258,387	222,957
Percentage of Employer Contributions						
Made to Required Contributions	102.81%	91.92%	100.15%	100.31%	99.89%	95.26%

2003 is the latest year for which a tax was levied and collected. The 2004 actuarial estimate is levied in 2005 and collected in 2006.

(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:	29.4986 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, 2005

	Calendar Year					
	2004	2003	2002	2001	2000	1999
Regular:						
Actuarial Value of Assets	\$ 9,509,384	\$ 8,931,560	\$ 8,706,530	\$ 8,781,025	\$ 7,970,818	\$ 6,788,194
Actuarial Accrued Liability (AAL)	8,876,874	7,993,663	7,317,676	6,612,422	5,973,809	5,457,461
Unfunded AAL (UAAL)	(632,510)	(937,897)	(1,388,854)	(2,168,603)	(1,997,009)	(1,330,733)
Funded Ratio	107.13%	111.73%	118.98%	132.80%	133.43%	124.38%
Covered Payroll	3,312,058	3,217,585	3,044,820	2,845,458	2,796,868	2,735,594
UAAL as a % of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contributions:						
Required	136,788	32,176	31,666	81,665	156,904	239,638
Made	136,788	32,176	31,666	81,665	156,904	239,638
Percentage of Employer Contributions						
Made to Required Contributions	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$9,531,197. On a market basis, the funded ratio would be 107.37%.

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study.

The principal changes were:

Fewer members are expected to take refunds early in their career.

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

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, 2005

	Special Revenue Funds									Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
	Tree Memorial Fund	Motor Fuel Tax Fund	Retirement Fund	Motel Use/ Food & Beverage Tax Fund	Audit Fund	Unemployment Fund	FICA/ Medicare Fund	IL Hwy 159 Feasibility Study	Collinsville Animal Shelter	Total	Capital Projects Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
Assets													
Cash and Cash Equivalents:													
Cash	\$ -	\$ 416	\$ -	\$ 35,847	\$ -	\$ -	\$ -	\$ 638	\$ 511,277	\$ 548,178	\$ 183,599	\$ -	\$ 731,775
Investments	4,982	1,661,551	-	-	-	-	-	-	-	1,666,533	-	387,264	2,053,757
Total Cash and Cash Equivalents	4,982	1,661,967	-	35,847	-	-	638	511,277	2,214,711	183,599	387,264	2,785,572	
Receivables:													
Accounts Receivable	-	-	-	88,342	-	-	-	-	-	88,342	88,460	-	176,802
Property Tax	-	-	99,300	-	22,700	24,400	194,200	-	-	340,600	-	-	340,600
Intergovernmental	-	60,779	14,700	-	-	-	-	-	-	75,479	-	-	75,479
Total Assets	\$ 4,982	\$ 1,722,746	\$ 114,000	\$ 124,189	\$ 22,700	\$ 24,400	\$ 194,200	\$ 638	\$ 511,277	\$ 2,719,132	\$ 272,059	\$ 387,264	\$ 3,378,451
Liabilities and Fund Balance													
Liabilities:													
Accounts Payable	\$ -	\$ 33,103	\$ -	\$ 124,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,292	\$ 16,220	\$ -	\$ 173,511
Deferred Revenue	-	-	99,300	-	22,700	24,400	194,200	-	-	340,600	-	-	340,600
Total Liabilities	-	33,103	99,300	124,189	22,700	24,400	194,200	-	-	497,892	16,220	-	514,112
Fund Balance:													
Reserved:													
Employees' Retirement Benefit	-	-	14,700	-	-	-	-	-	-	14,700	-	-	14,700
Future Projects	-	-	-	-	-	-	-	-	511,277	511,277	-	-	511,277
Debt Service	-	-	-	-	-	-	-	-	-	-	-	387,264	387,264
Unreserved:													
Undesignated	4,982	1,689,643	-	-	-	-	638	-	-	1,695,263	255,839	-	1,951,102
Total Fund Balance	4,982	1,689,643	14,700	-	-	-	638	511,277	2,221,240	255,839	387,264	-	2,864,344
Total Liabilities and Fund Balance	\$ 4,982	\$ 1,722,746	\$ 114,000	\$ 124,189	\$ 22,700	\$ 24,400	\$ 194,200	\$ 638	\$ 511,277	\$ 2,719,132	\$ 272,059	\$ 387,264	\$ 3,378,451

CITY OF COLLINSVILLE, ILLINOIS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue Funds										Capital Projects Fund	Debt Service Fund	Total Nonmajor Government Funds
	Tree Memorial Fund	Motor Fuel Tax Fund	Retirement Fund	Motel Use/ Food & Beverage Tax Fund	Audit Fund	Unemployment Fund	FICA/ Medicare Fund	IL Hwy 159 Feasibility Study	Collinsville Animal Shelter	Total			
Revenues:													
Utility Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 822,865	\$ -	\$ 822,865
Property Tax	-	-	50,232	-	23,156	15,189	190,909	-	-	279,486	-	-	279,486
Replacement Tax	-	-	14,700	-	-	-	-	-	-	14,700	-	-	14,700
Motor Fuel Tax	-	735,202	-	-	-	-	-	-	-	735,202	-	-	735,202
Motel Use Tax	-	-	-	619,539	-	-	-	-	-	619,539	-	-	619,539
State Grant	-	-	-	-	-	-	31,584	-	-	31,584	-	-	31,584
Federal Grant	-	-	-	-	-	-	-	-	-	-	37,000	-	37,000
Food and Beverage Tax	-	-	-	385,798	-	-	-	-	-	385,798	-	-	385,798
Investment Earnings	155	48,587	1,211	162	276	181	2,278	10,010	-	62,860	5,639	10,467	78,966
Reimbursements	-	-	-	-	-	-	-	-	-	-	746,437	-	746,437
Gifts and Donations	450	-	-	-	-	-	-	1,309	-	1,759	-	-	1,759
Total Revenues	605	783,789	66,143	1,005,499	23,432	15,370	193,187	11,319	1,759	2,130,928	1,611,941	10,467	3,753,333
Expenditures:													
General Government	580	-	-	-	-	-	-	3,608	4,188	-	-	-	4,188
Public Safety	-	-	-	-	-	-	-	-	-	-	6,876	-	6,876
Public Works	-	267,288	-	-	-	-	-	-	298,234	-	1,137	-	299,373
Community and Economic Development	-	-	-	1,005,499	-	-	-	-	-	1,005,499	-	-	1,005,499
Capital Outlay	-	219,138	-	-	-	-	-	-	219,138	-	1,682,578	-	1,901,716
Debt Service	-	-	-	-	-	-	-	-	-	-	26,358	80,318	106,676
Total Expenditures	580	486,426	-	1,005,499	-	-	-	3,608	1,527,059	-	1,716,949	80,318	3,324,322
Excess (Deficiency) of Revenues Over Expenditures	25	297,363	66,143	-	23,432	15,370	193,187	7,711	603,869	(105,008)	(69,851)	(69,851)	429,010
Other Financing Sources (Uses):													
Operating Transfers In (Out)	-	(90,000)	(73,357)	-	(23,432)	(15,370)	(193,187)	-	(395,346)	403,087	63,627	(6,224)	500,378
Total Other Financing Sources (Uses)	-	(90,000)	(73,357)	-	(23,432)	(15,370)	(193,187)	-	(395,346)	403,087	63,627	(6,224)	500,378
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	25	207,363	(7,214)	-	-	-	-	7,711	208,523	(105,008)	298,079	(6,224)	500,378
Fund Balance, Beginning of Year	4,957	1,482,280	21,914	-	-	-	-	503,566	2,012,717	(42,240)	993,488	993,488	2,363,965
Fund Balance, End of Year	4,982	1,689,643	14,700	\$ -	\$ -	\$ -	\$ -	\$ 511,277	\$ 2,221,240	\$ 2,555,839	\$ 387,264	\$ 387,264	\$ 2,864,343

CITY OF COLLINSVILLE, ILLINOIS

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents:			
Cash	\$ 244,387	\$ 211,666	\$ 456,053
Investments	-	447,549	447,549
Investments	13,969,951	13,622,863	27,592,814
Receivables:			
Property Tax	356,500	284,100	640,600
Replacement Tax	12,346	10,315	22,661
Accrued Interest	72,412	65,729	138,141
Total Assets	<u>14,655,596</u>	<u>14,642,222</u>	<u>29,297,818</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>\$ 14,645,596</u>	<u>\$ 14,637,222</u>	<u>\$ 29,282,818</u>

CITY OF COLLINSVILLE, ILLINOIS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firefighters'</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Total</u>
Additions:			
Property Tax	\$ 359,601	\$ 286,906	\$ 646,507
Replacement Tax	98,739	83,831	182,570
Employee Contributions	180,968	149,825	330,793
Investment Earnings:			
Investment Earnings	659,040	986,195	1,645,235
Less: Investment Expense	<u>(60,853)</u>	<u>(27,320)</u>	<u>(88,173)</u>
Net Investment Earnings	<u>598,187</u>	<u>958,875</u>	<u>1,557,062</u>
Total Additions	<u>1,237,495</u>	<u>1,479,437</u>	<u>2,716,932</u>
Deductions:			
Benefit Payments	778,234	655,325	1,433,559
Contractual Services	14,006	5,230	19,236
Total Deductions	<u>792,240</u>	<u>660,555</u>	<u>1,452,795</u>
Change in Net Assets	445,255	818,882	1,264,137
Net Assets, Beginning of Year	<u>14,200,341</u>	<u>13,818,340</u>	<u>28,018,681</u>
Net Assets, End of Year	<u>\$ 14,645,596</u>	<u>\$ 14,637,222</u>	<u>\$ 29,282,818</u>

CITY OF COLLINSVILLE, ILLINOIS

ASSESSED VALUATIONS, TAX RATES, EXTENSIONS AND COLLECTIONS
DECEMBER 31, 2005

Levy Date - Calendar Year	1995		1996		1997		1998		1999	
	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	12/31/1996	12/31/1996	12/31/1997	12/31/1997	12/31/1998	12/31/1998	12/31/1999	12/31/1999	12/31/2000	12/31/2000
Assessed Valuation	\$ 171,292,458	\$ 19,798,275	\$ 177,011,281	\$ 21,176,680	\$ 185,720,054	\$ 22,284,592	\$ 195,018,592	\$ 23,082,365	\$ 203,251,195	\$ 23,405,504
Tax Rates (Per \$100 Equalized Assessed Valuation):										
General Government	\$ 0.0884	\$ 0.0938	\$ 0.0867	\$ 0.0861	\$ 0.0424	\$ 0.0449	\$ 0.0759	\$ 0.0793	\$ 0.0800	\$ 0.0800
Fire Protection	0.0630	0.0669	0.0618	0.0614	0.0357	0.0377	0.0409	0.0427	0.0563	0.0563
Police Protection	0.0470	0.0500	0.0462	0.0459	0.0358	0.0377	0.0422	0.0441	0.0563	0.0563
Garbage	0.1136	0.1211	0.1120	0.1112	0.1360	0.1428	0.1237	0.1292	0.1249	0.1296
Public Library	0.1392	0.1478	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Retirement	0.0318	0.0341	0.0368	0.0366	0.0597	0.0625	0.0552	0.0577	0.0352	0.0366
Police Pension	0.1179	0.1251	0.0886	0.0880	0.0768	0.0808	0.0824	0.0861	0.0828	0.0859
Firefighters' Pension	0.0771	0.0820	0.0605	0.0600	0.0823	0.0864	0.0783	0.0818	0.0766	0.0795
Tort Liability	0.2204	0.2330	0.2093	0.2078	0.1795	0.1889	0.1517	0.1585	0.1212	0.1257
Social Security	-	-	0.0450	0.0447	0.0707	0.0741	0.0681	0.0711	0.0770	0.0799
Audit	-	-	0.0122	0.0122	0.0116	0.0121	0.0115	0.0120	0.0115	0.0120
Unemployment	-	-	0.0055	0.0055	0.0033	0.0034	0.0039	0.0040	0.0035	0.0037
Total Tax Rates	\$ 0.8984	\$ 0.9538	\$ 0.9146	\$ 0.9094	\$ 0.8838	\$ 0.9213	\$ 0.8838	\$ 0.9165	\$ 0.8753	\$ 0.8955
Tax Extensions:										
General Government	\$ 151,423	\$ 18,571	\$ 153,469	\$ 18,233	\$ 78,745	\$ 10,007	\$ 148,019	\$ 18,305	\$ 162,601	\$ 18,725
Fire Protection	107,914	13,245	109,393	13,003	66,302	8,401	79,763	9,856	114,430	13,177
Police Protection	80,507	9,899	81,779	9,720	66,488	8,401	82,298	10,179	114,430	13,177
Garbage	194,588	23,976	198,253	23,548	252,579	31,822	241,238	29,822	253,861	30,334
Public Library	238,439	29,262	265,517	31,765	278,580	33,427	292,528	34,624	304,877	35,109
Retirement	54,471	6,751	65,140	7,751	110,875	13,928	107,650	13,319	71,544	8,566
Police Pension	201,954	24,768	156,832	18,635	142,633	18,006	160,695	19,874	168,292	20,105
Firefighters' Pension	132,066	16,235	107,092	12,706	152,848	19,254	152,700	18,881	155,690	18,607
Tort Liability	377,529	46,130	370,484	44,005	333,368	42,096	295,843	36,586	246,341	29,421
Social Security	-	-	79,655	9,466	131,304	16,513	132,808	16,412	156,504	18,701
Audit	-	-	21,595	2,584	21,544	2,696	22,427	2,770	23,374	2,809
Unemployment	-	-	9,736	1,165	6,128	758	7,606	923	7,114	866
Total Tax Extensions	\$ 1,538,891	\$ 188,837	\$ 1,618,945	\$ 192,581	\$ 1,641,394	\$ 205,309	\$ 1,723,575	\$ 211,551	\$ 1,779,058	\$ 209,597
Total Tax Collections Through Fiscal Year End	\$ 1,545,762	\$ 166,160	\$ 1,627,118	\$ 193,354	\$ 1,638,678	\$ 203,924	\$ 1,710,808	\$ 209,978	\$ 1,767,353	\$ 209,403
Percent of Total Taxes Collected	100.45%	87.99%	100.50%	100.40%	99.83%	99.33%	99.26%	99.26%	99.34%	99.91%

CITY OF COLLINSVILLE, ILLINOIS

ASSESSED VALUATIONS, TAX RATES, EXTENSIONS AND COLLECTIONS (CONTINUED)
DECEMBER 31, 2005

Levy Date - Calendar Year	2000		2001		2002		2003		2004	
	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	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2004	12/31/2004	12/31/2005	12/31/2005
Assessed Valuation	\$ 213,195,916	\$ 24,398,588	\$ 230,197,803	\$ 26,009,004	\$ 248,191,846	\$ 27,556,145	\$ 267,010,400	\$ 29,453,927	\$ 278,810,468	\$ 30,013,689
Tax Rates (Per \$100 Equalized Assessed Valuation):										
General Government	\$ 0.0796	\$ 0.0800	\$ 0.0770	\$ 0.0766	\$ 0.0762	\$ 0.0762	\$ 0.0782	\$ 0.0800	\$ 0.0800	\$ 0.0800
Fire Protection	0.0558	0.0563	0.0543	0.0539	0.0534	0.0534	0.0547	0.0563	0.0563	0.0563
Police Protection	0.0558	0.0563	0.0543	0.0539	0.0534	0.0534	0.0547	0.0563	0.0563	0.0563
Garbage	0.1284	0.1340	0.1116	0.1109	0.0726	0.0726	0.0675	0.0721	0.0486	0.0506
Public Library	0.1492	0.1500	0.1557	0.1547	0.1557	0.1601	0.1528	0.1567	-	-
Retirement	0.0169	0.0177	0.0077	0.0077	0.0061	0.0061	0.0072	0.0076	0.0162	0.0176
Police Pension	0.0699	0.0729	0.0928	0.0923	0.1031	0.1031	0.0983	0.1050	0.1146	0.1240
Firefighters' Pension	0.0852	0.0889	0.0949	0.0943	0.1024	0.1024	0.0976	0.1042	0.0973	0.1052
Tort Liability	0.1344	0.1403	0.1373	0.1365	0.1443	0.1443	0.1410	0.1506	0.1393	0.1506
Social Security	0.0744	0.0776	0.0700	0.0696	0.0664	0.0664	0.0640	0.0683	0.0616	0.0666
Audit	0.0112	0.0117	0.0087	0.0086	0.0084	0.0084	0.0078	0.0083	0.0075	0.0078
Unemployment	0.0039	0.0041	0.0041	0.0040	0.0042	0.0042	0.0036	0.0038	0.0049	0.0053
Total Tax Rates	\$ 0.8647	\$ 0.8898	\$ 0.8684	\$ 0.8630	\$ 0.8462	\$ 0.8506	\$ 0.8274	\$ 0.8692	\$ 0.6826	\$ 0.7203
Tax Extensions:										
General Government	\$ 169,704	\$ 19,520	\$ 177,252	\$ 19,924	\$ 189,122	\$ 20,998	\$ 208,802	\$ 23,563	\$ 223,048	\$ 24,011
Fire Protection	118,963	13,736	124,997	14,019	132,534	14,715	146,055	16,583	156,970	16,898
Police Protection	118,963	13,736	124,997	14,019	132,534	14,715	146,055	16,583	156,970	16,898
Garbage	273,744	32,694	256,901	28,844	180,187	20,006	180,232	21,236	135,502	15,187
Public Library	318,088	36,598	358,418	40,236	386,435	44,118	407,992	46,154	-	-
Retirement	36,030	4,319	17,725	2,003	15,140	1,681	19,225	2,238	45,167	5,282
Police Pension	149,024	17,787	213,624	24,006	255,886	28,410	262,471	30,927	319,517	37,217
Firefighters' Pension	181,643	21,690	218,458	24,526	254,149	28,217	260,602	30,691	271,283	31,574
Tort Liability	286,535	34,231	316,062	35,502	358,141	39,764	376,485	44,358	388,383	45,201
Social Security	158,618	18,933	161,138	18,102	164,799	18,297	170,887	20,117	171,747	19,989
Audit	23,878	2,855	20,027	2,237	20,848	2,315	20,827	2,445	20,911	2,341
Unemployment	8,315	1,000	9,438	1,040	10,424	1,157	9,611	1,119	13,662	1,591
Total Tax Extensions	\$ 1,843,505	\$ 217,099	\$ 1,999,037	\$ 224,458	\$ 2,100,199	\$ 234,393	\$ 2,209,244	\$ 256,014	\$ 1,903,160	\$ 216,189
Total Tax Collections Through Fiscal Year End	\$ 1,838,481	\$ 210,373	\$ 1,971,345	\$ 200,615	\$ 2,097,812	\$ 232,953	\$ 2,202,899	\$ 244,348	\$ 1,896,172	\$ 213,321
Percent of Total Taxes Collected	99.73%	96.90%	98.61%	89.38%	99.89%	99.39%	99.71%	95.44%	99.63%	98.67%

CITY OF COLLINSVILLE, ILLINOIS

**ENTERPRISE FUND LONG-TERM DEBT
DECEMBER 31, 2005**

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: \$ 345,000 2.00%
 350,000 2.35%

Fiscal Year Ended <u>December 31</u>	Principal Due <u>December 1</u>	Interest	
		<u>June 1</u>	<u>December 1</u>
2006	\$ 345,000	\$ 7,563	\$ 7,562
2007	<u>350,000</u>	<u>4,113</u>	<u>4,112</u>
	<u>\$ 695,000</u>	<u>\$ 11,676</u>	<u>\$ 11,674</u>

CITY OF COLLINSVILLE, ILLINOIS

**GOVERNMENTAL ACTIVITIES LONG-TERM DEBT
DECEMBER 31, 2005**

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:	\$ 65,000	@	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
	85,000	@	4.00

Fiscal Year Ended <u>December 31</u>	Principal Due <u>December 1</u>	Interest	
		<u>June 1</u>	<u>December 1</u>
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>\$ 595,000</u>	<u>\$ 49,673</u>	<u>\$ 49,676</u>

CITY OF COLLINSVILLE, ILLINOIS

**GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)
DECEMBER 31, 2005**

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: \$ 270,000 @ 5.00
 285,000 @ 5.05
 300,000 @ 5.10
 315,000 @ 5.15

Fiscal Year Ended <u>December 31</u>	Principal Due <u>December 30</u>	Interest	
		<u>June 30</u>	<u>December 30</u>
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>\$ 1,170,000</u>	<u>\$ 76,537</u>	<u>\$ 76,537</u>

TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

Fiscal Year Ended <u>December 31</u>	Principal Due <u> </u>	Interest Due <u> </u>	Total Due <u> </u>
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>\$ 1,765,000</u>	<u>\$ 252,423</u>	<u>\$ 2,017,423</u>



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

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

**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, 2005, and have issued our report thereon dated April 7, 2006. 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 93-0995, "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 93-0995. 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 93-0995.

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

April 7, 2006

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

Honorable Mayor and Members
of the City Council
Collinsville, Illinois

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Collinsville, Illinois as of and for the year ended December 31, 2005, and have issued our report thereon dated April 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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

April 7, 2006

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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, 2005. 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, 2005.

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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. Schloeman & Company, L.L.C.
Certified Public Accountants

April 7, 2006

CITY OF COLLINSVILLE, ILLINOIS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<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	81X5004DFI	07/01/04 - 06/30/05	\$ 28,559	\$ 12,453	\$ 12,453
		81X6004000	07/01/05 - 06/30/06	29,559	15,703	15,703
					<u>28,156</u>	<u>28,156</u>
Department of Justice:						
* MEGSI - Expanding Multi-Jurisdictional Narcotic Units	16.579	404014	04/01/05 - 07/31/06	779,135	410,000	410,000
		403014	04/01/04 - 03/31/05	584,497	134,497	134,497
Local Law Enforcement Block Grant	16.579	402214	07/01/05 - 09/30/05	5,748	5,176	5,176
					<u>549,673</u>	<u>549,673</u>
Department of Transportation:						
State Planning & Research Integrated Mini-Grant	20.515	TE-00D8(075)	01/01/03 - 11/30/03	18,000	18,000	18,000
Enforcement Program	20.600	OP5-1205-001	10/01/04 - 09/30/05	23,223	14,061	14,061
					<u>32,061</u>	<u>32,061</u>
Department of Homeland Security:						
Citizens Corp Program	97.053	N/A	04/05/05 - 12/31/06	4,250	4,181	4,181
Citizens Corp Program	97.053	N/A	07/01/04 - 11/30/05	21,487	18,481	18,481
					<u>22,662</u>	<u>22,662</u>
Federal Emergency Management Agency:						
Emergency Preparedness & Response	83.554	EMW2003FG12915	11/15/03 - 11/14/04	143,091	35,000	35,000
Total Federal Awards					<u>\$ 667,552</u>	<u>\$ 667,552</u>
* Major Federal Award						
<u>State Grant</u>						
Illinois State Police - MEGSI Grant	N/A	FY 05	07/01/04 - 07/01/05	149,006	\$ 149,006	**
Illinois State Police - MEGSI Grant	N/A	FY 06	07/01/05 - 07/01/06	146,250	73,060	**
					<u>\$ 222,066</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, 2005

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.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended December 31, 2005.

Subrecipient Monitoring

The City had pass through revenue to subrecipients related to its federal funds during the year ended December 31, 2005. The City adequately monitored these pass through funds for the year then ended.

CITY OF COLLINSVILLE, ILLINOIS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2005**

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.