

CITY OF FREEPORT, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2005

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	1 - 2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	3 - 4
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	5 - 6
MANAGEMENT DISCUSSION AND ANALYSIS	7 - 12
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	13
Statement of Activities	14
Statement of Assets, Liabilities and Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Numbers</u>
BASIC FINANCIAL STATEMENTS (CONTINUED)	
Statement of Net Assets – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21 - 22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24
Notes to Financial Statements	25 - 54
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	55
Actuarial Valuations for Police and Firefighter's Pension Systems	56 - 57
Annual Financial Information	58 - 62
General Fund:	
Schedule of Revenues Compared with Budget	63 - 64
Schedule of Expenditures Compared with Budget	65 - 76
Schedule of Other Financing Sources Compared with Budget	77
Public Library Fund:	
Schedule of Revenues Compared with Budget	78
Schedule of Expenditures Compared with Budget	79 - 80
Water Department Fund:	
Schedule of Revenues and Expenses Compared with Budget	81

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Sewer Department Fund: Schedule of Revenues and Expenses Compared with Budget	82
Landfill Closure Fund: Schedule of Revenues and Expenses Compared with Budget	83
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	84 - 85
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	86 - 87
Combining Balance Sheet – Nonmajor Enterprise Funds	88
Combining Schedule of Revenues, Expenses and Changes in Net Assets – Nonmajor Enterprise Funds	89
Fiduciary Fund Types:	
Private-Purpose Trust Funds – Combining Statement of Net Assets	90
Private-Purpose Trust Funds – Combining Schedule of Changes in Net Assets	91
Pension Trust Funds – Combining Statement of Plan Net Assets	92
Pension Trust Funds – Combining Schedule of Changes in Plan Net Assets	93
Schedule of Bonds Payable – Governmental Funds	94
Schedule of Bonds Payable – Proprietary Funds	95
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs	97 - 98
Summary Schedule of Prior Audit Findings	99



INDEPENDENT AUDITOR'S REPORT ON THE
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor
Members of the City Council
City of Freeport, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Illinois as of and for the year ended April 30, 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 Freeport, 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 Freeport, Illinois as of April 30, 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.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 2005 on our consideration of City of Freeport, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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 that precedes the basic financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund on page 55, the Actuarial Valuations for the Police and Firefighter's Pension Systems on pages 56 and 57, the Annual Financial Information on pages 58 through 62 and the Schedule of Revenues and Expenditures Compared with Budget on pages 63 through 83, all of which are listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of City of Freeport, Illinois taken as a whole. The schedules listed in the table of contents as "Other Supplementary Information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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, and is not a required part of the basic financial statements. Such information has 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.

Sindgen, Callihan, Van Osdel & Co., P.C.

Freeport, Illinois
August 29, 2005



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

The Honorable Mayor
Members of the City Council
City of Freeport, Illinois

We have audited the financial statements of the City of Freeport, Illinois as of and for the year ended April 30, 2005, and have issued our report thereon dated August 29, 2005. 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 Freeport, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Freeport's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses.

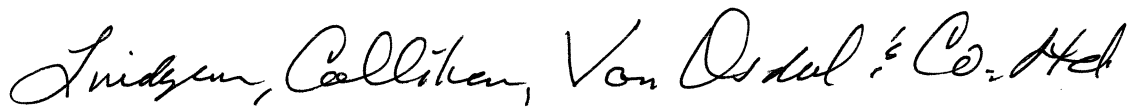
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Freeport's 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City Council, management, the State of Illinois, the General Assembly, and the Governor of the State of Illinois and is not intended to be and should not be used by anyone other than these specified parties.



Freeport, Illinois
August 29, 2005



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

The Honorable Mayor
Members of the City Council
City of Freeport, Illinois

Compliance

We have audited the compliance of City of Freeport, Illinois with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended April 30, 2005. City of Freeport Illinois' major federal programs are identified in the schedule of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Freeport, Illinois' management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit 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 Government, 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 City of Freeport, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Freeport, Illinois' compliance with those requirements.

In our opinion, City of Freeport, Illinois complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2005.

Internal Control Over Compliance

The management of City of Freeport, 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 City of Freeport, Illinois' internal control over compliance with requirements that could have a direct and material effect on a 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 Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect City of Freeport, Illinois' ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the City Council, management and the officials of applicable federal and state grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Ludgen, Callahan, Von Osdol & Co., P.C.

Freeport, Illinois
August 29, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

As management of City of Freeport, Illinois, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of City of Freeport, Illinois for the year ended April 30, 2005.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2005 and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the financial statements, notes to the financial statements, required and other supplementary information.

USING THIS FINANCIAL REPORT

The financial section of this annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the MD&A (this section), the basic financial statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

Government -Wide Financial Statements

The first two statements are government-wide financial statements that provide both short term and long term information about the City's overall financial status, similar to a private sector business. In the government-wide financial statements the City's activities are shown in two categories - governmental activities and business-type activities. The City's governmental activities are general government, public safety, public works, health, and culture and recreation. These activities are largely financed with sales taxes, income taxes, property taxes, and user fees. The City's business-type activities include water, sewer, storm sewer, landfill closure, and health and environment. These activities are largely financed with user fees.

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. To assess the overall health of the City you need to consider additional non-financial factors such as the condition of the City's buildings and facilities.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. The financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned regardless of when the cash is received and expenditures/expenses and liabilities are recognized when incurred, regardless of when payment is made.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds - not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law, while others are established to control and manage money for particular purposes or to show that the City is properly using certain revenues.

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and the changes in fund balances for all these funds. Two of these twenty funds are considered major funds of the City. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

The City maintains five individual business-type funds. Information is presented separately in the proprietary statement of net assets and in the proprietary statement of revenues, expenses, and the changes in net assets for all these funds. Three of these five funds are considered major funds of the City. More detail of the individual revenues and expenditures for these funds is presented in the supplementary section of this report.

The City adopts annual budgets for all funds. A budgetary comparison statement has been provided for the major funds only, which is in compliance with GASB Statement No.34.

Fiduciary Funds - The City is the trustee, or fiduciary, for assets that belong to others or are designated to be used for a specific purpose with the principle left intact. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. The City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the government-wide financial statements because the City cannot use these assets to finance its operations.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2005 and 2004

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets:						
Current Assets	\$10,873,911	\$10,467,366	\$ 7,279,300	\$11,746,102	\$18,153,211	\$22,213,468
Non-current Assets	<u>10,356,511</u>	<u>10,233,492</u>	<u>54,901,977</u>	<u>47,813,975</u>	<u>65,258,488</u>	<u>58,047,467</u>
Total Assets	<u>21,230,422</u>	<u>20,700,858</u>	<u>62,181,277</u>	<u>59,560,077</u>	<u>83,411,699</u>	<u>80,260,935</u>
Liabilities:						
Current Liabilities	4,484,050	5,131,006	3,106,377	2,023,012	7,590,427	7,154,018
Non-current Liabilities	<u>5,221,256</u>	<u>4,464,847</u>	<u>31,313,029</u>	<u>28,775,311</u>	<u>36,534,285</u>	<u>33,240,158</u>
Total liabilities	<u>9,705,306</u>	<u>9,595,853</u>	<u>34,419,406</u>	<u>30,798,323</u>	<u>44,124,712</u>	<u>40,394,176</u>
Net Assets:						
Investments in capital assets, net of debt	5,044,894	4,750,729	24,610,442	21,258,634	29,655,336	26,009,363
Unrestricted	<u>6,480,222</u>	<u>6,354,276</u>	<u>3,151,429</u>	<u>7,503,120</u>	<u>9,631,651</u>	<u>13,857,396</u>
Total net assets	<u>\$11,525,116</u>	<u>\$11,105,005</u>	<u>\$27,761,871</u>	<u>\$28,761,754</u>	<u>\$39,286,987</u>	<u>\$39,866,759</u>

Current assets consist of cash, investments, receivables, and prepaid items.

The City's largest asset group is its capital assets. This includes buildings, equipment, and vehicles.

Current liabilities consist mainly of accounts payable, deferred revenue, and the current portion of long-term debt.

General Obligation Bonds, Notes Payable, and Lease obligations constitute the City's long-term debt.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

Condensed Financial Information (Continued)

The City's net assets consist of capital assets net of related debt, restricted and unrestricted net assets.

Revenues, expenses, and changes in net assets are summarized in the table below.

**Condensed Statement of Activities
For Fiscal Years Ending April 30, 2005 and 2004**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program:						
Charges for services	\$ 1,137,753	\$ 1,021,486	\$6,561,521	\$6,297,645	\$ 7,699,274	\$ 7,319,131
Operating grants & contributions	706,142	953,269	-	-	706,142	953,269
General:						
Property & other taxes	14,185,569	13,219,642	-	-	14,185,569	13,219,642
Other	<u>3,007,459</u>	<u>3,127,067</u>	<u>121,072</u>	<u>200,299</u>	<u>3,128,531</u>	<u>3,327,366</u>
Total revenue received	<u>19,036,923</u>	<u>18,321,464</u>	<u>6,682,593</u>	<u>6,497,944</u>	<u>25,719,516</u>	<u>24,819,408</u>
Expenses:						
General government	8,504,881	8,443,201	-	-	8,504,881	8,443,201
Public safety	6,734,173	6,429,664	-	-	6,734,173	6,429,664
Public works	1,740,898	2,417,996	-	-	1,740,898	2,417,996
Health	53,323	41,322	-	-	53,323	41,322
Culture and recreation	1,431,355	1,201,409	-	-	1,431,355	1,201,409
Interest on long-term debt	152,577	156,998	-	-	152,577	156,998
Water	-	-	1,856,325	1,847,564	1,856,325	1,847,564
Sewer	-	-	3,854,564	3,902,376	3,854,564	3,902,376
Storm Sewer	-	-	558,955	456,732	558,955	456,732
Landfill Closure	-	-	386,496	496,285	386,496	496,285
Health and Environment	-	-	<u>1,026,136</u>	<u>1,277,272</u>	<u>1,026,136</u>	<u>1,277,272</u>
Total expenditures						
Disbursed	<u>18,617,207</u>	<u>18,690,590</u>	<u>7,682,476</u>	<u>7,980,229</u>	<u>26,299,683</u>	<u>26,670,819</u>
Change in net assets	<u>\$ 419,716</u>	<u>\$ (369,126)</u>	<u>\$ (999,883)</u>	<u>\$(1,482,285)</u>	<u>\$ (580,167)</u>	<u>\$(1,851,411)</u>

Major sources of operating revenues for the City include: Property and state taxes and charges for services.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

Management's Analysis of the City's Overall Financial Position and Results of Operations

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 \$39,286,987 as of April 30, 2005. This is a decrease of \$580,167 from the previous year. The General Fund is the main operating fund of the City. The net assets of the General Fund as of April 30, 2005 were \$3,788,448. Of this total, \$2,637,111 was cash and investments available for future spending. This is an increase of \$74,693 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in April 2004. The budget for all funds is prepared on the modified accrual basis of accounting. This is the same basis used in budgetary comparisons. This allows for comparability between budget and actual amounts.

In total the General Fund revenues were \$86,888 lower than budgeted due primarily to an accounting change in the recording of revenue received in the Miscellaneous Local Sources line item. General Fund expenses were \$385,537 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$235,504 for the fiscal year. Including Inter-Fund Transfers the General Fund had a reduction in fund balance of \$273,546.

Capital Assets/Long term Debt

In December 2004 the city issued general obligation bonds totaling \$8,665,000 and in January 2005 the City issued general obligation bonds totaling \$5,735,000. The purpose of these two bond issues was to refund a portion of the 2000 bond issue in order to realize interest savings due to lower interest rates.

Factors or Conditions Impacting Future Periods

A shopping center which will include two major chain retailers is anticipated to be developed in Freeport and is expected to be open in the fall of 2006. This will generate a substantial increase in sales tax for the City. A developer is currently pursuing redevelopment plans for the Rawleigh complex. This would generate increased real estate tax revenue for the Downtown TIF District. Both of these developments would also create jobs and sales tax revenue for the community.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2005

Factors or Conditions Impacting Future Periods (Continued)

Rising personnel costs, which include health care, wages and pension contributions, have negatively impacted the City's finances for several years. It appears that this trend of rising costs will continue in the future.

On May 1, 2005 George Gaulrapp was sworn in as the new Mayor of Freeport. The change in administration should bring new perspectives and attitudes toward the future of Freeport.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City of Freeport Finance Director, 230 W. Stephenson Street, Freeport, IL 61032.

BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 471,876	\$ 71,062	\$ 542,938
Investments	5,070,521	2,127,194	7,197,715
Receivables (net of allowances):			
Property taxes	3,243,941	-	3,243,941
Accounts	1,786,382	535,143	2,321,525
Interest	-	3,065	3,065
Inventories	-	204,311	204,311
Deposits	-	7,100	7,100
Prepaid expenses	301,191	-	301,191
Restricted cash accounts	-	4,331,425	4,331,425
Total current assets	<u>10,873,911</u>	<u>7,279,300</u>	<u>18,153,211</u>
Bond issuance costs	53,384	439,892	493,276
Deferred charges	-	11,067	11,067
Prepaid interest	-	2,596,064	2,596,064
Capital Assets (net of accumulated depreciation):			
Buildings	8,260,751	20,748,912	29,009,663
Transmission lines	-	27,393,667	27,393,667
Equipment	499,349	3,217,770	3,717,119
Vehicles	1,543,027	-	1,543,027
Work in process	-	494,605	494,605
Total noncurrent assets	<u>10,356,511</u>	<u>54,901,977</u>	<u>65,258,488</u>
Total assets	<u>21,230,422</u>	<u>62,181,277</u>	<u>83,411,699</u>

LIABILITIES

Current liabilities:			
Accounts payable	445,693	1,467,056	1,912,749
Accrued payroll	315,709	171,273	486,982
Deposits and escrow amounts	225	306,131	306,356
Unearned grant revenue	16,724	-	16,724
Deferred revenue	3,243,941	-	3,243,941
Claims payable	100,311	-	100,311
Accrued interest	44,681	433,055	477,736
Current portion long term debt	316,766	728,862	1,045,628
Total current liabilities	<u>4,484,050</u>	<u>3,106,377</u>	<u>7,590,427</u>
Noncurrent liabilities:			
General obligation bonds payable	2,610,000	26,060,000	28,670,000
Market premium on bonds payable	67,430	248,792	316,222
Deferred gain	-	713,751	713,751
Notes payable	1,742,229	455,650	2,197,879
Leases payable	521,808	-	521,808
Accrued compensated absences	279,789	-	279,789
Landfill closure liability	-	3,834,836	3,834,836
Total noncurrent liabilities	<u>5,221,256</u>	<u>31,313,029</u>	<u>36,534,285</u>
Total liabilities	<u>9,705,306</u>	<u>34,419,406</u>	<u>44,124,712</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,044,894	24,610,442	29,655,336
Restricted by tax levies	50,913	-	50,913
Restricted for debt service	280,132	-	280,132
Unrestricted	6,149,177	3,151,429	9,300,606
Total net assets	<u>\$ 11,525,116</u>	<u>\$ 27,761,871</u>	<u>\$ 39,286,987</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 8,504,881	\$ 171,597	\$ 625,601	\$ -
Public safety	6,734,173	721,763	47,514	-
Public works	1,740,898	204,289	-	-
Health	53,323	-	-	-
Culture and recreation	1,431,355	40,104	33,027	-
Interest	<u>152,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 18,617,207</u>	<u>\$ 1,137,753</u>	<u>\$ 706,142</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 1,856,325	\$ 2,057,416	\$ -	\$ -
Sewer	3,854,564	2,799,819	-	-
Storm Sewer	558,955	673,964	-	-
Landfill Closure	386,496	-	-	-
Health and Environment	<u>1,026,136</u>	<u>1,030,322</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 7,682,476</u>	<u>\$ 6,561,521</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes:
 - Property taxes
 - State taxes
 - Miscellaneous taxes
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues
- Change in net assets
- Net assets - beginning
- Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (7,707,683)	\$ -	\$ (7,707,683)
(5,964,896)	-	(5,964,896)
(1,536,609)	-	(1,536,609)
(53,323)	-	(53,323)
(1,358,224)	-	(1,358,224)
(152,577)	-	(152,577)
<u>(16,773,312)</u>	<u>-</u>	<u>(16,773,312)</u>
-	201,091	201,091
-	(1,054,745)	(1,054,745)
-	115,009	115,009
-	(386,496)	(386,496)
-	4,186	4,186
<u>-</u>	<u>(1,120,955)</u>	<u>(1,120,955)</u>
3,446,013	-	3,446,013
8,657,372	-	8,657,372
2,082,184	-	2,082,184
108,920	121,072	229,992
2,898,539	-	2,898,539
<u>17,193,028</u>	<u>121,072</u>	<u>17,314,100</u>
419,716	(999,883)	(580,167)
<u>11,105,400</u>	<u>28,761,754</u>	<u>39,867,154</u>
<u>\$ 11,525,116</u>	<u>\$ 27,761,871</u>	<u>\$ 39,286,987</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2005

	General Fund	Public Library	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 53,293	\$ -	\$ 399,628	\$ 452,921
Investments	2,583,818	1,134,415	1,236,181	4,954,414
Receivables, net of allowances				
Property tax	2,122,273	987,028	134,640	3,243,941
Accounts		4,929	314,540	319,469
Other	738,133	-	-	738,133
Due from other governments	660,728	-	-	660,728
Due from other funds	96,325	-	22,192	118,517
Prepaid expenses	278,855	-	-	278,855
Total assets	\$ 6,533,425	\$ 2,126,372	\$ 2,107,181	\$ 10,766,978
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable	\$ 302,275	\$ 55,552	\$ 83,742	\$ 441,569
Accrued payroll	283,878	24,735	7,096	315,709
Due to other funds	19,827	-	98,690	118,517
Unearned grant revenue	16,724	-	-	16,724
Deferred revenue	2,122,273	987,028	134,640	3,243,941
Total liabilities	2,744,977	1,067,315	324,168	4,136,460
Fund balances:				
Reserved for debt service	-	-	280,132	280,132
Reserved for restricted tax levies	-	50,913	-	50,913
Unreserved, reported in:				
General funds	3,788,448	-	-	3,788,448
Special revenue funds	-	1,008,144	942,083	1,950,227
Capital projects funds	-	-	560,798	560,798
Total fund balances	3,788,448	1,059,057	1,783,013	6,630,518
Total liabilities and fund balances	\$ 6,533,425	\$ 2,126,372	\$ 2,107,181	\$ 10,766,978

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2005

Total fund balances - governmental funds	\$ 6,630,518
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$17,373,837 and the accumulated depreciation is \$7,070,710	10,303,127
Bond issuance costs used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This is amount of bond issuance costs.	53,384
Internal services funds are used to charge the costs in insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	120,790
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,582,703)</u>
Total net assets - governmental activities	<u>\$ 11,525,116</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2005

	General Fund	Public Library	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 11,544,023	\$ 1,065,700	\$ 456,717	\$13,066,440
Fees	898,281	37,537	219,161	1,154,979
Intergovernmental	136,298	33,027	1,770,506	1,939,831
Interest	63,391	20,100	25,609	109,100
Other	141,629	513,305	105,108	760,042
Total revenues	<u>12,783,622</u>	<u>1,669,669</u>	<u>2,577,101</u>	<u>17,030,392</u>
EXPENSES				
General government	4,891,647	-	1,744,537	6,636,184
Public safety	6,429,666	-	161,945	6,591,611
Public works	1,095,386	-	866,589	1,961,975
Health	53,323	-	-	53,323
Culture and recreation	78,096	1,219,578	-	1,297,674
Debt service	-	-	606,913	606,913
Total expenses	<u>12,548,118</u>	<u>1,219,578</u>	<u>3,379,984</u>	<u>17,147,680</u>
Excess (deficiency) of revenues over expenses	235,504	450,091	(802,883)	(117,288)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	290,500	290,500
Transfers in	20,000	-	1,668,737	1,688,737
Transfers out	(529,050)	(20,000)	(1,139,687)	(1,688,737)
Total other financing sources and uses	<u>(509,050)</u>	<u>(20,000)</u>	<u>819,550</u>	<u>290,500</u>
Net change in fund balances	(273,546)	430,091	16,667	173,212
Fund balances - beginning	4,061,994	628,966	1,766,346	6,457,306
Fund balances - ending	<u>\$ 3,788,448</u>	<u>\$ 1,059,057</u>	<u>\$ 1,783,013</u>	<u>\$ 6,630,518</u>

See Notes to Financial Statements.

CITY OF FREEPORT, 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 April 30, 2005

Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 173,212
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capitalized fixed assets \$(562,236) exceeds depreciation expense \$(435,364) in the period.	126,872
Debt proceeds are reported in governmental funds as other financing sources. However, the proceeds are not recorded in the statement of activities. This is the amount of debt proceeds in the period.	(328,432)
Debt payments are reported in governmental funds as expenditures. However, only the interest on debt is recorded in the statement of activities. This is the amount of debt payments in the period.	454,836
Internal services funds are used to charge the costs in insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(6,772)</u>
Change in net assets of governmental activities	<u>\$ 419,716</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash	\$ 69,868	\$ 437	-	\$ 757	\$ 71,062	\$ -
Investments	-	-	2,120,539	6,655	2,127,194	135,062
Receivables, net of allowance for uncollectible:						
Accounts	217,594	287,033	-	30,516	535,143	68,052
Interest	399	2,666	-	-	3,065	-
Due from other funds	1,103,000	88,875	-	120,440	1,312,315	-
Inventories	66,407	137,904	-	-	204,311	-
Deposits	6,740	360	-	-	7,100	-
Restricted cash accounts:						
Revolving fund	-	270,240	-	-	270,240	22,336
Bond and interest	-	1,208,727	-	2,636,037	3,844,764	-
Capital improvements	121,322	91,349	-	-	212,671	-
Construction	3,750	-	-	-	3,750	-
Total current assets	1,589,080	2,087,591	2,120,539	2,794,405	8,591,615	225,450
Bond issuance costs	-	242,261	-	197,631	439,892	-
Prepaid interest	-	2,596,064	-	-	2,596,064	-
Property, plant and equipment (net of accumulated depreciation)	12,653,843	31,511,258	-	7,689,853	51,854,954	-
Deferred charges	11,067	-	-	-	11,067	-
Total noncurrent assets	12,664,910	34,349,583	-	7,887,484	54,901,977	-
Total assets	14,253,990	36,437,174	2,120,539	10,681,889	63,493,592	225,450

LIABILITIES

Current liabilities:									
Accounts payable	306,984	392,220	4,275	763,577	1,467,056	104,660			
Accrued payroll	70,004	101,269	-	-	171,273	-			
Due to other funds	120,440	877,000	-	314,875	1,312,315	-			
Deposits and escrow amounts	306,046	85	-	-	306,131	-			
Accrued interest payable	-	279,243	-	153,812	433,055	-			
Current portion long term debt	-	576,479	-	152,383	728,862	-			
Total current liabilities	<u>803,474</u>	<u>2,226,296</u>	<u>4,275</u>	<u>1,384,647</u>	<u>4,418,692</u>	<u>104,660</u>			
Noncurrent liabilities:									
Landfill closure liability	-	-	3,834,836	-	3,834,836	-			
Deferred gain	-	713,751	-	-	713,751	-			
Note payable	-	455,650	-	-	455,650	-			
General obligation bonds payable	-	17,347,253	-	8,712,747	26,060,000	-			
Market premium on bonds payable	-	29,883	-	218,909	248,792	-			
Total noncurrent liabilities	<u>-</u>	<u>18,546,537</u>	<u>3,834,836</u>	<u>8,931,656</u>	<u>31,313,029</u>	<u>-</u>			
Total liabilities	<u>803,474</u>	<u>20,772,833</u>	<u>3,839,111</u>	<u>10,316,303</u>	<u>35,731,721</u>	<u>104,660</u>			
<u>NET ASSETS</u>									
Restricted due to bond ordinance	125,072	1,570,316	-	-	1,695,388	22,336			
Unrestricted	13,325,444	14,094,025	(1,718,572)	365,586	26,066,483	98,454			
Total net assets	<u>\$ 13,450,516</u>	<u>\$ 15,664,341</u>	<u>\$ (1,718,572)</u>	<u>\$ 365,586</u>	<u>\$ 27,761,871</u>	<u>\$ 120,790</u>			

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended April 30, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 2,057,416	\$ 2,799,819	\$ -	\$ 1,704,286	\$ 6,561,521	\$ 2,004,301
Operating expenses:						
Operating	1,461,012	1,996,959	386,496	1,094,038	4,938,505	2,013,303
Depreciation	358,074	922,506	-	35,135	1,315,715	-
Total operating expenses	1,819,086	2,919,465	386,496	1,129,173	6,254,220	2,013,303
Operating income (loss)	238,330	(119,646)	(386,496)	575,113	307,301	(9,002)
Nonoperating revenues (expenses):						
Interest income	3,731	52,278	38,459	26,604	121,072	2,230
Donated assets	-	-	-	-	-	-
Interest and fiscal charges	(37,239)	(935,099)	-	(455,918)	(1,428,256)	-
Total nonoperating revenues	(33,508)	(882,821)	38,459	(429,314)	(1,307,184)	2,230
Net income (loss)	204,822	(1,002,467)	(348,037)	145,799	(999,883)	(6,772)
Net assets - May 1, 2004	13,245,694	16,666,808	(1,370,535)	219,787	28,761,754	127,562
Net assets - April 30, 2005	\$ 13,450,516	\$ 15,664,341	\$ (1,718,572)	\$ 365,586	\$ 27,761,871	\$ 120,790

See Notes to Financial Statements.

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended April 30, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,533,072	\$ 2,404,246	\$ -	\$ 1,927,347	\$ 5,864,665	\$ 2,187,729
Payments to suppliers	(928,621)	(215,163)	(317,454)	(206,255)	(1,667,493)	(2,278,575)
Payments to employees	(566,538)	(726,875)	-	(13,798)	(1,307,211)	-
	<u>37,913</u>	<u>1,462,208</u>	<u>(317,454)</u>	<u>1,707,294</u>	<u>2,889,961</u>	<u>(90,846)</u>
Net cash provided by (used in) operations						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	(5,826)	-	-	(5,826)	-
Sale of investments	97,003	-	278,995	3,505,217	3,881,215	88,616
Interest received	3,484	50,210	38,459	26,604	118,757	2,230
Net cash provided by (used in) investing activities	<u>100,487</u>	<u>44,384</u>	<u>317,454</u>	<u>3,531,821</u>	<u>3,994,146</u>	<u>90,846</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Interest paid	(37,239)	(225,486)	-	(461,806)	(724,531)	-
Principal payments on general obligation bonds	-	(15,555,205)	-	(161,347)	(15,716,552)	-
Proceeds from sale of general obligation bonds	-	15,050,000	-	-	15,050,000	-
Purchase of property and equipment	(439,937)	(790,643)	-	(4,649,695)	(5,880,275)	-
Net cash provided by (used in) capital and related financing activities	(477,176)	(1,521,334)	-	(5,272,848)	(7,271,358)	-
Net increase (decrease) in cash and cash equivalents	(338,776)	(14,742)	-	(33,733)	(387,251)	-
Beginning cash and cash equivalents	408,644	15,179	-	34,490	458,313	-
Ending cash and cash equivalents	\$ 69,868	\$ 437	\$ -	\$ 757	\$ 71,062	\$ -

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year ended April 30, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 238,330	\$ (119,646)	\$ (386,496)	\$ 575,113	\$ 307,301	\$ (9,002)
Adjustments to reconcile operating income to net cash provided by (used in) operations:						
Depreciation	358,074	922,506	-	35,135	1,315,715	-
Changes in assets and liabilities:						
Accounts receivable	(12,666)	(38,222)	-	(883)	(51,771)	183,428
Inventory	1,403	842	-	-	2,245	-
Due from other funds	(553,000)	(357,351)	-	223,944	(686,407)	-
Other assets	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Accounts payable	122,711	175,100	(73,430)	647,985	872,366	(20,357)
Accrued payroll	2,329	1,979	-	-	4,308	-
Deposits and escrow amounts	41,322	-	-	-	41,322	-
Other liabilities	-	-	142,472	-	142,472	-
Deferred charges	-	-	-	-	-	-
Due to other funds	(160,590)	877,000	-	226,000	942,410	(244,915)
Net cash provided by (used in) operations	\$ 37,913	\$ 1,462,208	\$ (317,454)	\$ 1,707,294	\$ 2,889,961	\$ (90,846)

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2005

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ 4,757	\$ 1,034,032
Investments	52,623	34,548,977
Receivables, net of allowance for uncollectible:		
Loan	335,398	-
Interest	-	194,926
Total assets	392,778	35,777,935
<u>LIABILITIES</u>		
Accounts payable	596	-
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$ 392,182	\$ 35,777,935

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2005

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 40,699	\$ -
Contributions-employer taxes	-	1,343,538
Contributions-employee	-	480,278
Investment income		
Net appreciation (depreciation) in fair value of investments	-	-
Other	<u>9,928</u>	<u>1,912,966</u>
Total additions	<u>50,627</u>	<u>3,736,782</u>
Deductions:		
Benefits and refunds	-	2,139,612
Other charges and services	<u>43,593</u>	<u>115,371</u>
Total deductions	<u>43,593</u>	<u>2,254,983</u>
Net increase	7,034	1,481,799
Net assets - beginning	<u>385,148</u>	<u>34,296,136</u>
Net assets - ending	<u>\$ 392,182</u>	<u>\$ 35,777,935</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2005

A. Summary of Significant Accounting Policies:

REPORTING ENTITY

The City of Freeport, Illinois was incorporated under the provisions of the State of Illinois. The City operates under a Mayor/Council form of government and provides services to the public such as health services, public safety, fire protection, water and sewer system, streets, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United State of America as applicable to governmental units. City of Freeport's basic financial statements include the accounts of all City operations that are controlled by or dependent on the City. Control or dependence is determined by financial interdependency, selection of governing board, designation of management, accountability for fiscal matters and ability to significantly influence operations. Not included, because it is an autonomous governmental entity and an agent for the State of Illinois, are the City of Freeport Educational Service Region's receipts from the State and the corresponding disbursements to various local agencies.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The City is considered to be a primary government pursuant to GASB Statement 14 as amended by GASB Statement 39 since it is legally separate and financially independent. This report includes all of the funds and account groups of the City. It includes all activities considered to be part of (controlled by or dependent on) the City as set forth under the GAAP criteria. Blended component units, although legally separate entities, are part of the government's operations and so data from these units are combined with data of the primary government.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

A. Summary of Significant Accounting Policies (Continued):

REPORTING ENTITY (CONTINUED)

Blended Component Unit. The Library serves all the citizens of the City and is governed by the Library Board of Trustees. The budget and appropriation ordinance is approved by the Library Board and City Council, and the legal liability for any Library debt remains with the City. The Library is reported as a Special Revenue Fund.

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING

The government wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Earnings on investments, not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Fiduciary funds for which the City maintains a Fiduciary or Agency responsibility are not presented in the government wide financial statements.

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become 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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The following is a description of the governmental funds of the City:

1. General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a particular purpose.
3. Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business type/proprietary funds).

Proprietary Fund

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

A. Summary of Significant Accounting Policies (Continued):

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

Proprietary Fund (Continued)

recognized when earned and expenses are recognized when incurred. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Standards Board Statement No. 20.

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on pricing policy designed to recover similar costs.

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 internal service funds are charges to employees for insurance coverage. Operating expenses for internal service funds include the administrative expenses and insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major funds:

Governmental Funds:

General Fund

The general fund is the general operating fund of the City. It is used to account for all the financial resources except those required to be accounted for in another fund.

Public Library Fund

The public library fund is used to account for the costs related to the public library. Funding is provided mainly through taxes, grants, and gifts.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2005

A. Summary of Significant Accounting Policies:

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)

Enterprise Funds:

Water Department Fund To account for the costs related to the operation of the City's water system. Funding is provided by user fees.

Sewer Department Fund To account for the costs related to the operation of the City's sewer system. Funding is provided by user fees.

Landfill Closure Fund To account for the costs related to post-closure care of the landfill which was closed in previous years. Funding is provided by transfers from the general fund.

BUDGETS

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2005. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

- a. At least 15 days prior to the enactment of the budget, the committee on Finance Procurement submits to the City Council a proposed means of financing expenditure appropriations for the fiscal year commencing the following May 1.
- b. Normally on the last Wednesday in April, but no later than April 30, the budget is legally enacted through passage of the appropriation ordinance.
- c. Budgeted amounts are as originally reported or as amended by the City Council. Individual amendments were not material in relation to the original appropriations.
- d. Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for each object and purpose, but management control is exercised at budgetary line item levels.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

A. Summary of Significant Accounting Policies (Continued):

CASH AND INVESTMENTS

Cash consists of demand deposits and savings accounts, both being easily accessible and with short-term duration. Investments as of April 30, 2005 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created

Under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts.

PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1st on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the City and issued on or about May 1st. Such taxes are payable by taxpayers in two installments on approximately June 1 and September 1 subsequent to the year of levy. Distribution of tax receipts to the various City funds usually occurs within one month of the installment due dates.

Property taxes levied in the current year and collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

A. Summary of Significant Accounting Policies (Continued):

PROPERTY TAXES (CONTINUED)

Effective in December 2004, the City levied its 2005 taxes which will be recognized as revenue in 2006. The amounts of taxes levied are:

General Fund	\$2,143,710
Special Revenue Funds:	
IMRF	136,000
Library	<u>996,998</u>
	<u>\$3,276,708</u>

Property taxes receivable are shown in the financial statements net of a 1% allowance for uncollectibles.

INVENTORY

Inventories are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

COMPENSATED ABSENCES

Material vested or accumulated vacation leave, including related social security, Medicare, and the Government's share of pension costs for IMRF, that would be expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Material amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources would be reported as a non-current liability in the government-wide statements only.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

B. Legal Compliance and Accountability:

BUDGETS

All departments of the City submit requests for appropriation to the City's administrator so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

The budget may be amended by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level.

DEFICIT FUND BALANCES/RETAINED EARNINGS OF INDIVIDUALS FUNDS

The following funds had a deficit in fund balance/retained earnings as of the date of this report:

<u>Fund</u>	<u>Deficit Balance</u>
Enterprise:	
Landfill Closure Fund	<u>\$(1,718,572)</u>

**EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN
 INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures/expenses (exclusive of depreciation and amortization) over budget for the fiscal year:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>
Enterprise:		
Landfill Closure Fund	<u>\$125,000</u>	<u>\$386,496</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

C. Deposits and Investments:

The City maintains a cash and investment pool that is available for use by all funds, except the pension trust funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and investments". In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of April 30, 2005, there were no funds that had an overdraft.

DEPOSITS

At year end, the carrying amount of the City's deposits totaled \$9,012,268 and the bank balances totaled \$9,451,826.

	<u>Bank Balances</u>
Category 1	
Deposits covered by federal depository insurance, or by Collateral held by the City, or its agent, in the City's name	\$9,419,726
Category 2	
Deposits covered by collateral held by the pledging financial institution's trust department, or by its agents, in the City's name.	-
Category 3	
Deposit covered by collateral held by the pledging financial institution, or its trust department, or its agent but not in the City's name, and deposits which are uninsured and uncollateralized	<u>32,100</u>
Total deposits	<u>\$9,451,826</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

C. Deposits and Investments (Continued):

INVESTMENTS

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name, and uninsured, unregistered investments.

	Fair Value Category			Totals
	1	2	3	
U.S. Govt. securities	\$ -	\$18,334,856	\$ -	\$18,334,856
The Illinois Funds				6,525,872
Common stock				5,016,460
Mutual funds				<u>8,823,011</u>
Total investments				<u>\$38,700,199</u>

The pension trust funds own all of the investments in Category 2.

D. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2005:

Special Revenue:	
Library Fund:	
Reserved for restricted tax levies	\$ <u>50,913</u>
Enterprise:	
Water Fund:	
Reserved due to bond ordinance	\$ <u>125,072</u>
Sewer Fund:	
Reserved due to bond ordinance	\$ <u>1,570,316</u>
Fiduciary:	
Non Expendable Trust Fund:	
Revolving Loan Fund:	
Reserved for revolving loan	\$ <u>352,713</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

D. Reserved Fund Balances/Retained Earnings (Continued):

Pension Trust Funds:

Police Pension Fund:

Reserved for employees retirement system \$13,394,645

Firefighters Pension Fund:

Reserved for employees retirement system \$22,383,290

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

E. Property, Plant and Equipment:

Capital assets, which include buildings, land improvements, construction in progress and equipment are reported in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 to \$10,000 depending on the asset type, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. For those assets for which historical cost is not available, the City has estimated historical cost by using current costs and adjusting for inflation. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except construction in progress, are being depreciated using the straight line method over the following useful lives:

Buildings & Improvements	50 years
Equipment & Vehicles	8 - 20 years

The City has elected to use the five-year grace period to record historical infrastructure assets. No infrastructure assets were put into service in the current year and therefore no infrastructure is included in the current financial statements.

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

E. Property, Plant and Equipment (Continued):

The governmental activities capital asset activity for the year ended April 30, 2005 is as follows:

	<u>Balance</u> <u>May 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2005</u>
Cost:				
Buildings	\$11,254,007	\$ -	\$ -	\$11,254,007
Equipment	1,518,339	42,100	-	1,560,439
Vehicles	<u>4,295,549</u>	<u>520,136</u>	<u>256,294</u>	<u>4,559,391</u>
	<u>\$17,067,895</u>	<u>\$562,236</u>	<u>\$256,294</u>	<u>\$17,373,837</u>
Accumulated Depreciation:				
Buildings	\$2,928,761	\$ 64,495	\$ -	\$2,993,256
Equipment	999,546	61,544	-	1,061,090
Vehicles	<u>2,963,333</u>	<u>309,325</u>	<u>256,294</u>	<u>3,016,364</u>
	<u>\$6,891,640</u>	<u>\$435,364</u>	<u>\$256,294</u>	<u>\$7,070,710</u>
Total Capital Assets, Net:				
Buildings	\$ 8,325,246	\$ (64,495)	\$ -	\$ 8,260,751
Equipment	518,793	(19,444)	-	499,349
Vehicles	<u>1,332,216</u>	<u>210,811</u>	<u>-</u>	<u>1,543,027</u>
	<u>\$10,176,255</u>	<u>\$146,994</u>	<u>\$ -</u>	<u>\$10,303,127</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

E. Property, Plant and Equipment (Continued):

The business-type activities capital asset activity for the year ended April 30, 2005 is as follows:

	<u>Balance</u> <u>May 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2005</u>
Cost:				
Buildings	\$24,133,383	\$1,277,402	\$ -	\$25,410,785
Transmission lines	32,084,434	4,380,187	-	36,464,621
Equipment	6,102,550	221,894	-	6,324,444
Work in process	<u>493,813</u>	<u>792</u>	<u>-</u>	<u>494,605</u>
	<u>\$62,814,180</u>	<u>\$5,880,275</u>	<u>\$ -</u>	<u>\$68,694,455</u>
Accumulated Depreciation:				
Buildings	\$ 4,113,802	\$ 548,071	\$ -	\$ 4,661,873
Transmission lines	8,516,977	553,977	-	9,070,954
Equipment	<u>2,893,007</u>	<u>213,667</u>	<u>-</u>	<u>3,106,674</u>
	<u>\$15,523,786</u>	<u>\$1,315,715</u>	<u>\$ -</u>	<u>\$16,839,501</u>
Total Capital Assets, Net:				
Buildings	\$20,019,581	\$ 729,331	\$ -	\$20,748,912
Transmission lines	23,567,457	3,826,210	-	27,393,667
Equipment	3,209,543	8,227	-	3,217,770
Work in process	<u>493,813</u>	<u>792</u>	<u>-</u>	<u>494,605</u>
	<u>\$47,290,394</u>	<u>\$4,564,560</u>	<u>\$ -</u>	<u>\$51,854,954</u>

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

Governmental activities:	
General government	\$ 77,644
Public safety	189,743
Public works	34,296
Culture and recreation	<u>133,681</u>
Total depreciation expense, governmental activities	<u>\$ 435,364</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

E. Property, Plant and Equipment (Continued):

Business-type activities:	
Water Department	\$ 358,074
Sewer Department	922,506
Storm Sewer Department	<u>35,135</u>
 Total depreciation expense, governmental activities	 <u>\$1,315,715</u>

F. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The deductible in effect through these policies as of April 30, 2005 was \$10,000. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

The City is exposed to various risks of loss related to illness of employees. The City is self-insured for health insurance risks and has established a risk financing fund, Health Care Fund (the Fund), for these risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the Fund provides coverage up to a maximum of \$75,000 for each health claim. The City purchases commercial insurance for claims in excess of the coverages provided by the Fund. During fiscal year 2005, the City's claims did not exceed its stop loss limits. Settled claims in each of the prior three fiscal years did not exceed commercial coverage.

All funds of the City participate and make payments to the Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and societal factors. Changes in the balances of claims liabilities during the past fiscal year are as follows:

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

F. Risk Management (Continued):

	<u>Fiscal Year Ended</u> April 30, <u>2005</u>
Unpaid claims – beginning	\$ 125,017
Incurred claims including IBNR, net of claims in excess of stop loss	1,756,119
Claim payments	<u>1,776,476</u>
Unpaid claims – ending	<u>\$ 104,660</u>

G. Long-Term Debt:

LEASE OBLIGATIONS

No material operating leases were in effect as of the date of this report.

The City is obligated under certain leases accounted for as capital leases. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of April 30, 2005.

<u>Year Ending</u> <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ -	\$ -
2007	65,156	23,255
2008	68,060	20,351
2009	71,093	17,318
2010	74,261	14,150
2011 - 2013	<u>243,238</u>	<u>21,995</u>
Total	<u>\$521,808</u>	<u>\$97,069</u>

INSTALLMENT CONTRACTS/NOTES PAYABLE

The City enters into installment contracts/notes payable to provide funds for the acquisition of capital assets.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

G. Long-Term Debt (Continued):

INSTALLMENT CONTRACTS/NOTES PAYABLE (CONTINUED)

Installment contracts/notes payable currently outstanding included in long-term debt are as follows:

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
US Bank, payable monthly with interest at 4.76%, due February 22, 2012	Debt Service	\$ 203,832	\$ -	\$ 21,947	\$ 181,885
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2004	Debt Service	948,769	-	109,134	839,635
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	126,369	-	4,207	122,162
Midwest Bank, payable monthly with interest at 4.13%, due November 9, 2004	Debt Service	107,587	-	107,587	-
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	68,971	-	2,377	66,594
Amcore Bank, payable monthly with interest at 4.68% due December 22, 2006	Debt Service	633,290	-	83,473	549,817
Amcore Bank, payable annually with interest at 3.88%, due July 12, 2008	Debt Service	-	185,000	-	185,000
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	-	106,000	12,098	93,902
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	-	650,000	70,488	579,512
		<u>\$2,088,818</u>	<u>\$941,000</u>	<u>\$411,311</u>	<u>\$2,618,507</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

G. Long-Term Debt (Continued):

INSTALLMENT CONTRACTS/NOTES PAYABLE (CONTINUED)

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 420,628	\$100,541
2007	806,107	78,481
2008	357,476	51,984
2009	371,382	38,078
2010	237,600	24,732
2011-2015	327,426	45,658
2016-2020	68,760	18,661
2021-2022	<u>29,128</u>	<u>1,562</u>
Total	<u>\$2,618,507</u>	<u>\$359,697</u>

GENERAL OBLIGATION BONDS

2000 Issue

On March 6, 2000 the City passed an ordinance for the issuance of \$16,000,000 Bond Series of 2000. The purpose of the bonds is to pay the costs of the construction of upgrades to the City's wastewater treatment plant and various other capital improvements within the City, pay capitalized interest on the Bonds for a period of one year, pay the costs of issuance of the Bonds and refund all or a portion of the City's General Obligation Bonds, Series 1993 dated May 13, 1993, originally issued in the aggregate principal amount of \$3,395,000.

2003 Issue

On June 2, 2003 the City passed an ordinance for the issuance of \$12,750,000 Bond Series of 2003. The purpose of the bonds is to complete storm water projects, fund city's commitment to the new library, and TIF commitment to Raleigh office complex.

2004 Issue

On December 15, 2004 the City passed an ordinance for the issuance of \$8,665,000 Bond Series of 2004. The purpose of the bonds is to refund a portion of the 2000 Issue and realize interest savings due to lower interest rates.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

G. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (CONTINUED)

2005 Issue

On January 15, 2005 the City passed an ordinance for the issuance of \$5,735,000 Bond Series of 2005. The purpose of the bonds is to refund a portion of the 2000 Issue and realize interest savings due to lower interest rates.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
\$16,000,000 General Obligation Bond Series 2000, dated April 1, 2000 due in annual installments of \$240,000 to \$490,000 plus interest at 4.55% to 6.00% through December 1, 2015. \$2,900,000 5.9% term bonds due December 1, 2020. \$7,890,000 6.00% term bonds due December 1, 2029	Sewer	\$15,245,000	\$ -	\$12,870,000	\$2,375,000
\$2,080,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$55,000 to \$150,000 plus interest at 2.00% to 5.50% through January 1, 2029.	Library	2,080,000	-	-	2,080,000
\$570,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$20,000 to \$45,000 plus interest at 2.00% to 5.50% through January 1, 2024.	TIF	570,000	-	20,000	550,000
\$10,070,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$180,000 to \$650,000 plus interest at 2.00% to 5.50% through January 1, 2034.	Storm sewer and sewer	10,070,000	-	180,000	9,890,000

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

G. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (CONTINUED)

2005 Issue (Continued)

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
\$8,665,000 General Obligation Bond Series 2004, date December 15, 2004 due in annual installments of \$75,000 to \$800,000 plus interest at 2.50% to 4.375% through December 1, 2024	Sewer	-	8,665,000	-	8,665,000
\$5,735,000 General Obligation Bond Series 2005, date January 15, 2005 due in annual installments of \$25,000 to \$1,095,000 plus interest at 2.25% to 4.70% through December 1, 2024	Sewer	-	<u>5,735,000</u>	-	<u>5,735,000</u>
		<u>\$27,965,000</u>	<u>\$14,400,000</u>	<u>\$13,070,000</u>	<u>\$29,295,000</u>

See pages 94 and 95 for schedules of debt service requirements to maturity related to the General Obligation Bonds.

CHANGES IN LONG-TERM LIABILITIES

During the fiscal year the following changes occurred in long-term debt:

	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
Installment notes	\$ 2,088,818	\$ 941,000	\$ 411,311	\$ 2,618,507
Capitalized leases	613,494	-	91,686	521,808
General obligation bonds Payable	27,965,000	14,400,000	13,070,000	29,295,000
Compensated absences	<u>242,537</u>	<u>37,432</u>	<u>-</u>	<u>279,789</u>
Total	<u>\$30,909,849</u>	<u>\$15,378,432</u>	<u>\$13,572,997</u>	<u>\$32,715,104</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

G. Long-Term Debt (Continued):

LEGAL DEBT MARGIN

The City is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts; only in excess of the following percentages of the assessed value of its taxable property (2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts”.

To date the General Assembly has set no limits for home rule municipalities.

H. Debt Defeasance:

In the current year, the City defeased a portion of the 2000 General Obligation bond issue by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$2,188,688 and resulted in an economic gain of \$713,751. As of April 30, 2005, the amount of defeased debt outstanding but removed from the City's financial statements amounted to \$12,595,000.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

I. Interfund Assets/Liabilities:

DUE FROM/TO OTHER FUNDS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General	Grants	\$ 95,214
	Cemetery	1,111
Debt Service	General	4
	TIF Fund	400
	Fire Capital Improvement	1,965
Grants	General	<u>19,823</u>
		<u>118,517</u>
Proprietary:		
Health and Environment	Water	120,440
Water	Sewer	877,000
	Storm Sewer	226,000
Sewer	Storm Sewer	<u>88,875</u>
		<u>1,312,315</u>
Total		<u>\$1,430,832</u>

J. Solid Waste Landfill Closure and Postclosure Care Costs:

The City owns and operated a landfill site that was closed in 2003. State and federal laws require the City to close the landfill and to monitor and maintain the site for thirty subsequent years. The City recognized a portion of the closure and postclosure care costs in each operating period even though actual payouts will occur as the landfill is capped and monitored. As of April 30, 2005, the Government has incurred a liability of \$3,834,836 which represents the estimated costs of capping and monitoring the landfill. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

The City has established an enterprise fund to accumulate assets needed for the actual payout of closure and postclosure care costs. As of April 30, 2005, assets reported on the combined balance sheet which total \$2,120,539 are held for this purpose.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

J. Solid Waste Landfill Closure and Postclosure Care Costs (Continued):

The City is required by state and federal laws and regulations to make annual contributions to finance the closure and postclosure care costs. The City is in compliance with these requirements at April 30, 2005. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

K. Segment Information-Enterprise Funds:

The City maintains the following enterprise funds which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of the date of this report and for the fiscal year is as follows:

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
Operating revenues	\$1,030,322	\$ 2,057,416	\$ 2,799,819	\$ 673,964	\$ -
Depreciation and amortization expense	-	358,074	922,506	35,135	-
Operating income (loss)	4,186	238,330	(119,646)	570,927	(386,496)
Net income (loss)	4,207	204,822	(1,002,467)	141,592	(348,037)
Plant, property, and equipment:					
Additions	-	427,978	802,602	4,649,695	-
Deletions	-	-	-	-	-
Allowance for uncollectible accounts	-	(4,000)	(5,000)	-	-
Total assets	127,095	14,253,990	36,437,174	10,554,794	2,120,539
Net working capital	43,521	785,606	437,774	1,366,237	2,116,264
Bonds and other long- term liabilities:					
Payable from operating revenues	-	-	17,347,253	-	3,834,836
Total equity	<u>\$ 43,521</u>	<u>\$13,450,516</u>	<u>\$15,664,341</u>	<u>\$ 322,065</u>	<u>\$(1,718,572)</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

L. Employee Retirement Systems:

PLAN DESCRIPTIONS AND PROVISIONS

Illinois Municipal Retirement

The City of Freeport's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. GASB Statement No. 27 classifies IMRF as an agent-multiple-employer public employee retirement system. 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% 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 rate for calendar year 2004 was 7.79% of payroll. The City 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 remaining amortization period at December 31, 2004 was 28 years.

For December 31, 2004, the City's **annual pension cost** of \$302,083 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 ranging 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 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 were based on the 1999-2001 experience study.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Illinois Municipal Retirement (Continued)

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/04	\$302,083	100%	\$-0-
12/31/03	412,377	100%	-0-
12/31/02	431,319	100%	-0-
12/31/01	463,754	100%	-0-
12/31/00	458,237	100%	-0-
12/31/99	346,950	100%	-0-
12/31/98	368,710	100%	-0-
12/31/97	353,903	100%	-0-
12/31/96	355,474	100%	-0-
12/31/95	350,912	100%	-0-

Police Pension

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-Article 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 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	38
Current employees	
Vested	30
Nonvested	<u>28</u>
Total	<u>96</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

The following is a summary of the Police Pension Plan as provided for in the Illinois Compiled 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 percent of the original pension and 3 percent simple interest annually thereafter.

Covered employees are required to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded by the year 2034.

The Statutes also contain a Portability Ruling that may impact the police pension fund. If a police officer transfers to another fund, that officer's former fund may be required to transfer monies to the officer's current fund if one of two requirements are met. The police officer must have either actively served in the police department for two years or the officer was involuntarily terminated for reasons other than fault of the officer. In these cases, the former fund will be required to transfer to the current fund amounts equal to twice the amounts of employee contributions to the plan plus interest at the rate of 6% per year, compounded annually.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension

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-Article 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2005, the Firefighter's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	52
Current employees	
Vested	38
Nonvested	<u>10</u>
Total	<u>100</u>

The following is a summary of the Firefighter's Pension Plan as provided for in the Illinois Compiled Statutes.

The Firefighter's Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75 percent 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 paid upon reaching at least the age 55, by 3 percent of the original pension and 3 percent annually thereafter.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2005

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

Covered employees are required to contribute 8.455 percent of the 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 without interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the past service cost for the Firefighter's Pension Plan is fully funded by the year 2034.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

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

Method Used to Value Investments – Investments are reported at fair value. Investment income is recognized as earned.

Gains and losses on sales and exchanges of fixed-income securities are recognized on the trade date.

Significant Investments – There are no investments (other than U.S. government and U.S. government – guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits.

Related Party Transactions – There were no securities of the employer or any other related parties included in plan assets, including any loans.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

L. Employee Retirement Systems (Continued):

FUNDING STATUS AND ANNUAL PENSION COST

Police Pension

The City's net pension obligation to the Police Pension Plan for the current year were as follows:

Annual required contribution	\$ 821,566
Adjustments to annual required contribution	<u> -</u>
Annual pension cost	821,566
Contributions made	<u>724,418</u>
Increase (decrease) in net pension obligation	97,148
Net pension obligation, beginning	<u>5,736,532</u>
Net pension obligation, ending	<u>\$5,833,680</u>

The annual required contribution for the current year was determined as part of the April 30, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll in accordance with section 3-127 of the Illinois Pension Code. The remaining amortization period at April 30, 2005, was 30 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>
4/30/05	\$821,566	88.18%	\$5,833,680
4/30/04	797,626	81.18%	5,736,532
4/30/03	726,590	75.86%	5,586,395

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

L. Employee Retirement Systems (Continued):

FUNDING STATUS AND ANNUAL PENSION COST (CONTINUED)

Firefighters' Pension

The City's net pension obligation to the Firefighter's Pension Plan for the current year were as follows:

Annual required contribution	\$ 692,283
Adjustments to annual required contribution	<u> -</u>
Annual pension cost	692,283
Contributions made	<u>619,120</u>
Increase (decrease) in net pension obligation	73,163
Net pension obligation, beginning	<u>2,260,589</u>
Net pension obligation, ending	<u>\$2,333,752</u>

The annual required contribution for the current year was determined as part of the April 30, 2004, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll in accordance with section 3-127 of the Illinois Pension Code. The remaining amortization period at April 30, 2005, was 31 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>
4/30/05	\$692,283	89.43%	\$2,333,752
4/30/04	707,463	86.71%	2,260,589
4/30/03	620,978	85.33%	2,166,588

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2005

M. Transfers:

Below are the interfund transfers as of April 30, 2005:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Public Library Fund	\$ 20,000	\$ -
Non-Major Governmental Funds	<u>-</u>	<u>(529,050)</u>
Total General Fund	<u>20,000</u>	<u>(529,050)</u>
Public Library Fund:		
General Fund	<u>-</u>	<u>(20,000)</u>
Non-Major Governmental Funds:		
General Fund	<u>529,050</u>	<u>-</u>
Total all funds	<u>\$549,050</u>	<u>\$(549,050)</u>

The purpose of these transfers was to subsidize special revenue funds and to reimburse the General fund for administrative services provided to the Public Library Fund.

N. Pending GASB Statements:

Statement No. 40, "Deposit and Investment Risk Disclosures – an Amendment of GASB 3" will be effective for the fiscal year ending April 30, 2006. Statement 40 imposes amendments to GASB 3 and disclosures for different deposit and investment risks. Management has not yet completed their assessment of this statement and its impact on the financial statements.

Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" will be effective for the fiscal year ending April 30, 2007. Statement 42 establishes accounting and reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. Management has not yet completed their assessment of this statement and its impact on the financial statements.

Statement No. 43 "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans" will be effective for the fiscal year ending April 30, 2009. Statement 43 establishes uniform financial reporting standards for other post employment plans other than pension plans. Management has not yet completed their assessment of this statement and its impact on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2005

**Illinois Municipal Retirement Fund
 Schedule of Funding Progress**

Actuarial Valuation Date <u>December 31</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2004	\$10,948,525	\$11,142,001	98.26%	\$ 193,476	\$3,877,834	4.99%
2003	10,204,510	9,625,774	106.01%	(578,736)	3,759,131	0.00%
2002	9,823,757	10,208,983	96.23%	385,226	3,718,266	10.36%
2001	8,744,746	9,190,824	95.15%	446,078	3,654,486	12.21%
2000	7,500,930	8,567,687	87.55%	1,066,757	3,538,507	30.15%
1999	6,060,298	7,952,143	76.21%	1,891,845	3,304,293	57.25%
1998	4,818,834	7,059,460	58.09%	2,958,496	3,309,787	89.39%
1997	5,830,091	7,331,883	79.52%	1,501,792	3,198,717	46.95%
1996	4,754,236	6,493,284	73.22%	1,739,048	3,215,494	54.08%
1995	4,749,686	6,451,553	73.62%	1,701,867	3,115,691	54.62%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$10,977,136. On a market basis, the funded ratio would be 98.52%.

Digest of Changes

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.

CITY OF FREEPORT, ILLINOIS
 Required Supplementary Information
 April 30, 2005

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

The required supplementary information does not include required disclosures relating to the Employee Retirement Systems for 1995 – 1998 since this information, which would have been provided by actuarial valuations, wasn't provided to the Government from the State of Illinois Department of Insurance. This information was expected, but the State has been unable to produce the actuarial valuations due to computer reporting problems.

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2005.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
2004	\$12,670,887	\$23,604,453	53.7%	\$10,933,566	\$2,503,876	436.7%
2003	11,668,468	22,361,295	52.2%	10,692,827	2,482,238	430.8%
2002	11,820,833	20,635,526	57.3%	8,814,693	2,585,165	341.0%
2001	11,667,198	19,408,254	60.1%	7,741,056	2,376,351	325.7%
2000	10,999,272	17,448,865	63.0%	6,449,593	2,160,790	298.5%
1999	10,567,706	16,127,359	65.5%	5,559,653	2,171,208	256.1%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A
1995	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF FREEPORT, ILLINOIS
 Required Supplementary Information
 April 30, 2005

**ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS
 (CONTINUED)**

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2005.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2004	\$21,427,558	\$25,571,834	83.8%	\$4,144,276	\$2,335,930	177.4%
2003	19,277,607	24,379,255	79.1%	5,101,648	2,247,783	227.0%
2002	19,644,428	23,275,734	84.4%	3,631,306	2,198,576	165.2%
2001	18,678,451	22,425,896	83.2%	3,747,445	2,094,900	178.8%
2000	18,623,950	20,984,189	88.8%	2,360,239	1,979,235	119.3%
1999	17,951,332	19,621,967	91.5%	1,670,635	1,991,641	83.9%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A
1996	N/A	N/A	N/A	N/A	N/A	N/A
1995	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF FREEPORT, ILLINOIS
ANNUAL FINANCIAL INFORMATION
April 30, 2005

Police Pension Fund
Employer Contributions

<u>Year Ending</u> <u>April 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2005	\$724,418	\$821,566	88.18%
2004	647,489	797,626	81.18%
2003	551,171	726,590	75.86%
2002	534,124	647,181	82.53%
2001	453,096	552,312	82.04%
2000	426,493	512,660	83.19%
1999	N/A	N/A	N/A
1998	N/A	N/A	N/A
1997	N/A	N/A	N/A
1996	N/A	N/A	N/A
1995	N/A	N/A	N/A

Firefighter's Pension Fund
Employer Contributions

<u>Year Ending</u> <u>April 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2005	\$619,120	\$692,283	89.43%
2004	613,462	707,463	86.71%
2003	529,901	620,978	83.33%
2002	484,602	613,170	79.03%
2001	437,344	531,005	82.36%
2000	441,904	507,135	87.14%
1999	N/A	N/A	N/A
1998	N/A	N/A	N/A
1997	N/A	N/A	N/A
1996	N/A	N/A	N/A
1995	N/A	N/A	N/A

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM**

April 30, 2005

Freeport Sewer System

The Freeport sanitary sewer system consists of nine lift stations and 125 miles of sanitary sewers ranging in size from 6 inches to 42 inches. Freeport separated its sanitary and storm sewer systems in the late 1930s. The oldest lift stations were constructed in 1969.

Freeport Water and Sewer Commission

The five-person Freeport Water & Sewer Commission was founded in 1937 to manage, operate and control water and wastewater treatment systems. The Commissioners are appointed by the Mayor and approved by City Council. They serve five-year terms. The Commission has the authority to hire an Executive Director to oversee the daily operations. The Commission approves and monitors the annual budget after its approval by City Council. After the Council has approved the budget, only those items that exceed \$2,500 and are not in the budget must be approved by the Council.

Sewer Rates and Collections

<u>Fiscal Year</u>	<u>Sewer Rates Debt Service</u>	<u>Sewer Rates Per 100 Cu Ft</u>	<u>Sewer Revenues</u>
1995	\$4.15/month	\$1.00	\$2,289,401
1996	\$4.15/month	\$1.08	\$2,466,491
1997	\$4.15/month	\$1.24	\$2,595,458
1998	\$4.40/month	\$1.37	\$2,509,689
1999	\$4.70/month	\$1.42	\$2,599,550
2000	\$4.90/month	\$1.47	\$2,653,924
2001	\$4.90/month	\$1.47	\$2,631,086
2002	\$4.90/month	\$1.47	\$2,552,064
2003	\$4.90/month	\$1.59	\$2,702,980
2004	\$4.90/month	\$1.68	\$2,781,776
2005	\$4.90/month	\$1.68	\$2,799,819

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
 April 30, 2005

Assessment of Property

The City of Freeport Assessor supervises the assessment of all real property and railroad property not used for transportation purposes. These valuations are subject to appeal by the taxpayer to the City Board of Review and the Illinois Property Tax Appeal Board and then to equalization by the Illinois Department of Revenue. Real estate sales ratio studies conducted annually by the Illinois Department of Revenue provide the foundation of inter-City equalization by means of multipliers assigned to each City. The multiplier (also known as the "equalization factor") is applied to all assessments in the City to adjust such assessment by a given percentage in order to bring the City level toward the statutory standard of 33 1/3% of fair market value. The multiplier applied to levy year 2000 assessments in City of Freeport was 1.0.

Equalized Assessed Valuation

The City's EAV has increased \$1,621,626 or approximately 0.7% between 2000 and 2004 (see table following). The EAV is net of Senior Citizen's Homestead and General Homestead exemptions. The Senior Citizen's Homestead, effective for tax years 1983 and following, has reduced the EAV of real property owned and occupied by a person 65 years of age or older. The General Homestead Exemption is valuable to owner-occupied residential property; the amount of the exemption is the increase in the current year's equalized assessed valuation above the 1977 tax year equalized assessed valuation, with a maximum of \$1,500 in 1978, \$3,000 between 1979 and 1982 and \$3,500 thereafter.

City of Freeport
Equalized Assessed Valuation
Five Year History

<u>Tax Levy</u> <u>Year</u>	<u>Equalized</u> <u>Assessed Valuation</u>	<u>Percent Increase</u> <u>Over Prior Year</u>
2004	\$230,861,415	-4.669%
2003	\$242,167,890	1.993%
2002	\$237,436,266	1.354%
2001	\$234,265,391	2.192%
2000	\$229,239,789	3.012%
Per Capita EAV		<u>\$8,614.23</u>

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
 April 30, 2005

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2004 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$159,095,573	68.915%
Farm	213,991	0.093%
Commercial	60,906,922	26.382%
Industrial	10,486,853	4.542%
Railroad	<u>158,076</u>	<u>0.068%</u>
	<u>\$230,861,415</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2005 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$29,295,000</u>	<u>\$29,295,000</u>	<u>\$-0-</u>
Total	<u>\$29,295,000</u>	<u>\$29,295,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2004 EAV			-0-%
		<u>City Share</u>	
		<u>As Percent of Gross</u>	
<u>Overlapping Debt</u>	<u>Gross</u>		<u>Net</u>
Stephenson County	\$10,560,918	44%	\$ 4,646,804
School District #145	25,707,851	76%	19,537,967
Freeport Park District	1,410,000	99%	1,395,900
Community College District #519	<u>110,000</u>	18%	<u>19,800</u>
Total	<u>\$37,788,769</u>		<u>\$25,600,471</u>
Per capita net overlapping debt			\$955.24
Percent of net overlapping debt to 2004 EAV			11.09%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2005**

Property Tax Rates

Excluding taxes levied by other units of government, the City's property tax rates expressed as a dollar for each \$1.00 of EAV, for the levy years 2000 through 2004 are as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Corporate	0.40701	0.41258	0.42810	0.47606	0.46590
Police Pension	0.27640	0.24003	0.21806	0.18862	0.18660
Public Library	0.43186	0.42689	0.43319	0.42623	0.42290
Municipal Retirement	0.05891	0.06607	0.06739	0.06830	0.06980
Firefighter's Pension	<u>0.24516</u>	<u>0.20514</u>	<u>0.20660</u>	<u>0.18134</u>	<u>0.16930</u>
Total	<u>1.41934</u>	<u>1.35071</u>	<u>1.35334</u>	<u>1.34055</u>	<u>1.31450</u>

In addition to the City's tax rates, residents of the City must pay property taxes to other units of local government. Total rates for property in the City expressed as a dollar for each \$100 of EAV, for the levy year 2004 were as follows:

<u>Taxing Unit</u>	<u>2004 Tax Levy</u>
City of Freeport	1.41934
Stephenson County	1.07823
Freeport Township	.38370
Community College District #519	.45588
School District #145	5.66081
Freeport Park District	.92436
Freeport MOSQ Abate	.03034

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 2,077,175	\$ 2,077,175	\$ 2,069,425	\$ (7,750)
Property transfer tax	220,000	220,000	222,205	2,205
Retailers occupation tax	4,250,000	4,250,000	4,211,487	(38,513)
Income tax	1,705,000	1,705,000	1,842,571	137,571
Replacement tax	270,000	270,000	327,584	57,584
Food, drink tax	770,000	770,000	786,738	16,738
Utility tax	450,000	450,000	436,179	(13,821)
Special use tax	238,000	238,000	270,678	32,678
Natural gas tax	400,000	400,000	343,051	(56,949)
Telephone utility tax	1,000,000	1,000,000	869,605	(130,395)
Water and sewer payment	164,500	164,500	164,500	-
	<u>11,544,675</u>	<u>11,544,675</u>	<u>11,544,023</u>	<u>(652)</u>
Total taxes				
Fees:				
Cable TV franchise fees	195,000	195,000	184,580	(10,420)
Circuit clerk fines and fees	387,500	387,500	336,227	(51,273)
Building fees and permits	205,000	205,000	267,389	62,389
911 dispatching fees	110,000	110,000	110,085	85
	<u>897,500</u>	<u>897,500</u>	<u>898,281</u>	<u>781</u>
Total fees				
Intergovernmental:				
Weed and seed reimbursement	19,000	19,000	22,652	3,652
IDOT reimbursement	32,000	32,000	38,860	6,860
Federal grant for SLANT officer	60,335	60,335	64,957	4,622
Fire training reimbursement	2,000	2,000	4,007	2,007
Police training reimbursement	20,000	20,000	-	(20,000)
Traffic signal maintenance reimbursement	10,000	10,000	5,822	(4,178)
	<u>143,335</u>	<u>143,335</u>	<u>136,298</u>	<u>(7,037)</u>
Total intergovernmental				

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues (Continued):				
Interest	<u>60,000</u>	<u>60,000</u>	<u>63,391</u>	<u>3,391</u>
Other:				
Miscellaneous local sources	125,000	125,000	41,799	(83,201)
Miscellaneous other charges for services	<u>100,000</u>	<u>100,000</u>	<u>99,830</u>	<u>(170)</u>
Total other revenues	<u>225,000</u>	<u>225,000</u>	<u>141,629</u>	<u>(83,371)</u>
Total revenues	<u>\$12,870,510</u>	<u>\$12,870,510</u>	<u>\$12,783,622</u>	<u>\$ (86,888)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,241	\$ 159
Ordinance codification	5,500	5,500	5,191	309
Education, training and travel	4,000	4,000	235	3,765
Total city council	39,900	39,900	35,667	4,233
Commissions:				
Commissions stipends	4,325	4,325	4,150	175
Legal advertising	2,000	2,000	-	2,000
Education, training and travel	7,500	7,500	4,753	2,747
Books, periodicals, and memberships	400	400	384	16
Total commissions	14,225	14,225	9,287	4,938
City Clerk:				
Non-bargaining	15,148	15,398	15,651	(253)
Elected officials	48,757	48,757	48,468	289
Overtime, non-bargaining	200	200	-	200
Title searches and recording fees	150	150	96	54
Contracted equipment repairs	500	500	-	500
Telephone and communications	-	-	-	-
Printing	500	500	-	500
Publication expense	5,000	5,000	5,942	(942)
Education, training and travel	1,500	1,500	897	603
Insurance other than employee benefits	100	100	80	20
Books, periodicals and memberships	750	750	10	740
Office supplies	1,000	1,000	789	211
Equipment, furniture and fixtures	2,000	1,750	130	1,620
Total city clerk	75,605	75,605	72,063	3,542
Mayor:				
Non-bargaining	31,028	32,228	32,141	87
Elected officials	78,740	78,740	78,740	-
Overtime, non-bargaining	1,500	1,500	1,073	427

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Contracted vehicle repair and maintenance	200	200	-	200
Contracted equipment repair and maintenanc	200	200	54	146
Telephone and communications	2,500	2,500	2,248	252
Printing	200	200	-	200
Education, training and travel	5,100	5,100	4,173	927
Other supply expense	3,200	2,000	2,023	(23)
Books, periodicals and memberships	1,000	1,000	106	894
Office supplies	1,250	1,250	932	318
Gasoline	400	400	453	(53)
Total mayor	<u>125,318</u>	<u>125,318</u>	<u>121,943</u>	<u>3,375</u>
Office of Management and Budget:				
Non-bargaining	87,280	91,280	90,377	903
Bank service charges	100	100	210	(110)
Telephone and communications	-	-	-	-
Printing	1,200	1,200	852	348
Education, training and travel	1,000	1,000	-	1,000
Other technical services	6,000	2,000	93	1,907
Books, periodicals and memberships	750	750	395	355
Office supplies	1,600	1,600	1,612	(12)
Equipment, furniture and fixtures	1,500	1,500	-	1,500
Total Office of Management and Budget	<u>99,430</u>	<u>99,430</u>	<u>93,539</u>	<u>5,891</u>
Treasurer:				
Elected officials	47,632	47,632	47,632	-
Contracted equipment repairs	100	100	100	-
Telephone and communications	-	-	-	-
Printing	100	100	82	18
Seminar, training and travel	1,500	1,500	1,500	-
Insurance other than employee benefits	425	425	401	24
Books, periodicals and memberships	300	300	310	(10)
Office supplies	1,750	1,750	239	1,511
Total Treasurer	<u>51,807</u>	<u>51,807</u>	<u>50,264</u>	<u>1,543</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	107,934	111,934	111,317	617
Overtime, non-bargaining	300	300	-	300
Title searches and recording fees	1,000	1,000	2,220	(1,220)
Outside legal	20,000	55,000	51,846	3,154
Outside legal - prosecutorial	42,000	42,000	30,325	11,675
Court report, witness and service fees	5,000	5,000	1,990	3,010
Other technical services	1,500	1,500	2,406	(906)
Contracted equipment repair	600	600	-	600
Telephone and communications	-	-	-	-
Printing	250	250	-	250
Education	1,500	1,500	169	1,331
Books, periodicals and memberships	4,700	4,700	3,854	846
Office supplies	500	500	363	137
Equipment, furniture and fixtures	3,200	3,200	1,698	1,502
Total legal	<u>188,484</u>	<u>227,484</u>	<u>206,188</u>	<u>21,296</u>
Department of Public Works:				
Non-bargaining	70,364	73,364	73,085	279
Engineering	7,000	6,000	4,200	1,800
Other technical services	2,500	500	75	425
Title searches	100	100	-	100
Contracted vehicle repair and maintenance	700	700	123	577
Telephone and communications	750	750	585	165
Printing	200	200	168	32
Publication expense	100	100	646	(546)
Education, training and travel	1,000	1,000	-	1,000
Other supplies	100	100	12	88
Books, periodicals and memberships	500	500	894	(394)
Postage and freight	200	200	-	200
Office supplies	700	700	140	560
Gasoline	750	750	425	325
Equipment supplies	200	200	-	200
Computer hardware	1,500	1,500	-	1,500
Total department of public works	<u>86,664</u>	<u>86,664</u>	<u>80,353</u>	<u>6,311</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	1,263	8,737
Telephone and communications	4,000	4,000	2,450	1,550
Equipment supplies	<u>6,000</u>	<u>6,000</u>	<u>7,661</u>	<u>(1,661)</u>
Total traffic engineering	<u>20,000</u>	<u>20,000</u>	<u>11,374</u>	<u>8,626</u>
Street lights:				
Contracted equipment repairs	5,000	5,000	1,224	3,776
Equipment supplies	2,000	2,000	1,334	666
Electricity	190,000	190,000	187,800	2,200
Machinery and equipment	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total street lights	<u>205,000</u>	<u>205,000</u>	<u>190,358</u>	<u>14,642</u>
General Government Building:				
Custodial	20,000	20,000	21,648	(1,648)
Contracted building repair and maintenance	15,000	15,000	15,278	(278)
Contracted equipment repair and maintenance	5,000	5,000	891	4,109
Other supply expense	200	200	449	(249)
Building supplies	1,000	1,000	1,074	(74)
Equipment and janitorial supplies	4,000	4,000	3,326	674
Natural gas	9,000	9,000	5,376	3,624
Water and sewer	<u>1,000</u>	<u>1,000</u>	<u>2,252</u>	<u>(1,252)</u>
Total general government building	<u>55,200</u>	<u>55,200</u>	<u>50,294</u>	<u>4,906</u>
City Cemetery:				
Salaries, AFSCME	33,629	33,629	33,747	(118)
Overtime, AFSCME	1,500	1,500	1,069	431
Contracted equipment repair and maintenance	1,000	1,000	-	1,000
Telephone and communications	550	550	430	120
Printing	-	-	-	-
Education	-	-	-	-
Other supply expense	350	350	421	(71)
Equipment rental	500	500	-	500
Equipment supplies	1,000	1,000	922	78
Building supplies	700	700	240	460
Equipment, furniture, and fixtures	-	-	-	-
Computer hardware	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total city cemetery	<u>40,729</u>	<u>40,729</u>	<u>36,829</u>	<u>3,900</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Salaries, non-bargaining	-	-	-	-
Other professional services	1,500	1,500	623	877
Other technical services	3,000	3,000	1,069	1,931
Emergency expenses	200	200	-	200
Telephone and communications	-	-	-	-
Printing	-	-	-	-
Legal advertising	-	-	-	-
Total hearings administration	<u>4,700</u>	<u>4,700</u>	<u>1,692</u>	<u>3,008</u>
Management information systems:				
Computer and network consulting	5,000	5,000	488	4,512
Contracted equipment repairs	5,000	5,000	3,432	1,568
Books, periodicals and memberships	4,000	4,000	3,768	232
Office supplies	500	500	-	500
Hardware	7,500	3,500	1,511	1,989
Software	500	500	-	500
Total management information systems	<u>22,500</u>	<u>18,500</u>	<u>9,199</u>	<u>9,301</u>
Community development:				
Salaries, non-bargaining	77,643	85,643	85,111	532
Other professional services	2,500	2,500	289	2,211
Other technical services	45,000	37,000	1,127	35,873
Emergency expenses	5,000	5,000	-	5,000
Telephone and communications	-	-	-	-
Printing	500	500	3,050	(2,550)
Legal advertising	500	500	659	(159)
Education, training, and travel	1,200	1,200	384	816
Economic Development Foundation	75,000	75,000	75,000	-
Books, periodicals, and memberships	750	1,750	1,861	(111)
Office supplies	500	500	658	(158)
Machinery	1,500	500	-	500
Total community development	<u>210,093</u>	<u>210,093</u>	<u>168,139</u>	<u>41,954</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
General government (Continued):				
Airport authority:				
Engineering authority	15,000	15,000	6,466	8,534
Airport management	51,000	51,000	53,409	(2,409)
Lawn care	2,000	2,000	31	1,969
Disposal and recycling services	700	700	954	(254)
Contracted building repairs and maintenance	6,500	6,500	362	6,138
Contracted vehicle repair and maintenance	750	750	3,181	(2,431)
Contracted equipment repair and maintenance	27,500	27,500	16,940	10,560
Contracted infrastructure repair and maintenance	8,500	8,500	16,390	(7,890)
Telephone and communications	4,200	4,200	4,840	(640)
Equipment rental	1,500	1,500	2,986	(1,486)
Other supply expense	450	450	415	35
Office supplies	180	180	-	180
Vehicle supplies	375	375	179	196
Other technical services	1,150	1,150	1,282	(132)
Postage and freight	250	250	-	250
Insurance other than employee benefits	5,500	5,500	5,140	360
Building supplies	450	450	432	18
Equipment supplies	2,000	2,000	987	1,013
Maintenance and janitorial supplies	400	400	149	251
Natural gas	5,000	5,000	6,444	(1,444)
Electricity	14,500	14,500	16,339	(1,839)
Gasoline	1,000	1,000	1,029	(29)
Diesel fuel	2,100	2,100	1,786	314
Diesel fuel	500	500	-	500
Diesel fuel	12,500	12,500	-	12,500
Property taxes	9,000	9,000	8,159	841
Total airport authority	<u>173,005</u>	<u>173,005</u>	<u>147,900</u>	<u>25,105</u>
Human resources:				
Non-bargaining	-	-	-	-
Medical and veterinary services	1,200	1,200	2,647	(1,447)
Other professional and admin	40,000	40,000	38,226	1,774
Printing	1,500	1,500	300	1,200
Legal advertising	500	500	797	(297)
Recruitment advertising	2,500	2,500	2,535	(35)
Education, training and travel	-	-	75	(75)
Books, periodicals and memberships	250	250	-	250
Office and maintenance supplies	700	700	304	396
Equipment	1,500	1,500	-	1,500
Total human resources	<u>48,150</u>	<u>48,150</u>	<u>44,884</u>	<u>3,266</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	105,000	105,000	-	105,000
Social security contribution	132,000	132,000	124,641	7,359
Contribution to Fire Pension Fund	621,135	621,135	619,120	2,015
Contribution to Police Pension Fund	726,433	726,433	724,418	2,015
Medicare contribution	85,000	85,000	82,571	2,429
Group health insurance	1,265,000	1,315,000	1,407,159	(92,159)
PEHP contributions	100,000	100,000	89,512	10,488
Unemployment insurance	32,000	32,000	28,608	3,392
Worker compensation	152,219	152,219	121,116	31,103
Auditing city records	30,000	30,000	30,000	-
Other consulting services	75,000	60,000	52,235	7,765
Equipment rental	5,000	5,000	4,195	805
Contracted equipment repair and maintenance	48,000	48,000	44,728	3,272
Telephone and communications	22,500	21,750	20,297	1,453
Printing	1,500	1,500	409	1,091
Legal advertising	3,000	3,000	100	2,900
Training and travel	-	-	-	-
Postage	12,000	12,000	10,665	1,335
Insurance	165,000	165,000	170,348	(5,348)
Stephenson county health department	15,000	-	-	-
Stephenson county senior center	3,000	3,000	3,000	-
Celebrate summer	2,500	2,500	3,070	(570)
Books, periodical and memberships	3,000	3,000	3,819	(819)
Other supply expense	1,000	1,000	1,490	(490)
Office supplies	5,000	5,000	5,747	(747)
Equipment supplies	-	750	749	1
Property taxes	9,500	9,500	7,802	1,698
Annexation payments	6,000	6,000	5,875	125
Total interdepartmental expenses	<u>3,625,787</u>	<u>3,645,787</u>	<u>3,561,674</u>	<u>84,113</u>
Total general government	<u>5,086,597</u>	<u>5,141,597</u>	<u>4,891,647</u>	<u>249,950</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	661,785	661,785	684,239	(22,454)
Salaries, AFSCME	564,938	560,938	537,868	23,070
Police salaries	1,950,519	1,950,519	1,959,162	(8,643)
Overtime, non-bargaining	10,000	10,000	19,175	(9,175)
Overtime, AFSCME	68,000	68,000	55,044	12,956
Overtime, police	95,000	38,000	41,104	(3,104)
Clothing allowance	46,200	46,200	44,545	1,655
Medical and veterinary services	2,000	2,000	1,604	396
Other prof/admin services consulting	2,500	2,500	753	1,747
Custodial services	12,240	12,240	10,140	2,100
Laundry and cleaning	150	150	55	95
Contracted building repairs	10,000	10,000	6,622	3,378
Contracted vehicle repair and maintenance	18,980	18,980	11,048	7,932
Contracted equipment repair and maintenance	52,000	27,000	19,190	7,810
Rental of equipment	4,300	4,300	3,843	457
Telephone and communications	40,000	30,000	26,506	3,494
Printing	6,500	6,500	4,754	1,746
Publication expense	3,800	3,800	2,384	1,416
Education, training and travel	50,000	50,000	30,684	19,316
Postage	600	600	396	204
Books, periodicals and memberships	2,000	2,000	2,958	(958)
Other supply expense	1,000	1,000	267	733
Office supplies	8,200	8,200	5,100	3,100
Educational supplies	8,500	8,500	1,519	6,981
Animal supplies	5,500	5,500	1,905	3,595
Extinguisher supplies	800	800	315	485
Departmental gear and clothing	10,100	10,100	10,555	(455)
Vehicle supplies	16,000	16,000	12,260	3,740
Building supplies	1,000	1,000	1,109	(109)
Ammunition	3,000	3,000	3,052	(52)
Equipment supplies	2,000	2,000	323	1,677
Investigation and patrol supplies	5,500	5,500	6,087	(587)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	2,200	2,200	3,230	(1,030)
Gasoline	35,000	35,000	35,882	(882)
Water/sewer	650	650	644	6
Equipment, furniture and fixtures	2,000	2,000	-	2,000
Machinery and equipment > 1000	19,200	19,200	5,545	13,655
Computer hardware	31,000	31,000	27,139	3,861
Total police department	<u>3,753,162</u>	<u>3,657,162</u>	<u>3,577,006</u>	<u>80,156</u>
Fire department:				
Non-bargaining	381,858	381,858	396,818	(14,960)
Fire	2,089,318	2,089,318	2,077,176	12,142
Overtime, non-bargaining	1,000	1,000	804	196
Overtime, fire	78,000	140,000	146,217	(6,217)
Clothing allowance	17,200	17,200	16,167	1,033
Medical services	7,240	7,240	5,058	2,182
Other professional services	-	-	-	-
Laundry and cleaning	10,000	10,000	9,783	217
Contracted building repairs	8,400	8,400	8,363	37
Contracted vehicle repair and maintenance	12,600	7,600	5,843	1,757
Contracted equipment repair and maintenance	9,200	9,200	9,643	(443)
Building construction renovation	-	-	132	(132)
Telephone and communications	7,700	7,700	7,487	213
Printing	500	500	156	344
Publication expense	100	100	131	(31)
Education, training and travel	20,000	20,000	17,877	2,123
Postage and freight	150	150	117	33
Books, periodicals and memberships	3,000	3,000	2,500	500
Other supply expense	500	500	-	500
Office supplies	1,000	1,000	396	604
Ambulance supplies	5,000	5,000	6,727	(1,727)
Educational supplies	500	500	-	500
Extinguisher supplies	1,000	1,000	493	507
Department clothing gear supplies	6,000	6,000	6,093	(93)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	15,500	15,500	13,852	1,648
Building supplies	2,000	2,000	(129)	2,129
Equipment supplies	1,000	1,000	4,281	(3,281)
Investigation and patrol supplies	1,000	1,000	1,125	(125)
Maintenance and janitorial supplies	2,000	2,000	2,277	(277)
Gasoline	3,200	3,200	2,112	1,088
Diesel fuel	5,500	5,500	3,524	1,976
Water/sewer	1,000	1,000	1,567	(567)
Equipment, furniture, and fixtures<1000	-	-	-	-
Total fire department	<u>2,691,466</u>	<u>2,748,466</u>	<u>2,746,590</u>	<u>1,876</u>
Buildings:				
Non-bargaining	86,247	91,247	91,562	(315)
Temporary, non-bargaining	-	1,000	-	1,000
Title searches and recording fees	500	500	419	81
Other professional services	5,700	4,200	514	3,686
Court report, witness and service fees	500	500	229	271
Lawn care	4,000	4,000	3,469	531
Contracted vehicle repairs	500	500	80	420
Contracted equip repairs	200	200	-	200
Demolition	50,000	44,000	1,986	42,014
Telephone and communications	600	600	673	(73)
Printing	500	500	1,183	(683)
Publication expense	200	200	237	(37)
Education, training and travel	1,600	1,600	339	1,261
Other supply expense	350	350	83	267
Books, periodicals and memberships	750	2,250	2,036	214
Office and maintenance supplies	1,000	1,000	387	613
Investigation and patrol supplies	1,000	1,000	675	325
Gasoline	300	300	663	(363)
Equipment, furniture, and fixtures>1000	2,000	2,000	1,535	465
Total buildings	<u>155,947</u>	<u>155,947</u>	<u>106,070</u>	<u>49,877</u>
Total public safety	<u>6,600,575</u>	<u>6,561,575</u>	<u>6,429,666</u>	<u>131,909</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	49,297	49,297	51,085	(1,788)
Salaries, AFSCME	452,750	452,750	465,671	(12,921)
Temporary, non-bargaining	20,000	-	-	-
Overtime, AFSCME	60,000	60,000	35,420	24,580
Medical services	500	500	1,672	(1,172)
Laboratory testing	500	500	-	500
Contracted building repairs and maintenance	4,000	4,000	11,770	(7,770)
Contracted vehicles repairs and maintenance	12,500	12,500	6,450	6,050
Contracted equipment repairs and maintenance	13,500	10,500	7,336	3,164
Contracted infrastructure repairs and maintenance	100,000	100,000	129,006	(29,006)
Equipment rental	1,000	1,000	22	978
Excavation	500	500	-	500
Telephone and communications	4,000	4,000	3,886	114
Printing	200	200	282	(82)
Education, training, and travel	500	500	381	119
Postage and freight	1,500	1,500	1,224	276
Other supplies	4,000	4,000	3,307	693
Books, periodicals, and memberships	200	200	328	(128)
Office supplies	800	800	1,049	(249)
Departmental gear and clothing	5,000	5,000	7,660	(2,660)
Vehicle supplies	40,000	40,000	40,505	(505)
Rock and road	50,000	50,000	47,900	2,100
Street marking supplies	20,000	20,000	18,173	1,827
Snow removal supplies	65,000	78,000	77,873	127
Building supplies	10,000	10,000	12,980	(2,980)
Equipment supplies	45,000	45,000	43,920	1,080
Maintenance and janitorial supplies	2,500	2,500	2,285	215
Gasoline	55,000	67,000	66,157	843
Diesel fuel	45,000	50,000	56,832	(6,832)
Buildings	15,000	5,000	-	5,000
Machinery and equipment>1000	-	-	-	-
Equipment, furniture, and fixtures<1000	2,500	2,500	2,212	288
Computer hardware	1,500	1,500	-	1,500
Total street department	<u>1,082,247</u>	<u>1,079,247</u>	<u>1,095,386</u>	<u>(16,139)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Highway and streets/transportation (Continued):				
Motor fuel tax maintenance:				
Rock and road	-	-	-	-
Total motor fuel tax maintenance	-	-	-	-
Total highways and streets/transportation	1,082,247	1,079,247	1,095,386	(16,139)
Health:				
Dog pound:				
Salaries, AFSCME	31,691	31,691	31,886	(195)
Overtime, AFSCME	7,500	7,200	2,539	4,661
Medical and veterinary services	3,000	7,000	6,346	654
Cleaning kennels	500	500	435	65
Contractual equipment	300	300	-	300
Education	100	100	-	100
Departmental gear and clothing	100	400	518	(118)
Office and maintenance	20,000	20,000	10,420	9,580
Animal supplies	200	200	365	(165)
Dog pound license	50	50	25	25
Maintenance and janitorial supplies	400	400	322	78
Equipment, furniture and fixtures <1000	500	500	467	33
Total health	64,341	68,341	53,323	15,018
Culture and recreation:				
Forestry:				
Salaries, AFSCME	72,795	72,795	72,432	363
Overtime, AFSCME	2,000	2,000	1,386	614
Other technical services	100	100	-	100
Contracted vehicle repairs and maintenance	500	500	17	483
Contracted equipment repairs and maintenance	400	400	-	400
Postage	50	50	30	20
Tree assistance	1,500	1,500	-	1,500
Other supplies	100	100	5	95
Vehicle supplies	250	250	-	250
Equipment supplies	1,200	4,200	4,145	55
Gasoline	-	-	58	(58)
Equipment, furniture and fixtures <1000	1,000	1,000	23	977
Total culture and recreation	79,895	82,895	78,096	4,799
Total expenditures	\$12,913,655	\$12,933,655	\$12,548,118	\$ 385,537

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Other financing sources (uses):				
Operating transfers in:				
Library Fund	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Operating transfers out:				
IMRF Fund	\$ (40,000)	\$ (40,000)	\$ (40,000)	\$ -
Capital Equipment Fund	(10,000)	(10,000)	(6,445)	3,555
Capital Improvement Fund	(55,000)	(35,000)	(6,313)	28,687
Grant Administration Fund	(210,250)	(210,250)	(166,172)	44,078
NHS Fund	(50,000)	(50,000)	(50,000)	-
Debt Service Fund	(261,000)	(261,000)	(260,120)	880
Total operating transfers out	\$ (626,250)	\$ (606,250)	\$ (529,050)	\$ 77,200

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes:				
Property tax	\$ 1,033,100	\$ 1,033,100	\$ 1,029,302	\$ (3,798)
Replacement taxes	<u>33,000</u>	<u>33,000</u>	<u>36,398</u>	<u>3,398</u>
Total taxes	<u>1,066,100</u>	<u>1,066,100</u>	<u>1,065,700</u>	<u>(400)</u>
Fees-library fees and fines	<u>30,000</u>	<u>30,000</u>	<u>37,537</u>	<u>7,537</u>
Intergovernmental:				
Per capita grant	32,300	32,300	33,027	727
Miscellaneous state and federal grants	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total intergovernmental	<u>37,300</u>	<u>37,300</u>	<u>33,027</u>	<u>(4,273)</u>
Interest income	<u>60,350</u>	<u>60,350</u>	<u>20,100</u>	<u>(40,250)</u>
Other:				
Other charges for services	9,200	9,200	2,567	(6,633)
Gifts, bequests	<u>160,000</u>	<u>160,000</u>	<u>510,738</u>	<u>350,738</u>
Total other	<u>169,200</u>	<u>169,200</u>	<u>513,305</u>	<u>344,105</u>
Total revenues	<u>\$ 1,362,950</u>	<u>\$ 1,362,950</u>	<u>\$ 1,669,669</u>	<u>\$ 306,719</u>

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Culture and recreation:				
Regular employees, non-bargaining	\$ 335,000	\$ 323,000	\$ 313,300	\$ 9,700
Regular employees, AFSCME	330,000	330,000	300,656	29,344
Temporary, non-bargaining	-	-	-	-
Overtime, non-bargaining	-	-	-	-
Overtime, AFSCME	4,000	4,000	6,538	(2,538)
Social security contribution	37,495	37,495	37,441	54
Medicare contribution	8,800	8,800	8,756	44
Group insurance	75,130	75,130	75,000	130
Unemployment compensation	2,000	2,000	2,803	(803)
Worker's compensation	2,000	2,000	702	1,298
Debt collection services	250	250	-	250
Other professional and administrative	10,000	10,000	31,636	(21,636)
Other technical services	3,000	3,000	1,211	1,789
Custodial	2,000	2,000	1,973	27
Contracted building repair and maintenance	20,000	20,000	15,346	4,654
Contracted equipment repair and maintenance	12,000	12,000	6,057	5,943
Rental of land and buildings	300	300	291	9
Rental of equipment	-	-	115	(115)
License of equipment	25,000	25,000	13,665	11,335
Telephone communications	13,000	13,000	10,769	2,231
Printing	2,500	2,500	1,899	601
Legal advertising	600	600	56	544
Education, training and travel	5,500	5,500	6,207	(707)
Postage and freight	4,000	4,000	3,448	552
Insurance-other	28,200	28,200	24,561	3,639
Books, periodicals, and memberships	3,000	3,000	2,674	326
Office and maintenance supplies	21,000	21,000	21,625	(625)
Programming supplies	1,500	1,500	3,223	(1,723)
Snow removal supplies	400	400	170	230
Building supplies	10,000	10,000	394	9,606
Janitorial supplies	7,000	7,000	3,506	3,494
Natural gas	60,000	60,000	24,250	35,750
Water/sewer	2,500	2,500	1,603	897
Adult regular books	49,300	49,300	47,684	1,616
Large print books	1,000	1,000	3,443	(2,443)
Youth services books	21,000	21,000	21,020	(20)
Periodicals	15,500	15,500	14,354	1,146

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued):				
Culture and recreation (Continued):				
Adult cassettes	5,000	5,000	1,527	3,473
Adult compact discs	3,000	3,000	3,357	(357)
Books on CD	1,000	1,000	384	616
Adult DVDs	2,200	2,200	2,198	2
Young DVDS	2,750	2,750	2,750	-
Young adult materials	-	-	-	-
Adult videotapes	4,200	4,200	152	4,048
Youth services cassettes	1,500	1,500	1,806	(306)
Youth services software	1,500	1,500	1,402	98
Youth services videotapes	2,500	2,500	2,332	168
Youth services toys	-	-	482	(482)
Youth services posters	100	100	135	(35)
Youth services A-V kits	2,500	2,500	1,968	532
Adult regular books-Per Capita Grant	24,791	24,791	8,051	16,740
Youth services books-Per Capita Grant	8,263	8,263	2,887	5,376
Adult books-Wiman Fund	-	-	-	-
Youth services books-Wiman Fund	-	-	-	-
Adult books-Memorial Fund	2,000	2,000	152	1,848
Large print books-Memorial Fund	2,000	2,000	528	1,472
Youth services books-Memorial Fund	2,000	2,000	2,416	(416)
Adult cassettes-Memorial Fund	2,000	2,000	1,912	88
Youth services cassettes-Memorial Fund	2,000	2,000	731	1,269
Building construction	153,000	153,000	152,227	773
Machinery and equipment<1000/item	12,000	12,000	1,170	10,830
Machinery and equipment>1000/item	15,000	27,000	17,987	9,013
Hardware and software	25,500	25,500	6,648	18,852
Total expenditures	<u>\$ 1,387,779</u>	<u>\$ 1,387,779</u>	<u>\$ 1,219,578</u>	<u>\$ 168,201</u>
Other financing sources (uses):				
Operating transfers out:				
Capital Projects Fund	\$ -	\$ -	\$ -	\$ -
Operating transfers out:				
City Corporate Fund	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ -</u>

CITY OF FREEPORT, ILLINOIS
WATER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Water revenues:				
Residential	\$ 1,386,144	\$ 1,386,144	\$ 1,285,388	\$ (100,756)
Industrial	188,962	188,962	174,496	(14,466)
Commercial	315,833	315,833	295,296	(20,537)
Fire protection	95,000	95,000	94,936	(64)
Public	97,225	97,225	93,852	(3,373)
Water connections	20,000	20,000	12,626	(7,374)
Service orders	40,000	40,000	50,539	10,539
Miscellaneous income	197,100	197,100	3,999	(193,101)
Late charges	52,353	52,353	46,284	(6,069)
Total operating revenues	\$ 2,392,617	\$ 2,392,617	\$ 2,057,416	\$ (335,201)
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 146,995	\$ 146,995	\$ 176,843	\$ (29,848)
Plant maintenance	38,138	38,138	37,464	674
Distribution	184,757	184,757	205,826	(21,069)
General and administrative	425,210	425,210	396,107	29,103
UWS management fees	377,786	377,786	370,378	7,408
Other operating expenses	253,300	253,300	274,394	(21,094)
Total direct operating expenses	1,426,186	1,426,186	1,461,012	(34,826)
Depreciation expense	979,000	979,000	358,074	620,926
Total operating expenses	\$ 2,405,186	\$ 2,405,186	\$ 1,819,086	\$ 586,100
Nonoperating revenues (expenses):				
Interest income	\$ 450	\$ 450	\$ 3,731	\$ 3,281
Interest and fiscal charges	(65,303)	(65,303)	(37,239)	28,064
Total nonoperating revenues (expenses)	\$ (64,853)	\$ (64,853)	\$ (33,508)	\$ 31,345

CITY OF FREEPORT, ILLINOIS
SEWER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:				
Sewer revenues:				
Residential	\$ 1,949,704	\$ 1,949,704	\$1,795,609	\$ (154,095)
Commercial	485,489	485,489	511,601	26,112
Industrial	310,138	310,138	290,720	(19,418)
Industrial user	624	624	1,350	726
City buildings	878	878	3,050	2,172
Public	132,126	132,126	128,288	(3,838)
Outside city fees	-	-	-	-
Sewer connections	5,500	5,500	4,040	(1,460)
Service orders	600	600	820	220
Miscellaneous	150	150	809	659
Late charges	70,851	70,851	63,532	(7,319)
Total operating revenues	\$ 2,956,060	\$ 2,956,060	\$2,799,819	\$ (156,241)
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 192,950	\$ 192,950	\$ 218,181	\$ (25,231)
Maintenance	78,312	78,312	74,850	3,462
Collection	142,796	142,796	126,349	16,447
Laboratory	87,318	87,318	89,615	(2,297)
General and administrative	713,277	713,277	677,739	35,538
UWS management fees	571,704	571,704	533,915	37,789
Other operating expenses	276,200	276,200	276,310	(110)
Total direct operating expenses	2,062,557	2,062,557	1,996,959	65,598
Depreciation expense	1,080,600	1,080,600	922,506	158,094
Total operating expenses	\$ 3,143,157	\$ 3,143,157	\$2,919,465	\$ 223,692
Nonoperating revenues (expenses):				
Interest income	\$ 16,050	\$ 16,050	\$ 52,278	\$ 36,228
Grant revenue	205,000	205,000	-	(205,000)
Donated assets	-	-	-	-
Interest and fiscal charges	(1,021,000)	(1,021,000)	(935,099)	85,901
Total nonoperating revenues (expenses)	\$ (799,950)	\$ (799,950)	\$ (882,821)	\$ (82,871)

CITY OF FREEPORT, ILLINOIS
 LANDFILL CLOSURE FUND
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended April 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenses-direct:				
Landfill closures and post-closure costs	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 386,496</u>	<u>\$ (261,496)</u>
Nonoperating revenue:				
Interest on investments	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 38,459</u>	<u>\$ (91,541)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2005

	<u>Total</u>	<u>Special</u>		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 399,628	\$ 95,992	\$ 23,602	\$ -
Investments, at cost	1,236,181	38,580	368,415	68,550
Receivables:				
Property tax	134,640	134,640	-	-
Accounts	314,540	-	62,781	-
Due from other funds	<u>22,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 2,107,181</u>	 <u>\$ 269,212</u>	 <u>\$ 454,798</u>	 <u>\$ 68,550</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 83,742	\$ -	\$ -	\$ -
Accrued payroll	7,096	7,096	-	-
Due to other funds	98,690	-	-	1,111
Deferred revenues	<u>134,640</u>	<u>134,640</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>\$ 324,168</u>	 <u>141,736</u>	 <u>-</u>	 <u>1,111</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	280,132	-	-	-
Fund balances, unreserved	<u>1,502,881</u>	<u>127,476</u>	<u>454,798</u>	<u>67,439</u>
 Total fund balances	 <u>1,783,013</u>	 <u>127,476</u>	 <u>454,798</u>	 <u>67,439</u>
 Total liabilities and fund equity	 <u>\$ 2,107,181</u>	 <u>\$ 269,212</u>	 <u>\$ 454,798</u>	 <u>\$ 68,550</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>All Veterans Memorial</u>	<u>Fire Public Safety</u>
\$ 26,212	\$ -	\$ -	\$ -	\$ 33,429	\$ -
-	7,899	64,871	-	568	7,200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 26,212</u>	<u>\$ 7,899</u>	<u>\$ 64,871</u>	<u>\$ -</u>	<u>\$ 33,997</u>	<u>\$ 7,200</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230</u>
-	-	-	-	-	-
26,212	7,899	64,871	-	33,997	6,970
<u>26,212</u>	<u>7,899</u>	<u>64,871</u>	<u>-</u>	<u>33,997</u>	<u>6,970</u>
<u>\$ 26,212</u>	<u>\$ 7,899</u>	<u>\$ 64,871</u>	<u>\$ -</u>	<u>\$ 33,997</u>	<u>\$ 7,200</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2005

	Special Revenue			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
<u>ASSETS</u>				
Cash	\$ 41,292	\$ 40,067	\$ -	\$ -
Investments, at cost	-	72,443	148	-
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	148,080
Due from other funds	-	-	-	19,823
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,823</u>
Total assets	<u>\$ 41,292</u>	<u>\$ 112,510</u>	<u>\$ 148</u>	<u>\$ 167,903</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 1,129	\$ -	\$ 72,689
Accrued payroll	-	-	-	-
Due to other funds	-	400	-	95,214
Deferred revenues	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1,529</u>	<u>-</u>	<u>167,903</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	41,292	110,981	148	-
	<u>41,292</u>	<u>110,981</u>	<u>148</u>	<u>-</u>
Total fund balances	<u>41,292</u>	<u>110,981</u>	<u>148</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 41,292</u>	<u>\$ 112,510</u>	<u>\$ 148</u>	<u>\$ 167,903</u>

<u>Debt Service</u>	<u>Capital Projects</u>			
<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Fire Capital Improvements</u>	<u>Equipment Capital Projects</u>	<u>Street Capital Projects</u>
\$ - 277,763	\$ 139,034 59,363	\$ - 171,973	\$ - 23,885	\$ - 74,523
- - 2,369	- - -	- 73,253 -	- 30,426 -	- - -
<u>\$ 280,132</u>	<u>\$ 198,397</u>	<u>\$ 245,226</u>	<u>\$ 54,311</u>	<u>\$ 74,523</u>
\$ - - - -	\$ 141 - - -	\$ 1,405 - 1,965 -	\$ 8,148 - - -	\$ - - - -
-	141	3,370	8,148	-
280,132 -	198,256	241,856	46,163	74,523
280,132	198,256	241,856	46,163	74,523
<u>\$ 280,132</u>	<u>\$ 198,397</u>	<u>\$ 245,226</u>	<u>\$ 54,311</u>	<u>\$ 74,523</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2005

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 456,717	\$ 159,401	\$ -	\$ -
Fees	219,161	-	-	-
Intergovernmental	1,770,506	-	796,842	-
Interest	25,609	2,701	5,986	4,540
Other	105,108	-	-	-
Total revenues	<u>2,577,101</u>	<u>162,102</u>	<u>802,828</u>	<u>4,540</u>
Expenditures:				
General government	1,744,537	193,913	-	-
Public safety	161,945	-	-	-
Public works	866,589	-	-	-
Debt service	606,913	-	-	-
Total expenditures	<u>3,379,984</u>	<u>193,913</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(802,883)</u>	<u>(31,811)</u>	<u>802,828</u>	<u>4,540</u>
Other financing sources (uses):				
Debt proceeds	290,500	-	-	-
Operating transfers in	1,668,737	40,000	-	-
Operating transfers out	<u>(1,139,687)</u>	<u>-</u>	<u>(861,845)</u>	<u>-</u>
Total other financing sources (uses)	<u>819,550</u>	<u>40,000</u>	<u>(861,845)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	16,667	8,189	(59,017)	4,540
Fund balance - May 1, 2004	<u>1,766,346</u>	<u>119,287</u>	<u>513,815</u>	<u>62,899</u>
Fund balance - April 30, 2005	<u>\$ 1,783,013</u>	<u>\$ 127,476</u>	<u>\$ 454,798</u>	<u>\$ 67,439</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>All Veterans Memorial</u>	<u>Fire Public Safety</u>
\$ 109,431	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
26	94	1,092	-	-	98
-	6,000	-	-	1,334	3,100
<u>109,457</u>	<u>6,094</u>	<u>1,092</u>	<u>-</u>	<u>1,334</u>	<u>3,198</u>
95,362	-	-	50,000	305	970
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>95,362</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>305</u>	<u>970</u>
<u>14,095</u>	<u>6,094</u>	<u>1,092</u>	<u>(50,000)</u>	<u>1,029</u>	<u>2,228</u>
-	-	-	-	-	-
-	-	-	50,000	-	-
-	-	-	-	-	-
-	-	-	50,000	-	-
14,095	6,094	1,092	-	1,029	2,228
<u>12,117</u>	<u>1,805</u>	<u>63,779</u>	<u>-</u>	<u>32,968</u>	<u>4,742</u>
<u>\$ 26,212</u>	<u>\$ 7,899</u>	<u>\$ 64,871</u>	<u>\$ -</u>	<u>\$ 33,997</u>	<u>\$ 6,970</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2005

	Special Revenue			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
Revenues:				
Taxes	\$ -	\$ 176,482	\$ 11,403	\$ -
Fees	-	-	-	-
Intergovernmental	3,848	-	-	667,609
Interest	230	2,332	148	-
Other	10,489	-	-	-
Total revenues	<u>14,567</u>	<u>178,814</u>	<u>11,551</u>	<u>667,609</u>
Expenditures:				
General government	8,068	38,117	11,403	833,781
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>8,068</u>	<u>38,117</u>	<u>11,403</u>	<u>833,781</u>
Excess of revenues over (under) expenditures	<u>6,499</u>	<u>140,697</u>	<u>148</u>	<u>(166,172)</u>
Other financing sources (uses):				
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	166,172
Operating transfers out	-	(64,819)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(64,819)</u>	<u>-</u>	<u>166,172</u>
Excess of revenues and other sources over (under) expenditures and other uses	6,499	75,878	148	-
Fund balance - May 1, 2004	<u>34,793</u>	<u>35,103</u>	<u>-</u>	<u>-</u>
Fund balance - April 30, 2005	<u>\$ 41,292</u>	<u>\$ 110,981</u>	<u>\$ 148</u>	<u>\$ -</u>

Debt Service	Capital Projects			
Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	219,161	-	-
-	-	-	302,207	-
3,122	-	3,025	962	1,253
<u>82,173</u>	<u>2,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>85,295</u>	<u>2,012</u>	<u>222,186</u>	<u>303,169</u>	<u>1,253</u>
-	8,232	-	504,386	-
-	-	161,945	-	-
-	-	-	-	866,589
<u>606,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>606,913</u>	<u>8,232</u>	<u>161,945</u>	<u>504,386</u>	<u>866,589</u>
<u>(521,618)</u>	<u>(6,220)</u>	<u>60,241</u>	<u>(201,217)</u>	<u>(865,336)</u>
-	-	105,500	185,000	-
537,962	6,313	-	6,445	861,845
<u>-</u>	<u>-</u>	<u>(213,023)</u>	<u>-</u>	<u>-</u>
<u>537,962</u>	<u>6,313</u>	<u>(107,523)</u>	<u>191,445</u>	<u>861,845</u>
16,344	93	(47,282)	(9,772)	(3,491)
<u>263,788</u>	<u>198,163</u>	<u>289,138</u>	<u>55,935</u>	<u>78,014</u>
<u>\$ 280,132</u>	<u>\$ 198,256</u>	<u>\$ 241,856</u>	<u>\$ 46,163</u>	<u>\$ 74,523</u>

CITY OF FREEPORT, ILLINOIS
NON-MAJOR ENTERPRISE FUNDS
COMBINING BALANCE SHEET
April 30, 2005

	<u>Total Non-major Enterprise Funds</u>	<u>Health and Environment</u>	<u>Storm Sewer</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 757	\$ -	\$ 757
Investments	6,655	6,655	-
Receivables, net of allowance for uncollectible:			
Accounts	30,516	-	30,516
Due from other funds	120,440	120,440	-
Restricted cash accounts:			
Bond and interest	<u>2,636,037</u>	<u>-</u>	<u>2,636,037</u>
Total current assets	<u>2,794,405</u>	<u>127,095</u>	<u>2,667,310</u>
Bond issuance costs	197,631	-	197,631
Property, plant and equipment (net of accumulated depreciation)	<u>7,689,853</u>	<u>-</u>	<u>7,689,853</u>
Total assets	<u>10,681,889</u>	<u>127,095</u>	<u>10,554,794</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	763,577	83,574	680,003
Due to other funds	314,875	-	314,875
Accrued interest payable	153,812	-	153,812
Current portion long term debt	<u>152,383</u>	<u>-</u>	<u>152,383</u>
Total current liabilities	<u>1,384,647</u>	<u>83,574</u>	<u>1,301,073</u>
Noncurrent liabilities:			
Bonds payable	8,712,747	-	8,712,747
Market premium on bonds payable	<u>218,909</u>	<u>-</u>	<u>218,909</u>
Total liabilities	<u>10,316,303</u>	<u>83,574</u>	<u>10,232,729</u>
 <u>NET ASSETS</u>			
Unrestricted	<u>\$ 365,586</u>	<u>\$ 43,521</u>	<u>\$ 322,065</u>

CITY OF FREEPORT, ILLINOIS
NON-MAJOR ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
Year ended April 30, 2005

	<u>Total Non-Major Enterprise Total</u>	<u>Health and Environment</u>	<u>Storm Sewer</u>
Operating revenues:			
Charges for services	\$ 1,704,286	\$ 1,030,322	\$ 673,964
Operating expenses:			
Operating	1,094,038	1,026,136	67,902
Depreciation	<u>35,135</u>	<u>-</u>	<u>35,135</u>
Total operating expenses	<u>1,129,173</u>	<u>1,026,136</u>	<u>103,037</u>
Operating income (loss)	<u>575,113</u>	<u>4,186</u>	<u>570,927</u>
Nonoperating revenues (expenses):			
Interest income	26,604	21	26,583
Interest and fiscal charges	<u>(455,918)</u>	<u>-</u>	<u>(455,918)</u>
Total nonoperating revenues	<u>(429,314)</u>	<u>21</u>	<u>(429,335)</u>
Net income (loss)	145,799	4,207	141,592
Net assets - May 1, 2004	<u>219,787</u>	<u>39,314</u>	<u>180,473</u>
Net assets - April 30, 2005	<u>\$ 365,586</u>	<u>\$ 43,521</u>	<u>\$ 322,065</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2005

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ 4,757	\$ -	\$ 4,757
Investments	52,623	40,065	12,558
Loans receivable	<u>335,398</u>	<u>-</u>	<u>335,398</u>
Total assets	<u>392,778</u>	<u>40,065</u>	<u>352,713</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>596</u>	<u>596</u>	<u>-</u>
Net assets	<u>\$ 392,182</u>	<u>\$ 39,469</u>	<u>\$ 352,713</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2005

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 40,699	\$ 40,699	\$ -
Interest	<u>9,928</u>	<u>523</u>	<u>9,405</u>
Total additions	<u>50,627</u>	<u>41,222</u>	<u>9,405</u>
Deductions:			
Contractual services	22,958	2,569	20,389
Supplies	7,031	7,031	-
Capital outlay	<u>13,604</u>	<u>13,604</u>	<u>-</u>
Total deductions	<u>43,593</u>	<u>23,204</u>	<u>20,389</u>
Net increase	7,034	18,018	(10,984)
Net assets held in trust for other purposes:			
Net assets, May 1, 2004	<u>385,148</u>	<u>21,451</u>	<u>363,697</u>
Net assets, April 30, 2005	<u>\$ 392,182</u>	<u>\$ 39,469</u>	<u>\$ 352,713</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2005

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 1,034,032	\$ 317,045	\$ 716,987
Receivables:			
Accrued interest	194,926	88,475	106,451
Investments, at fair value			
U.S. government obligations	18,334,856	6,205,161	12,129,695
Common stock	5,016,460	2,715,277	2,301,183
Mutual funds	8,823,011	2,043,687	6,779,324
Certificates of deposit	2,374,650	2,025,000	349,650
Total investments	<u>34,548,977</u>	<u>12,989,125</u>	<u>21,559,852</u>
Total assets	<u>35,777,935</u>	<u>13,394,645</u>	<u>22,383,290</u>
<u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 35,777,935</u>	<u>\$ 13,394,645</u>	<u>\$ 22,383,290</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2005

	Total	Police Pension	Firefighters' Pension
Additions:			
Contributions - employer	\$ 1,343,538	\$ 724,418	\$ 619,120
Contributions - employees	480,278	256,435	223,843
Net appreciation (depreciation) in fair value of investments	-	-	-
Other investment income	1,912,966	556,183	1,356,783
Total additions	3,736,782	1,537,036	2,199,746
Deductions:			
Benefits and refunds	2,139,612	948,612	1,191,000
Other charges and services	115,371	13,359	102,012
Total deductions	2,254,983	961,971	1,293,012
Net increase	1,481,799	575,065	906,734
Net assets held in trust for pension benefits			
Net assets, May 1, 2004	34,296,136	12,819,580	21,476,556
Net assets, April 30, 2005	\$ 35,777,935	\$ 13,394,645	\$ 22,383,290

THIS PAGE IS LEFT BLANK INTENTIONALLY

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
 Year ended April 30, 2005

Year ended <u>April 30</u>	2003 General Obligation Bonds	
	Principal	Interest
2006	\$ 20,000	\$ 134,043
2007	75,000	133,544
2008	70,000	131,293
2009	70,000	129,019
2010	80,000	126,568
2011	85,000	123,369
2012	90,000	119,862
2013	90,000	116,038
2014	90,000	112,100
2015	100,000	107,262
2016	100,000	101,888
2017	110,000	96,513
2018	120,000	90,601
2019	125,000	84,150
2020	130,000	77,275
2021	135,000	70,125
2022	145,000	62,700
2023	155,000	54,725
2024	160,000	46,200
2025	120,000	37,400
2026	130,000	30,800
2027	135,000	23,650
2028	145,000	16,225
2029	150,000	8,250
	\$ 2,630,000	\$ 2,033,600

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
Year ended April 30, 2005

Year ended April 30	2000 General Obligation Bonds		2003 General Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 290,000	\$ 124,735	\$ 170,000	\$ 514,781
2007	305,000	109,946	170,000	510,531
2008	320,000	94,238	180,000	505,431
2009	335,000	77,597	185,000	499,581
2010	355,000	60,010	190,000	493,106
2011	375,000	41,195	195,000	485,506
2012	395,000	21,132	205,000	477,463
2013	-	-	215,000	468,750
2014	-	-	225,000	459,344
2015	-	-	235,000	447,250
2016	-	-	250,000	434,619
2017	-	-	260,000	421,181
2018	-	-	275,000	407,206
2019	-	-	290,000	392,425
2020	-	-	305,000	376,475
2021	-	-	325,000	359,700
2022	-	-	340,000	341,825
2023	-	-	360,000	323,125
2024	-	-	380,000	303,325
2025	-	-	400,000	282,425
2026	-	-	420,000	260,425
2027	-	-	445,000	237,325
2028	-	-	470,000	212,850
2029	-	-	495,000	187,000
2030	-	-	520,000	159,775
2031	-	-	550,000	131,175
2032	-	-	580,000	100,925
2033	-	-	610,000	69,025
2034	-	-	645,000	35,475
	<u>\$ 2,375,000</u>	<u>\$ 528,853</u>	<u>\$ 9,890,000</u>	<u>\$ 9,898,024</u>

2004 General Obligation Bonds		2005 General Obligation Bonds	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 75,000	\$ 344,551	\$ 70,000	\$ 225,873
60,000	356,618	25,000	255,748
60,000	355,118	25,000	255,098
65,000	353,468	25,000	254,424
65,000	351,518	25,000	253,736
70,000	349,566	30,000	252,986
70,000	347,292	30,000	252,012
490,000	344,842	30,000	250,992
510,000	322,792	30,000	249,912
530,000	299,843	30,000	248,786
555,000	275,992	35,000	247,646
575,000	253,793	35,000	246,158
600,000	230,792	35,000	244,672
625,000	206,793	35,000	243,184
645,000	181,792	40,000	241,696
675,000	155,993	40,000	239,996
700,000	128,318	40,000	238,296
735,000	98,918	45,000	236,546
760,000	67,680	45,000	234,578
800,000	35,000	50,000	232,608
-	-	915,000	230,422
-	-	960,000	189,246
-	-	1,000,000	146,046
-	-	1,045,000	99,796
-	-	1,095,000	51,466
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 8,665,000</u>	<u>\$ 5,060,679</u>	<u>\$ 5,735,000</u>	<u>\$ 5,621,923</u>

ANNUAL FEDERAL FINANCIAL-COMPLIANCE SECTION

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended April 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title:</u>	<u>CFDA* Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
<u>U.S Department of Justice:</u>			
Law Enforcement Block	16.592	2003-LBBX-2456	\$ 11,486
Police Computers (COPS More)	16.710	2001-CMWX-0157	1,025
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through Illinois Department of Commerce and Economic Opportunity:			
Community Development Block Grant**	14.228	04-24221	235,655
Brownfield – HUD	14.246	B-01-SP-IL-0186	70,725
<u>Office of Juvenile Justice and Delinquency Prevention:</u>			
Juvenile Accountability	16.523	501031	7,496
<u>U.S. Environmental Protection Agency</u>			
Brownfield - USEPA	66.814	BP-75-732-01	24,530
Brownfield - USEPA Assessment	66.818	BF96519901	110,753
Brownfield - CMC Clean-Up	66.818	BF96564101	22,512
<u>U.S Department of Transportation:</u>			
Passed through Illinois Department of Transportation:			
Section 5311 Transportation	20.509	N/A	71,230
Airport Improvement Program	20.106	N/A	<u>101,974</u>
Total Federal Grant Activity			<u>\$657,386</u>

* Catalog of Federal Domestic Assistance Number.

** Denotes a major Federal Program.

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2005

Section I – Summary of Auditor’s Results:

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of City of Freeport, Illinois.
2. No material weaknesses in internal control over financial reporting were identified.
3. No reportable conditions in internal control over financial reporting were identified that are considered to be material weaknesses.
4. No instances of noncompliance material to the financial statements of City of Freeport, Illinois were disclosed during the audit.
5. No material weaknesses in internal control over major programs were identified.
6. No reportable conditions in internal control were identified that are considered to be material weaknesses.
7. The auditor’s report on compliance for the major federal award programs for City of Freeport, Illinois expresses an unqualified opinion on all major federal programs.
8. Audit findings relative to the major federal award programs for City of Freeport, Illinois are reported in this schedule.
9. The programs tested as major programs are shown on the Schedule of Expenditures of Federal Awards.
10. The threshold for distinguishing Types A and B programs was \$300,000.
11. City of Freeport, Illinois was determined to be a low-risk auditee.

Section II -Financial Statement Findings:

1. Segregation of duties

Condition: An adequate segregation of duties does not exist such that no one individual could carry a transaction through from its inception to its completion.

Criteria: Internal controls should be in place to prevent such an occurrence.

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the year ended April 30, 2005

Effect: Many controls that are required for any given application could be circumvented without detection.

Recommendation: It would not be practical to set up procedures to detect all instances of noncompliance with controls that do exist, nor is it always practical to establish complete segregation of duties. We also recognize that ultimate controls cannot be implemented with the current number of employees, but believe that strong supervision and review by the City Council would compensate for some of the weaknesses that exist. We recommend that the City Council be regularly and actively involved with management.

Response: The City is aware of the lack of segregation of duties, but due to the size and resources of the City, increasing the number of employees is not practical. The City will compensate for this by following the above recommendation that the City Council be regularly and actively involved with management.

Section III – Federal Awards Findings and Questioned Costs:

No matters are reported.

CITY OF FREEPORT, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended April 30, 2005

ALL MAJOR PROGRAMS

Finding 2004-1: Segregation of Duties

Condition: An adequate segregation of duties did not exist such that no one individual could carry a transaction through from its inception to its completion.

Recommendation: It would not have been practical to set up procedures to detect all instances of noncompliance with controls that did exist, nor is it always practical to establish complete segregation of duties. We also recognized that ultimate controls could not be implemented with the number of employees at that time, but believed that strong supervision and review by the City Council would compensate for some of the weaknesses that existed. We recommended that the Council be regularly and actively involved with management.

Current Status: Due to the size and resources of the City, increasing the number of employees is not practical. The City compensated for some of the weaknesses by following the above recommendation that the Council be regularly and actively involved with management. However, the possibility that one individual could carry a transaction through from its inception to its completion still exists.