

CITY OF FREEPORT, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2008

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT	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
MANAGEMENT DISCUSSION AND ANALYSIS	5 - 9
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	10
Statement of Activities	11
Statement of Assets, Liabilities and Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	17

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Numbers</u>
BASIC FINANCIAL STATEMENTS (CONTINUED)	
Statement of Cash Flows - Proprietary Funds	18 - 19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	21
Notes to Financial Statements	22 - 53
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	54
Actuarial Valuations for Police and Firefighter's Pension Systems	55
Annual Financial Information	56 - 59
General Fund:	
Schedule of Revenues Compared with Budget	60 - 61
Schedule of Expenditures Compared with Budget	62 - 73
Schedule of Other Financing Sources Compared with Budget	74
Water Department Fund:	
Schedule of Revenues and Expenses Compared with Budget	75
Sewer Department Fund:	
Schedule of Revenues and Expenses Compared with Budget	76
Landfill Closure Fund:	
Schedule of Revenues and Expenses Compared with Budget	77
Storm Sewer Fund:	
Schedule of Revenue and Expenses Compared with Budget	78

CITY OF FREEPORT, ILLINOIS

TABLE OF CONTENTS

	<u>Page Number</u>
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	79 - 80
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	81 - 82
Fiduciary Fund Types:	
Private-Purpose Trust Funds - Combining Statement of Net Assets	83
Private-Purpose Trust Funds - Combining Schedule of Changes in Net Assets	84
Pension Trust Funds - Combining Statement of Plan Net Assets	85
Pension Trust Funds - Combining Schedule of Changes in Plan Net Assets	86
Schedule of Bonds Payable - Governmental Funds	87
Schedule of Bonds Payable - Proprietary Funds	88
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ILLINOIS PUBLIC ACT 85-1142	89



INDEPENDENT AUDITOR'S REPORT

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, 2008, 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, 2008, 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 November 5, 2008 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 54, the Actuarial Valuations for the Police and Firefighter's Pension Systems on page 55, the Annual Financial Information on pages 56 through 59 and the Schedule of Revenues and Expenditures Compared with Budget on pages 60 through 78, 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.

Lindgren, Callihan, Van Osdel & Co., Ltd.

Freeport, Illinois
November 5, 2008



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, 2008, and have issued our report thereon dated November 5, 2008. 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's 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Segregation of Duties

A good system of internal control procedures contemplates adequate segregation of duties so that no one individual can handle a transaction from its inception to its completion. Within the City's system of internal control, there are situations whereby there is not a complete or adequate segregation of duties that arise due to legal requirements or limited number of personnel.

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. As a result, however, many controls that are required for any given application could be circumvented without detection.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Lindgren, Callihan, Van Osedal & Co., Ltd.

Freeport, Illinois
November 5, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2008

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, 2008.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2008 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, 2008

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 nineteen 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. One of these nineteen funds is considered a major fund 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. Four 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 principal 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, 2008

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2008 and 2007

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current Assets	\$12,394,170	\$12,253,754	\$ 5,037,552	\$ 5,220,002	\$17,431,722	\$17,473,756
Non-current Assets	<u>16,191,004</u>	<u>16,389,824</u>	<u>54,610,003</u>	<u>55,798,585</u>	<u>70,801,007</u>	<u>72,188,409</u>
Total Assets	<u>28,585,174</u>	<u>28,643,578</u>	<u>59,647,555</u>	<u>61,018,587</u>	<u>88,232,729</u>	<u>89,662,165</u>
Liabilities:						
Current Liabilities	5,352,150	5,078,682	2,562,702	3,200,093	7,914,852	8,278,775
Non-current Liabilities	<u>9,390,448</u>	<u>9,337,554</u>	<u>32,691,258</u>	<u>32,710,744</u>	<u>42,081,706</u>	<u>42,048,298</u>
Total liabilities	<u>14,742,598</u>	<u>14,416,236</u>	<u>35,253,960</u>	<u>35,910,837</u>	<u>49,996,558</u>	<u>50,327,073</u>
Net Assets:						
Investments in capital assets, net of debt	11,631,083	11,303,269	25,185,642	25,456,072	36,816,725	36,759,341
Restricted	428,539	429,477	1,593,014	1,568,806	2,021,553	1,998,283
Unrestricted	<u>1,782,954</u>	<u>2,494,596</u>	<u>(2,385,061)</u>	<u>(1,917,128)</u>	<u>(602,107)</u>	<u>577,468</u>
Total net assets	<u>\$13,842,576</u>	<u>\$14,227,342</u>	<u>\$24,393,595</u>	<u>\$25,107,750</u>	<u>\$38,236,171</u>	<u>\$39,335,092</u>

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

The City's largest asset group is its capital assets. This includes buildings, infrastructure, 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, lease obligations, and net pension obligations constitute the City's long-term liabilities.

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

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2008

Condensed Financial Information (Continued)

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

**Condensed Statement of Activities
For Fiscal Years Ending April 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program:						
Charges for services	\$ 1,576,157	\$ 1,299,631	\$8,032,626	\$ 7,388,443	\$ 9,608,783	\$ 8,688,074
Operating grants & contributions	445,435	1,479,580	-	-	445,435	1,479,580
General:						
Property & other taxes	16,099,566	15,254,960	-	-	16,099,566	15,254,960
Other	<u>3,235,825</u>	<u>3,260,185</u>	<u>156,267</u>	<u>149,482</u>	<u>3,392,092</u>	<u>3,409,667</u>
Total revenue received	<u>21,356,983</u>	<u>21,294,356</u>	<u>8,188,893</u>	<u>7,537,925</u>	<u>29,545,876</u>	<u>28,832,281</u>
Expenses:						
General government	9,514,674	9,885,241	-	-	9,514,674	9,885,241
Public safety	7,430,686	7,222,934	-	-	7,430,686	7,222,934
Public works	3,060,396	1,903,876	-	-	3,060,396	1,903,876
Health	38,137	35,992	-	-	38,137	35,992
Culture and recreation	1,581,639	1,525,341	-	-	1,581,639	1,525,341
Interest on long-term debt	116,217	127,299	-	-	116,217	127,299
Water	-	-	1,843,130	1,870,166	1,843,130	1,870,166
Sewer	-	-	4,032,294	3,966,287	4,032,294	3,966,287
Storm Sewer	-	-	640,264	677,054	640,264	677,054
Landfill Closure	-	-	1,100,607	431,259	1,100,607	431,259
Health and Environment	-	-	<u>1,286,753</u>	<u>1,228,709</u>	<u>1,286,753</u>	<u>1,228,709</u>
Total expenditures disbursed	<u>21,741,749</u>	<u>20,700,683</u>	<u>8,903,048</u>	<u>8,173,475</u>	<u>30,644,797</u>	<u>28,874,158</u>
Change in net assets	<u>\$ (384,766)</u>	<u>\$ 593,673</u>	<u>\$ (714,155)</u>	<u>\$ (635,550)</u>	<u>\$ (1,098,921)</u>	<u>\$ (41,877)</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, 2008

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 \$38,236,171 as of April 30, 2008. This is a decrease of \$1,098,921 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, 2008 were \$3,754,042. Of this total, \$2,461,888 was cash and investments available for future spending. This is an increase of \$28,092 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in June 2007. 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 \$11,677 more than budgeted. General Fund expenses were \$237,669 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$750,768 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in the fund balance of \$119,413.

Factors or Conditions Impacting Future Periods

Commercial development has continued its upward spiral. Our Route 26 corridor to the south continues to experience new commercial construction with new activity on the western fringes of the city starting with the construction of a new financial institution. Our local health care provider has developed a new commercial campus that will generate in excess of 65 new professional job opportunities. The value of put in place construction for the twelve month period is in excess of \$25,000,000.

The City continues to face rising operating costs including health care, wages and pension contributions. In the past these have had a negative impact on our finances. It appears we will continue to face these pressures on our cost structure in the future.

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, 2008

ASSETS

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,667,598	\$ 905,888	\$ 2,573,486
Investments	4,634,111	1,693,924	6,328,035
Receivables (net of allowances):			
Property taxes	3,544,346	-	3,544,346
Accounts	2,158,878	670,978	2,829,856
Interest	-	1,313	1,313
Inventories	-	161,585	161,585
Deposits	-	10,850	10,850
Prepaid expenses	389,237	-	389,237
Restricted cash accounts	-	1,593,014	1,593,014
Total current assets	12,394,170	5,037,552	17,431,722
Bond issuance costs	-	300,974	300,974
Deferred charges	-	11,067	11,067
Prepaid interest	427,547	3,459,001	3,886,548
Capital Assets (net of accumulated depreciation):			
Buildings	7,765,012	20,953,396	28,718,408
Infrastructure	6,204,651	27,309,653	33,514,304
Equipment	344,617	2,080,838	2,425,455
Vehicles	1,449,177	-	1,449,177
Work in process	-	495,074	495,074
Total noncurrent assets	16,191,004	54,610,003	70,801,007
Total assets	28,585,174	59,647,555	88,232,729

LIABILITIES

Current liabilities:			
Accounts payable	481,376	888,849	1,370,225
Accrued payroll	532,804	73,259	606,063
Deposits and escrow amounts	-	397,060	397,060
Unearned grant revenue	25,592	-	25,592
Deferred revenue	3,544,346	-	3,544,346
Claims payable	194,485	-	194,485
Accrued interest	39,133	423,637	462,770
Current portion long term debt	534,414	779,897	1,314,311
	<u>5,352,150</u>	<u>2,562,702</u>	<u>7,914,852</u>
Total current liabilities			
Noncurrent liabilities:			
General obligation bonds payable	2,655,000	24,815,000	27,470,000
Market premium on bonds payable	-	99,914	99,914
Deferred gain	155,500	1,281,935	1,437,435
Notes payable	699,722	58,422	758,144
Leases payable	243,238	-	243,238
Net pension obligation	5,282,600	-	5,282,600
Accrued compensated absences	354,388	133,235	487,623
Landfill closure liability	-	6,302,752	6,302,752
	<u>9,390,448</u>	<u>32,691,258</u>	<u>42,081,706</u>
Total noncurrent liabilities			
Total liabilities	<u>14,742,598</u>	<u>35,253,960</u>	<u>49,996,558</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,631,083	25,185,642	36,816,725
Restricted	428,539	1,593,014	2,021,553
Unrestricted	1,782,954	(2,385,061)	(602,107)
	<u>\$ 13,842,576</u>	<u>\$ 24,393,595</u>	<u>\$ 38,236,171</u>
Total net assets			

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2008

<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	\$ 9,514,674	\$ 251,015	\$ 350,160	\$ -
Public safety	7,430,686	837,897	48,760	-
Public works	3,060,396	191,228	-	-
Health	38,137	264,324	-	-
Culture and recreation	1,581,639	31,693	46,515	-
Interest	116,217	-	-	-
Total governmental activities	<u>\$ 21,741,749</u>	<u>\$ 1,576,157</u>	<u>\$ 445,435</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 1,843,130	\$ 2,219,860	\$ -	\$ -
Sewer	4,032,294	3,837,360	-	-
Storm Sewer	640,264	697,916	-	-
Landfill Closure	1,100,607	-	-	-
Health and Environment	1,286,753	1,277,490	-	-
Total business-type activities	<u>\$ 8,903,048</u>	<u>\$ 8,032,626</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 as restated

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (8,913,499)	\$ -	\$ (8,913,499)
(6,544,029)	-	(6,544,029)
(2,869,168)	-	(2,869,168)
226,187	-	226,187
(1,503,431)	-	(1,503,431)
(116,217)	-	(116,217)
<u>(19,720,157)</u>	<u>-</u>	<u>(19,720,157)</u>
-	376,730	376,730
-	(194,934)	(194,934)
-	57,652	57,652
-	(1,100,607)	(1,100,607)
-	(9,263)	(9,263)
<u>-</u>	<u>(870,422)</u>	<u>(870,422)</u>
3,725,913	-	3,725,913
10,088,065	-	10,088,065
2,285,588	-	2,285,588
260,252	156,267	416,519
2,975,573	-	2,975,573
<u>19,335,391</u>	<u>156,267</u>	<u>19,491,658</u>
(384,766)	(714,155)	(1,098,921)
<u>14,227,342</u>	<u>25,107,750</u>	<u>39,335,092</u>
<u>\$ 13,842,576</u>	<u>\$ 24,393,595</u>	<u>\$ 38,236,171</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 35,335	\$ 176,799	\$ 212,134
Investments	2,426,553	3,462,145	5,888,698
Receivables, net of allowances			
Property tax	2,292,008	1,252,338	3,544,346
Accounts	-	347,265	347,265
Other	584,358	-	584,358
Due from other governments	1,143,900	-	1,143,900
Due from other funds	174,160	82,056	256,216
Prepaid expenses	360,000	2,423	362,423
Total assets	\$ 7,016,314	\$ 5,323,026	\$ 12,339,340
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ 310,520	\$ 170,856	\$ 481,376
Accrued payroll	481,927	50,877	532,804
Due to other funds	152,225	174,160	326,385
Unearned grant revenue	25,592	-	25,592
Deferred revenue	2,292,008	1,252,338	3,544,346
Total liabilities	3,262,272	1,648,231	4,910,503
Fund balances:			
Reserved for debt service	-	386,593	386,593
Reserved for restricted tax levies	-	41,946	41,946
Unreserved, reported in:			
General funds	3,754,042	-	3,754,042
Special revenue funds	-	2,227,100	2,227,100
Capital projects funds	-	1,019,156	1,019,156
Total fund balances	3,754,042	3,674,795	7,428,837
Total liabilities and fund balances	\$ 7,016,314	\$ 5,323,026	\$ 12,339,340

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2008

Total fund balances - governmental funds	\$ 7,428,837
Amounts reported for governmental activities in the statement of net assets are different because:	
A grant receivable to reimburse costs incurred in the current period was not received within 60 days so it was not recorded as receivable within the governmental funds, but this is the amount that was recorded as receivable on the statement of net assets.	77,105
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 \$27,024,731 and the accumulated depreciation is \$11,261,274	15,763,457
Bond issuance costs and prepaid interest used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This is the amount of bond issuance costs and prepaid interest.	427,547
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.	109,625
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,963,995)</u>
Total net assets - governmental activities	<u>\$ 13,842,576</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2008

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 13,303,724	\$ 1,716,568	\$ 15,020,292
Fees	1,104,416	470,767	1,575,183
Intergovernmental	235,227	1,364,365	1,599,592
Interest	128,163	360,856	489,019
Other	154,972	149,697	304,669
Total revenues	<u>14,926,502</u>	<u>4,062,253</u>	<u>18,988,755</u>
EXPENSES			
General government	5,738,908	1,638,514	7,377,422
Public safety	7,002,427	431,236	7,433,663
Public works	1,297,494	979,764	2,277,258
Health	38,137	-	38,137
Culture and recreation	98,768	1,349,191	1,447,959
Debt service	-	609,540	609,540
Total expenses	<u>14,175,734</u>	<u>5,008,245</u>	<u>19,183,979</u>
Excess (deficiency) of revenues over expenses	<u>750,768</u>	<u>(945,992)</u>	<u>(195,224)</u>
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	-	13,569	13,569
Transfers in	37,498	1,865,944	1,903,442
Transfers out	<u>(668,853)</u>	<u>(1,234,589)</u>	<u>(1,903,442)</u>
Total other financing sources and uses	<u>(631,355)</u>	<u>644,924</u>	<u>13,569</u>
Net change in fund balances	119,413	(301,068)	(181,655)
Fund balances - beginning	<u>3,634,629</u>	<u>3,975,863</u>	<u>7,610,492</u>
Fund balances - ending	<u>\$ 3,754,042</u>	<u>\$ 3,674,795</u>	<u>\$ 7,428,837</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, 2008

Excess (deficiency) of revenues received and other sources over (under)
expenditures disbursed and other uses - Governmental funds \$ (181,655)

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

A grant receivable to reimburse costs incurred in the current period was
not received within 60 days so it was not recorded as revenue within
the governmental funds, but this is the amount that was recorded as revenue
on the statement of activities. 77,105

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 depreciation
expense \$(702,465) exceeds capitalized fixed assets \$(524,002) in the period. (178,463)

Accrued compensated absences are recorded as a liability in the governmental
activities. However, these amounts are expensed when paid in the governmental
funds. This is the amount that was expensed in the governmental activities in
the period. (36,535)

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. 493,323

The increase in the net pension obligation recorded on the government-wide statements
is not recorded in the governmental funds because it does not affect current
expenditures. This is the increase in the net pension obligation in the period. (558,541)

Change in net assets of governmental activities \$ (384,766)

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2008

Business-type Activities-Enterprise Funds

	Water Department		Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
	Department	Department	Department	Closure	Sewer	Funds		Funds
ASSETS								
Current assets:								
Cash	\$ 904,394	\$ 758	\$ 736	-	\$ 736	-	\$ 905,888	\$ -
Investments	-	-	-	1,663,330	-	30,594	1,693,924	200,877
Receivables, net of allowance for uncollectible:								
Accounts	288,439	336,390	46,149	-	-	-	670,978	6,250
Interest	275	1,038	-	-	-	-	1,313	-
Due from other funds	1,657,000	-	-	-	-	166,756	1,823,756	70,169
Inventories	21,008	140,577	-	-	-	-	161,585	-
Deposits	10,490	360	-	-	-	-	10,850	-
Restricted cash accounts:								
Revolving fund	-	1,632	-	-	-	-	1,632	26,814
Bond and interest	-	579,096	775,803	-	-	-	1,354,899	-
Capital improvements	137,850	98,633	-	-	-	-	236,483	-
Total current assets	3,019,456	1,158,484	822,688	1,663,330	197,350	197,350	6,861,308	304,110
Bond issuance costs	-	182,679	118,295	-	-	-	300,974	-
Prepaid interest & market discount	-	2,448,921	1,010,080	-	-	-	3,459,001	-
Property, plant and equipment (net of accumulated depreciation)	12,862,708	29,216,115	8,760,138	-	-	-	50,838,961	-
Deferred charges	11,067	-	-	-	-	-	11,067	-
Total noncurrent assets	12,873,775	31,847,715	9,888,513	-	-	-	54,610,003	-
Total assets	15,893,231	33,006,199	10,711,201	1,663,330	197,350	197,350	61,471,311	304,110

LIABILITIES

Current liabilities:

Accounts payable	621,207	83,931	68,741	114,970	888,849	194,485
Accrued payroll	27,710	44,141	-	-	73,259	-
Due to other funds	166,756	1,363,000	-	-	1,823,756	-
Deposits and escrow amounts	396,975	85	-	-	397,060	-
Accrued interest payable	-	294,705	-	-	423,637	-
Current portion long term debt	-	564,071	-	-	779,897	-
Total current liabilities	<u>1,212,648</u>	<u>2,349,933</u>	<u>68,741</u>	<u>114,970</u>	<u>4,386,458</u>	<u>194,485</u>

Noncurrent liabilities:

Landfill closure liability	-	-	6,302,752	-	6,302,752	-
Deferred gain	-	671,174	-	-	1,281,935	-
Accrued compensated absences	50,209	80,972	-	-	133,235	-
Note payable	-	58,422	-	-	58,422	-
General obligation bonds payable	-	15,770,877	-	-	24,815,000	-
Market premium on bonds payable	-	71,616	-	-	99,914	-
Total noncurrent liabilities	<u>50,209</u>	<u>16,653,061</u>	<u>6,302,752</u>	<u>-</u>	<u>32,691,258</u>	<u>-</u>
Total liabilities	<u>1,262,857</u>	<u>19,002,994</u>	<u>6,371,493</u>	<u>114,970</u>	<u>37,077,716</u>	<u>194,485</u>

NET ASSETS

Restricted due to bond ordinance	137,850	679,361	-	-	1,593,014	26,814
Unrestricted	14,492,524	13,323,844	(4,708,163)	82,380	22,800,581	82,811
Total net assets	<u>\$ 14,630,374</u>	<u>\$ 14,003,205</u>	<u>\$ (4,708,163)</u>	<u>\$ 82,380</u>	<u>\$ 24,393,595</u>	<u>\$ 109,625</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, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	
Operating revenues:						
Charges for services	\$ 2,219,860	\$ 3,837,360	\$ -	\$ 697,916	\$ 1,277,490	\$ 8,032,626
Operating expenses:						
Operating	1,444,747	2,228,174	1,100,607	54,481	1,286,753	6,114,762
Depreciation	361,520	912,013	-	168,121	-	1,441,654
Total operating expenses	1,806,267	3,140,187	1,100,607	222,602	1,286,753	7,556,416
Operating income (loss)	413,593	697,173	(1,100,607)	475,314	(9,263)	476,210
Nonoperating revenues (expenses):						
Interest income	18,956	41,037	80,473	15,366	435	156,267
Interest and fiscal charges	(36,863)	(892,107)	-	(417,662)	-	(1,346,632)
Total nonoperating revenues	(17,907)	(851,070)	80,473	(402,296)	435	(1,190,365)
Net income (loss)	395,686	(153,897)	(1,020,134)	73,018	(8,828)	(714,155)
Net assets - May 1, 2007	14,234,688	14,157,102	(3,688,029)	312,781	91,208	25,107,750
Net assets - April 30, 2008	\$ 14,630,374	\$ 14,003,205	\$ (4,708,163)	\$ 385,799	\$ 82,380	\$ 24,393,595

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year ended April 30, 2008

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 2,016,645	\$ 3,868,287	\$ -	\$ 685,034	\$ 1,254,644	\$ 7,824,610	\$ 2,209,910
Payments to suppliers	(1,302,405)	(1,443,512)	(344,409)	(70,315)	(1,271,296)	(4,431,937)	(2,158,167)
Payments to employees	(567,257)	(782,148)	-	(37,882)	-	(1,387,287)	-
Net cash provided by (used in) operations	146,983	1,642,627	(344,409)	576,837	(16,652)	2,005,386	51,743
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	(6,188)	(1,174,991)	(444,172)	-	(30,951)	(1,656,302)	-
Sale of investments	147	1,153,084	708,108	-	47,168	1,908,507	(57,520)
Interest received	19,229	42,201	80,473	15,366	435	157,704	5,777
Net cash provided by (used in) investing activities	13,188	20,294	344,409	15,366	16,652	409,909	(51,743)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid	(36,863)	(818,740)	-	(398,142)	-	(1,253,745)	-
Principal payments on general obligation bonds	-	(551,027)	-	(193,363)	-	(744,390)	-
Proceeds from sale of general obligation bonds	-	-	-	-	-	-	-
Purchase of property and equipment	(134,335)	(292,499)	-	-	-	(426,834)	-
Net cash provided by (used in) capital and related financing activities	(171,198)	(1,662,266)	-	(591,505)	-	(2,424,969)	-
Net increase (decrease) in cash and cash equivalents	(11,027)	655	-	698	-	(9,674)	-
Beginning cash and cash equivalents	915,421	103	-	38	-	915,562	-
Ending cash and cash equivalents	\$ 904,394	\$ 758	\$ -	\$ 736	\$ -	\$ 905,888	\$ -

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 Year ended April 30, 2008

	Business-type Activities-Enterprise Funds							Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total		
Reconciliation of operating income to net provided (used) by operating activities:								
Operating income (loss)	\$ 413,593	\$ 697,173	\$ (1,100,607)	\$ 475,314	\$ (9,263)	\$ 476,210	\$ (5,777)	
Adjustments to reconcile operating income to net cash provided by (used in) operations:								
Depreciation	361,520	912,013	-	168,121	-	1,441,654	-	
Changes in assets and liabilities:								
Accounts receivable	(44,842)	(57,948)	-	(12,882)	-	(115,672)	2,994	
Inventory	28,495	2,571	-	-	-	31,066	-	
Due from other funds	(190,000)	88,875	-	-	(22,846)	(123,971)	(65,001)	
Other assets	-	-	-	-	-	-	-	
Deposits	-	-	-	-	-	-	-	
Accounts payable	(481,244)	(164,531)	54,644	(4,457)	15,457	(580,131)	119,527	
Accrued payroll	4,988	13,474	-	616	-	19,078	-	
Deposits and escrow amounts	31,627	-	-	-	-	31,627	-	
Other liabilities	-	-	701,554	-	-	701,554	-	
Deferred charges	-	-	-	-	-	-	-	
Due to other funds	22,846	151,000	-	(49,875)	-	123,971	-	
Net cash provided by (used in) operations	\$ 146,983	\$ 1,642,627	\$ (344,409)	\$ 576,837	\$ (16,652)	\$ 2,005,386	\$ 51,743	

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2008

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ -	\$ 4,938,529
Investments	75,424	37,019,883
Receivables, net of allowance for uncollectible:		
Loan	338,406	-
Interest	<u>-</u>	<u>168,863</u>
Total assets	<u>413,830</u>	<u>42,127,275</u>
<u>LIABILITIES</u>		
Accounts payable	<u>465</u>	<u>-</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	<u>\$ 413,365</u>	<u>\$ 42,127,275</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2008

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 28,407	\$ -
Contributions-employer taxes	-	1,631,503
Contributions-employee	-	532,050
Investment income	<u>11,545</u>	<u>1,033,381</u>
Total additions	<u>39,952</u>	<u>3,196,934</u>
Deductions:		
Benefits and refunds	-	2,687,657
Other charges and services	<u>18,215</u>	<u>165,909</u>
Total deductions	<u>18,215</u>	<u>2,853,566</u>
Net increase	21,737	343,368
Net assets - beginning	<u>391,628</u>	<u>41,783,907</u>
Net assets - ending	<u><u>\$ 413,365</u></u>	<u><u>\$ 42,127,275</u></u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

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
April 30, 2008

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
April 30, 2008

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
April 30, 2008

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

A. Summary of Significant Accounting Policies (Continued):

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.

Storm Sewer Fund To account for the costs related to the operation of the City's storm 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, 2008. 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
April 30, 2008

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, 2008 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 tax revenue in the current year relates to the 2006 levy. Property taxes related to the 2007 levy are 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
April 30, 2008

A. Summary of Significant Accounting Policies (Continued):

PROPERTY TAXES (CONTINUED)

Effective in December 2007, the City levied its 2007 taxes which will be recognized as revenue in 2009. The amounts of taxes levied are:

General Fund	\$2,315,160
Special Revenue Funds:	
IMRF	172,000
Library	<u>1,092,988</u>
	<u>\$3,580,148</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
 April 30, 2008

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>
Special Revenue:	
Downtown T.I.F. District	<u>\$(78,364)</u>
Enterprise:	
Landfill Closure Fund	<u>\$(4,708,163)</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:		
Sewer Department Fund	<u>\$2,221,600</u>	<u>\$2,228,174</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

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, 2008, there were no funds that had an overdraft.

Deposits. At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$8,361,269 and the bank balance was \$8,774,422. Of the bank balance, \$8,653,171 was covered by Federal Depository Insurance or by collateral held by pledging bank's trust department or by its agent in the City's name and \$121,251 was uninsured.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. As of April 30, 2008, \$121,251 of the City's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The City has no foreign currency risk for deposits at year end.

For financial statement purposes, the City shows certificates of deposits and money market accounts as temporary cash investments.

Investments. As of April 30, 2008, the City's investments were as follows:

	<u>Fair Value</u>
<i>Governmental Activities:</i>	
Investments in State Investment Pool	\$7,144,610
U.S. Government Obligations	<u>42,180</u>
Total	<u><u>\$7,186,790</u></u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

C. Deposits and Investments (Continued):

	<u>Fair Value</u>
<i>Pension Trust Funds:</i>	
Investments in State Investment Pool	\$ 9,220
U.S. Government Obligations	20,121,755
State and Local Obligations	77,739
Equity Mutual Funds	14,447,843
Common Stock	<u>2,322,533</u>
Total	<u>\$36,979,090</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City tries to match its maturities on investments with expected cash flows.

Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	
<i>Governmental activities:</i>				
Investments in State				
Investment Pool	\$7,144,610	\$ -	\$ -	\$ 7,144,610
U.S. Government obligations	<u>-</u>	<u>-</u>	<u>42,180</u>	<u>42,180</u>
Total	<u>\$7,144,610</u>	<u>\$ -</u>	<u>\$ 42,180</u>	<u>\$ 7,186,790</u>
<i>Pension Trust Funds:</i>				
Investments in State				
Investment Pool	\$ 9,220	\$ -	\$ -	\$ 9,220
U.S. Government Obligations	800,718	8,125,717	11,195,320	20,121,755
State and Local Obligations	<u>-</u>	<u>-</u>	<u>77,739</u>	<u>77,739</u>
Total	<u>\$ 809,938</u>	<u>\$8,125,717</u>	<u>\$11,273,059</u>	<u>\$20,208,714</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

C. Deposits and Investments (Continued):

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations and State and Local Obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

	<u>Total as of April 30, 2008</u>	<u>AAAm</u>	<u>Unrated</u>
<i>Governmental activities:</i>			
Investments in State			
Investment Pool	<u>\$7,144,610</u>	<u>\$7,144,610</u>	<u>\$ -</u>
<i>Pension Trust Funds:</i>			
Investments in State			
Investment Pool	<u>\$ 9,220</u>	<u>\$ 9,220</u>	<u>\$ -</u>

Concentration of Credit Risk:

The City has no investments, other than mutual funds that are exempted from this requirement, in any one issuer that represent 5% or more of total City's investments.

Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of April 30, 2008 there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk:

The City has no foreign currency risk for investments at year end.

Subsequent Event

Due to market volatility, the market value of Pension investments substantially dropped subsequent to year end.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

D. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2008:

Special Revenue:

Library Fund:

Reserved for restricted tax levies \$41,946

Debt Service Fund:

Reserved for debt service \$386,593

Enterprise:

Water Fund:

Reserved due to bond ordinance \$137,850

Sewer Fund:

Reserved due to bond ordinance \$679,361

Storm Sewer Fund:

Reserved due to bond ordinance \$775,803

Fiduciary:

Non Expendable Trust Fund:

Revolving Loan Fund:

Reserved for revolving loan \$385,037

Pension Trust Funds:

Police Pension Fund:

Reserved for employees retirement system \$15,506,873

Firefighters Pension Fund:

Reserved for employees retirement system \$26,620,402

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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

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 \$100,000 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
Infrastructure	50 years
Equipment & Vehicles	8 - 20 years

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

The governmental activities capital asset activity for the year ended April 30, 2008 is as follows:

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
Cost:				
Buildings	\$11,291,330	\$ -	\$ -	\$11,291,330
Infrastructure	9,069,495	-	-	9,069,495
Equipment	1,597,439	-	-	1,597,439
Vehicles	<u>4,542,465</u>	<u>524,002</u>	<u>-</u>	<u>5,066,467</u>
	<u>\$26,500,729</u>	<u>\$524,002</u>	<u>\$ -</u>	<u>\$27,024,731</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
Accumulated Depreciation:				
Buildings	\$ 3,348,812	\$ 177,506	\$ -	\$ 3,526,318
Infrastructure	2,683,454	181,390	-	2,864,844
Equipment	1,189,578	63,244	-	1,252,822
Vehicles	<u>3,336,966</u>	<u>280,324</u>	<u>-</u>	<u>3,617,290</u>
	<u>\$10,558,810</u>	<u>\$702,464</u>	<u>\$ -</u>	<u>\$11,261,274</u>
Total Capital Assets, Net:				
Buildings	\$ 7,942,518	\$ (177,506)	\$ -	\$ 7,765,012
Infrastructure	6,386,041	(181,390)	-	6,204,651
Equipment	407,861	(63,244)	-	344,617
Vehicles	<u>1,205,499</u>	<u>243,678</u>	<u>-</u>	<u>1,449,177</u>
	<u>\$15,941,919</u>	<u>\$(178,462)</u>	<u>\$ -</u>	<u>\$15,763,457</u>

The business-type activities capital asset activity for the year ended April 30, 2008 is as follows:

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
Cost:				
Buildings	\$27,284,561	\$ 6,063	\$ -	\$27,290,624
Infrastructure	37,399,089	363,162	-	37,762,251
Equipment	6,374,006	57,513	-	6,431,519
Work in process	<u>494,978</u>	<u>96</u>	<u>-</u>	<u>495,074</u>
	<u>\$71,552,634</u>	<u>\$426,834</u>	<u>\$ -</u>	<u>\$71,979,468</u>
Accumulated Depreciation:				
Buildings	\$ 5,775,777	\$ 561,451	\$ -	\$ 6,337,228
Infrastructure	10,096,080	356,518	-	10,452,598
Equipment	<u>3,826,996</u>	<u>523,685</u>	<u>-</u>	<u>4,350,681</u>
	<u>\$19,698,853</u>	<u>\$1,441,654</u>	<u>\$ -</u>	<u>\$21,140,507</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
Total Capital Assets, Net:				
Buildings	\$21,508,784	\$ (555,388)	\$ -	\$20,953,396
Transmission lines	27,303,009	6,644	-	27,309,653
Equipment	2,547,010	(466,172)	-	2,080,838
Work in process	<u>494,978</u>	<u>96</u>	<u>-</u>	<u>495,074</u>
	<u>\$51,853,781</u>	<u>\$(1,014,820)</u>	<u>\$ -</u>	<u>\$50,838,961</u>

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

Governmental activities:

General government	\$ 18,113
Public safety	197,664
Public works	353,007
Culture and recreation	<u>133,680</u>
Total depreciation expense, governmental activities	<u>\$702,464</u>

Business-type activities:

Water Department	\$ 361,520
Sewer Department	912,013
Storm Sewer Department	<u>168,121</u>
Total depreciation expense, business-type activities	<u>\$1,441,654</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, 2008 was \$10,000. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

F. Risk Management (Continued):

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 2008, 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:

	<u>Fiscal Year Ended</u> <u>April 30,</u> <u>2008</u>
Unpaid claims - beginning	\$ 74,958
Incurred claims including IBNR, net of claims in excess of stop loss	2,079,452
Claim payments	<u>1,959,925</u>
Unpaid claims - ending	<u>\$ 194,485</u>

G. Long-Term Debt:

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

LEASE OBLIGATIONS

The City is obligated under certain leases accounted for as capital leases.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

G. Long-Term Debt (Continued):

LEASE OBLIGATIONS (CONTINUED)

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, 2008.

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 74,261	\$14,150
2010	77,571	10,840
2011	81,028	7,383
2012	<u>84,639</u>	<u>3,772</u>
Total	<u>\$317,499</u>	<u>\$36,145</u>

INSTALLMENT CONTRACTS/NOTES PAYABLE

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

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	\$ 134,690	\$ -	\$ 25,348	\$ 109,342
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	606,623	-	123,609	483,014
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	112,982	-	4,987	107,995
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	61,436	-	2,788	58,648

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

G. Long-Term Debt (Continued):

INSTALLMENT CONTRACTS/NOTES PAYABLE (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>
Amcore Bank, payable monthly with interest at 5.31% due December 22, 2009	Debt Service	366,934	-	131,577	235,357
Amcore Bank, payable annually with interest at 3.88%, due July 12, 2008	Debt Service	95,190	-	46,843	48,347
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	52,203	-	22,031	30,172
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	<u>327,701</u>	<u>-</u>	<u>132,382</u>	<u>195,319</u>
		<u>\$1,757,759</u>	<u>\$ -</u>	<u>\$489,565</u>	<u>\$1,268,194</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 510,050	\$ 47,297
2010	333,009	26,650
2011	177,734	16,624
2012	116,703	9,416
2013	10,332	7,152
2014 - 2018	61,407	26,014
2019 - 2022	<u>58,959</u>	<u>6,675</u>
Total	<u>\$1,268,194</u>	<u>\$139,828</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

G. Long-Term Debt (Continued):

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.

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.

2006 Issue

On December 21, 2006 the City passed an ordinance for the issuance of \$10,000,000 Bond Series of 2006. The purpose of the bonds is to refund a portion of the 2003 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:

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

G. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (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>
\$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	\$ 1,780,000	\$ -	\$ 320,000	\$ 1,460,000
\$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	885,000	-	70,000	815,000
\$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	2,055,000	-	180,000	1,875,000
\$8,665,000 General Obligation Bond Series 2004, dated December 15, 2004 due in annual installments of \$60,000 to \$800,000 plus interest at 2.50% to 4.375% through December 1, 2024	Sewer	8,530,000	-	60,000	8,470,000
\$5,735,000 General Obligation Bond Series 2005, dated 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	5,640,000	-	25,000	5,615,000

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

G. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (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>
\$10,000,000 General Obligation Bond Series 2006, dated December 21, 2006 due in annual installments of \$35,000 to \$645,000 plus interest at 4.00% to 4.20% through January 1, 2034	TIF, Library, Storm Sewer, and Sewer	10,000,000	-	35,000	9,965,000
		<u>\$28,890,000</u>	<u>\$ -</u>	<u>\$690,000</u>	<u>\$28,200,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 725,000	\$ 1,214,814
2010	765,000	1,183,864
2011	805,000	1,149,547
2012	845,000	1,112,686
2013	880,000	1,073,346
2014 - 2018	5,005,000	4,729,118
2019 - 2023	6,160,000	3,590,892
2024 - 2028	7,450,000	2,210,605
2029 - 2033	4,960,000	628,393
2034	<u>605,000</u>	<u>25,410</u>
Total	<u>\$28,200,000</u>	<u>\$16,918,675</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

G. Long-Term Debt (Continued):

CHANGES IN LONG-TERM LIABILITIES

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

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>
Installment notes	\$ 1,757,759	\$ -	\$ 489,565	\$ 1,268,194
Capitalized leases	388,592	-	71,093	317,499
General obligation bonds Payable	28,890,000	-	690,000	28,200,000
Compensated absences	<u>317,853</u>	<u>36,535</u>	<u>-</u>	<u>354,388</u>
Total	<u>\$31,354,204</u>	<u>\$36,535</u>	<u>\$1,250,658</u>	<u>\$30,140,081</u>

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 prior years, the City defeased a portion of the 2000 and 2003 General Obligation bond issues by creating separate irrevocable trust funds. New debt was 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. As of April 30, 2008, the amount of defeased debt from the 2000 and 2003 issues outstanding but removed from the City's financial statements amounted to \$21,740,000.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

I. Interfund Assets/Liabilities:

DUE FROM/TO OTHER FUNDS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General	Non-major funds	\$ 174,160
Internal Service Fund	General	70,169
Non-major funds	General	<u>82,056</u>
		<u>326,385</u>
Proprietary:		
Non-major funds	Water	166,756
Water	Sewer	1,363,000
	Storm Sewer	<u>294,000</u>
		<u>1,823,756</u>
Total		<u>\$2,150,141</u>

The purpose of the interfund loans is to fund temporary cash deficits in each of the borrowing funds. The loans will be paid back when sufficient cash amounts exist in those funds.

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, 2008, the Government has incurred a liability of \$6,302,752 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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

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

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, 2008, assets reported on the combined balance sheet which total \$1,663,330 are held for this purpose.

The City was required by state and federal laws and regulations to make annual contributions to finance the closure and postclosure care costs while the landfill was in operation. The City complied with these requirements until the landfill was closed in 2003. The City expects that future inflation costs will be paid from interest earnings on these annual contributions and transfer station rents with the difference being funded by general fund contributions. The amount of future general fund contributions cannot be determined at this time. The amount will depend on the amount of actual interest earnings and the timing of monitoring costs over the thirty year monitoring period.

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	\$1,277,490	\$2,219,860	\$3,837,360	\$697,916	\$ -
Depreciation and amortization expense	\$ -	\$361,520	\$912,013	\$168,121	\$ -
Operating income (loss)	\$(9,263)	\$413,593	\$697,173	\$475,314	\$(1,100,607)
Net income (loss)	\$(8,828)	\$395,686	\$(153,897)	\$73,018	\$(1,020,134)
Plant, property, and equipment:					
Additions	\$ -	\$134,335	\$292,499	\$ -	\$ -
Deletions	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

K. Segment Information-Enterprise Funds (Continued):

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
Allowance for uncollectible accounts	\$ -	\$(4,000)	\$(5,000)	\$ -	\$ -
Total assets	\$197,350	\$15,893,231	\$33,006,199	\$10,711,201	\$1,663,330
Net working capital	\$82,380	\$1,806,808	\$(1,191,449)	\$182,522	\$1,594,589
Bonds and other long- Term liabilities:					
Payable from operating revenues	\$ -	\$ -	\$16,572,089	\$9,683,182	\$6,302,752

L. Pension Plan:

PLAN DESCRIPTION

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

FUNDING POLICY

As set by statute, the City's Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2007 was 8.05 percent of annual

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

L. Pension Plan (Continued):

FUNDING POLICY (CONTINUED)

covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

ANNUAL PENSION COST

For 2007, the City's **annual pension cost** of \$332,571 for the Regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/07	\$332,571	100%	\$-0-
12/31/06	357,507	100%	-0-
12/31/05	299,579	100%	-0-

The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2005, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from .4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The City's Regular plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 25 years.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

L. Pension Plan (Continued):

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2007, the most recent actuarial valuation date, the Regular plan was 107.45 percent funded. The actuarial accrued liability for benefits was \$12,691,010 and the actuarial value of assets was \$13,636,271 resulting in an overfunded actuarial accrued liability (UAAL) of \$945,261. The covered payroll (annual payroll of active employees covered by the plan) was \$4,131,315 and since the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2008, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	40
Current employees	
Vested	38
Nonvested	<u>17</u>
Total	<u>95</u>

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

L. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

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 of the amount of pension payable at the time of the increase 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.

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

L. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

At April 30, 2008, 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	37
Nonvested	<u>14</u>
Total	<u>103</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.

Covered employees are required to contribute 9.455 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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

L. Pension Plan (Continued):

FUNDING STATUS AND ANNUAL PENSION COST

Police Pension

The City's net pension obligation to the Police Pension Plan as of April 30, 2007 was as follows:

Annual required contribution	\$ 403,258
Interest adjustment	214,041
Adjustment to amortize unfunded liability	<u>628,062</u>
Annual pension cost	1,245,361
Contributions made	<u>824,386</u>
Increase (decrease) in net pension obligation	420,975
Net pension obligation, beginning	<u>3,057,728</u>
Net pension obligation, ending	<u>\$3,478,703</u>

The annual required contribution for the current year was determined as part of the April 30, 2007 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, 2008, was 26 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>
4/30/08	\$1,245,361	66.20%	\$3,478,703
4/30/07	1,129,045	70.92%	3,057,728
4/30/06	1,063,499	68.12%	2,729,426

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2008

L. Pension Plan (Continued):

FUNDING STATUS AND ANNUAL PENSION COST (CONTINUED)

Firefighters' Pension

The City's net pension obligation to the Firefighter's Pension Plan as of April 30, 2007 was as follows:

Annual required contribution	\$ 538,009
Interest adjustment	116,643
Adjustment to amortize unfunded liability	<u>177,580</u>
Annual pension cost	832,232
Contributions made	<u>694,666</u>
Increase (decrease) in net pension obligation	137,566
Net pension obligation, beginning	<u>1,666,331</u>
Net pension obligation, ending	<u>\$1,803,897</u>

The annual required contribution for the current year was determined as part of the April 30, 2007, 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, 2008, was 26 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>
4/30/08	\$832,232	83.47%	\$1,803,897
4/30/07	817,711	86.86%	1,666,331
4/30/06	832,789	74.34%	1,558,857

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2008

M. Transfers:

Below are the interfund transfers as of April 30, 2008:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Non-Major Governmental Funds	\$ <u>37,498</u>	\$ <u>(668,853)</u>
Non-Major Governmental Funds:		
Non-Major Governmental Funds	1,197,091	(1,197,091)
General Fund	<u>668,853</u>	<u>(37,498)</u>
Total all funds	<u>\$1,903,442</u>	<u>\$(1,903,442)</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. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" will be effective for the fiscal year ending April 30, 2009. Statement 45 establishes uniform financial reporting standards for post employment plans other than pension plans. Management has not yet completed their assessment of this statement and its impact on the financial statements.

O. Restatement of Beginning Net Assets:

The beginning net assets of the governmental activities were increased by \$6,386,042 to account for historical infrastructure costs that were not included in the prior financial statements. Beginning net assets of the governmental activities were also reduced by \$4,724,059 to account for the net pension obligation at the beginning of the year for police and fire pension funds that was not included in the prior financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2008

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

Actuarial Valuation Date <u>December 31</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/(c))</u>
2007	\$13,636,271	\$12,691,010	\$(945,261)	107.45%	\$4,131,315	0.00%
2006	12,407,319	11,591,984	(815,335)	107.03%	3,937,304	0.00%
2005	11,458,611	11,176,816	(281,795)	102.52%	3,910,953	0.00%

CITY OF FREEPORT, ILLINOIS
Required Supplementary Information
April 30, 2008

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2008.

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)
2007	\$15,345,387	\$28,989,967	52.9%	\$13,644,580	\$2,819,378	484.0%
2006	14,881,332	27,125,601	54.9%	12,244,269	2,742,792	446.4%
2005	13,380,026	25,286,329	52.9%	11,906,303	2,640,390	450.9%

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2008.

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)
2007	\$26,230,887	\$30,088,786	87.2%	\$3,857,899	\$2,421,933	118.0%
2006	24,528,748	28,028,435	87.5%	3,499,687	2,493,336	140.4%
2005	22,217,155	26,671,984	83.3%	4,454,829	2,457,127	181.3%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
April 30, 2008**

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>
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	\$1.74	\$2,799,819
2006	\$4.90/month	\$2.21	\$3,072,732
2007	\$4.90/month	\$2.29	\$3,249,700
2008	\$5.15/month	\$2.63	\$3,837,360

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2008**

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 \$12,684,990 or approximately 5.2% between 2003 and 2007 (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 Year</u>	<u>Equalized Assessed Valuation</u>	<u>Percent Increase Over Prior Year</u>
2007	\$254,852,880	3.430%
2006	\$246,401,399	3.659%
2005	\$237,703,078	2.964%
2004	\$230,861,415	-4.669%
2003	\$242,167,890	1.993%
Per Capita EAV		<u>\$9,233.83</u>

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2008**

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2007 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$174,831,542	68.600%
Farm	67,698	0.027%
Commercial	67,569,922	26.513%
Industrial	12,096,608	4.747%
Railroad	<u>287,110</u>	<u>0.113%</u>
	<u>\$254,852,880</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2008 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$28,200,000</u>	<u>\$28,200,000</u>	<u>\$-0-</u>
Total	<u>\$28,200,000</u>	<u>\$28,200,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2007 EAV			-0-%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$14,614,316	44%	\$ 6,430,299
School District #145	22,631,480	76%	17,199,925
Freeport Park District	2,846,255	99%	2,817,792
Community College District #519	<u>2,255,000</u>	18%	<u>405,900</u>
Total	<u>\$42,347,051</u>		<u>\$26,853,916</u>
Per capita net overlapping debt			\$929.97
Percent of net overlapping debt to 2007 EAV			10.53%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2008**

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 2003 through 2007 are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Corporate	0.39155	0.38094	0.39529	0.40701	0.41258
Police Pension	0.29444	0.29097	0.27651	0.27640	0.24003
Public Library	0.42887	0.42984	0.43095	0.43186	0.42689
Municipal Retirement	0.06749	0.07306	0.08246	0.05891	0.06607
Firefighter's Pension	<u>0.22244</u>	<u>0.23982</u>	<u>0.23300</u>	<u>0.24516</u>	<u>0.20514</u>
Total	<u>1.40479</u>	<u>1.41463</u>	<u>1.41821</u>	<u>1.41934</u>	<u>1.35071</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 2007 were as follows:

<u>Taxing Unit</u>	<u>2007 Tax Levy</u>
City of Freeport	1.40479
Stephenson County	1.11065
Freeport Township	.39017
Community College District #519	.46890
School District #145	5.58548
Freeport Park District	.92902
Freeport MOSQ Abate	.04338

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Property taxes	\$ 2,246,475	\$ 2,246,475	\$ 2,240,796	\$ (5,679)
Property transfer tax	230,000	230,000	228,923	(1,077)
Retailers occupation tax	4,967,000	4,967,000	4,834,001	(132,999)
Income tax	2,350,000	2,350,000	2,491,363	141,363
Replacement tax	441,000	441,000	515,294	74,294
Food, drink tax	825,000	825,000	846,077	21,077
Utility tax	450,000	450,000	463,970	13,970
Special use tax	390,000	390,000	364,358	(25,642)
Natural gas tax	350,000	350,000	314,057	(35,943)
Telephone utility tax	800,000	800,000	819,885	19,885
Water and sewer payment	185,000	185,000	185,000	-
Total taxes	<u>13,234,475</u>	<u>13,234,475</u>	<u>13,303,724</u>	<u>69,249</u>
Fees:				
Cable TV franchise fees	235,000	235,000	258,365	23,365
Circuit clerk fines and fees	301,000	301,000	286,046	(14,954)
Building fees and permits	272,000	272,000	208,199	(63,801)
Transfer station rent	230,000	230,000	264,324	34,324
911 dispatching fees	95,350	95,350	87,482	(7,868)
Total fees	<u>1,133,350</u>	<u>1,133,350</u>	<u>1,104,416</u>	<u>(28,934)</u>
Intergovernmental:				
Grant administration reimbursements	27,000	27,000	31,306	4,306
IDOT reimbursement	50,000	50,000	49,454	(546)
Federal grant for SLANT officer	70,000	70,000	47,798	(22,202)
Airport hangar rent	110,000	110,000	93,755	(16,245)
Fire training reimbursement	-	-	2,499	2,499
Police training reimbursement	-	-	7,664	7,664
Traffic signal maintenance reimbursement	5,000	5,000	2,751	(2,249)
Total intergovernmental	<u>262,000</u>	<u>262,000</u>	<u>235,227</u>	<u>(26,773)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues (Continued):				
Interest	<u>135,000</u>	<u>135,000</u>	<u>128,163</u>	<u>(6,837)</u>
Other:				
Miscellaneous local sources	40,000	40,000	46,045	6,045
Miscellaneous other charges for services	<u>110,000</u>	<u>110,000</u>	<u>108,927</u>	<u>(1,073)</u>
 Total other revenues	 <u>150,000</u>	 <u>150,000</u>	 <u>154,972</u>	 <u>4,972</u>
 Total revenues	 <u>\$14,914,825</u>	 <u>\$14,914,825</u>	 <u>\$14,926,502</u>	 <u>\$ 11,677</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	6,000	6,000	6,649	649
Education, training and travel	5,000	5,000	924	(4,076)
Total city council	<u>41,400</u>	<u>41,400</u>	<u>37,972</u>	<u>(3,428)</u>
Commissions:				
Commissions stipends	4,325	4,325	3,975	(350)
Legal advertising	2,500	2,500	804	(1,696)
Education, training and travel	9,500	9,500	9,983	483
Books, periodicals, and memberships	500	500	375	(125)
Total commissions	<u>16,825</u>	<u>16,825</u>	<u>15,137</u>	<u>(1,688)</u>
City Clerk:				
Non-bargaining	-	-	-	-
Elected officials	50,159	50,159	49,617	(542)
Title searches and recording fees	200	200	-	(200)
Contracted equipment repairs	500	500	-	(500)
Printing	500	500	304	(196)
Publication expense	7,000	7,000	5,092	(1,908)
Education, training and travel	1,500	1,500	1,306	(194)
Insurance other than employee benefits	100	100	-	(100)
Books, periodicals and memberships	750	750	230	(520)
Office supplies	1,000	1,000	983	(17)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total city clerk	<u>63,209</u>	<u>63,209</u>	<u>57,532</u>	<u>(5,677)</u>
Mayor:				
Non-bargaining	39,106	39,606	39,330	(276)
Elected officials	81,126	81,126	81,126	-
Overtime, non-bargaining	-	-	-	-

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Contracted vehicle repair and maintenance	700	700	40	(660)
Contracted equip. repair and maintenance	700	700	-	(700)
Telephone and communications	2,500	2,000	1,617	(383)
Printing	200	200	91	(109)
Education, training and travel	4,500	4,500	4,570	70
Other supply expense	1,700	500	1,062	562
Books, periodicals and memberships	1,000	1,000	156	(844)
Office supplies	1,250	1,250	819	(431)
Gasoline	1,250	2,450	2,918	468
Total mayor	<u>134,032</u>	<u>134,032</u>	<u>131,729</u>	<u>(2,303)</u>
Office of Management and Budget:				
Non-bargaining	174,749	178,249	177,707	(542)
Bank service charges	150	150	126	(24)
Telephone	-	-	6	6
Printing	1,500	1,500	-	(1,500)
Education, training and travel	500	500	77	(423)
Books, periodicals and memberships	500	500	360	(140)
Office supplies	1,200	1,200	1,353	153
Equipment, furniture and fixtures	2,000	2,000	160	(1,840)
Total Office of Management and Budget	<u>180,599</u>	<u>184,099</u>	<u>179,789</u>	<u>(4,310)</u>
Treasurer:				
Elected officials	49,000	49,000	49,000	-
Contracted equipment repairs	100	100	-	(100)
Printing	100	100	-	(100)
Seminar, training and travel	2,000	2,000	2,010	10
Insurance other than employee benefits	425	425	366	(59)
Gasoline	450	450	428	(22)
Books, periodicals and memberships	150	150	90	(60)
Office supplies	2,000	2,000	1,533	(467)
Total Treasurer	<u>54,225</u>	<u>54,225</u>	<u>53,427</u>	<u>(798)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	120,482	128,482	127,594	(888)
Overtime, non-bargaining	-	-	-	-
Title searches and recording fees	1,500	1,500	593	(907)
Outside legal	45,000	33,500	26,758	(6,742)
Outside legal - prosecutorial	30,000	30,000	32,171	2,171
Court report, witness and service fees	5,000	5,000	5,545	545
Other technical services	1,500	1,500	-	(1,500)
Contracted equipment repair	600	600	246	(354)
Printing	1,500	1,500	45	(1,455)
Education	2,000	2,000	40	(1,960)
Books, periodicals and memberships	4,700	4,700	5,243	543
Office supplies	500	500	293	(207)
Equipment, furniture and fixtures	2,750	2,750	1,208	(1,542)
Total legal	<u>215,532</u>	<u>212,032</u>	<u>199,736</u>	<u>(12,296)</u>
Department of Public Works:				
Non-bargaining	77,547	78,047	77,451	(596)
Engineering	4,500	4,000	-	(4,000)
Other technical services	500	500	-	(500)
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	1,000	1,000	590	(410)
Printing	200	200	59	(141)
Publication expense	500	500	618	118
Education, training and travel	500	500	-	(500)
Other supplies	100	100	65	(35)
Books, periodicals and memberships	500	500	285	(215)
Postage and freight	200	200	26	(174)
Office supplies	500	500	223	(277)
Gasoline	700	700	581	(119)
Equipment supplies	100	100	-	(100)
Computer hardware	1,500	1,500	-	(1,500)
Total department of public works	<u>89,447</u>	<u>89,447</u>	<u>79,898</u>	<u>(9,549)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	5,732	(4,268)
Telephone and communications	3,000	3,000	2,464	(536)
Equipment supplies	<u>10,000</u>	<u>10,000</u>	<u>143</u>	<u>(9,857)</u>
Total traffic engineering	<u>23,000</u>	<u>23,000</u>	<u>8,339</u>	<u>(14,661)</u>
Street lights:				
Contracted equipment repairs	5,000	10,000	7,259	(2,741)
Equipment supplies	2,000	5,000	4,199	(801)
Electricity	300,000	312,000	278,769	(33,231)
Machinery and equipment	<u>10,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total street lights	<u>317,000</u>	<u>332,000</u>	<u>290,227</u>	<u>(41,773)</u>
General Government Building:				
Custodial	22,500	15,500	16,900	1,400
Contracted building repair and maintenance	7,500	7,500	6,081	(1,419)
Contracted equipment repair and maintenance	7,500	7,500	10,479	2,979
Other supply expense	500	500	22	(478)
Building supplies	1,000	1,000	569	(431)
Equipment and janitorial supplies	4,500	1,500	1,191	(309)
Natural gas	15,000	-	-	-
Water and sewer	<u>2,500</u>	<u>2,500</u>	<u>1,504</u>	<u>(996)</u>
Total general government building	<u>61,000</u>	<u>36,000</u>	<u>36,746</u>	<u>746</u>
City Cemetery:				
Salaries, AFSCME	45,909	45,909	41,242	(4,667)
Overtime, AFSCME	1,500	1,500	693	(807)
Contracted equipment repair and maintenance	1,500	1,500	340	(1,160)
Telephone and communications	600	600	496	(104)
Education	500	500	-	(500)
Other supply expense	800	800	1,260	460
Equipment rental	500	500	-	(500)
Equipment supplies	2,000	2,000	1,337	(663)
Building supplies	450	450	1,535	1,085
Equipment, furniture, and fixtures	2,000	2,000	2,320	320
Computer hardware & software	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total city cemetery	<u>56,259</u>	<u>56,259</u>	<u>49,223</u>	<u>(7,036)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Other professional services	2,800	2,800	2,582	(218)
Other technical services	200	200	120	(80)
Emergency expenses	100	100	-	(100)
Total hearings administration	<u>3,100</u>	<u>3,100</u>	<u>2,702</u>	<u>(398)</u>
Management information systems:				
Computer and network consulting	1,000	1,000	338	(662)
Contracted equipment repairs	5,000	5,000	4,007	(993)
Books, periodicals and memberships	4,750	4,750	4,068	(682)
Office supplies	-	-	-	-
Hardware	10,000	10,000	19,915	9,915
Software	2,500	2,500	1,247	(1,253)
Total management information systems	<u>23,250</u>	<u>23,250</u>	<u>29,575</u>	<u>6,325</u>
Community development:				
Salaries, non-bargaining	124,719	124,719	121,415	(3,304)
Other professional services	13,200	13,200	8,851	(4,349)
Other technical services	6,500	6,500	318	(6,182)
Emergency expenses	5,000	5,000	3,751	(1,249)
Telephone and communications	3,100	3,100	1,278	(1,822)
Printing	1,500	1,500	173	(1,327)
Legal advertising	800	800	742	(58)
Education, training, and travel	4,000	4,000	3,392	(608)
Economic Development Foundation	75,000	40,000	100,000	60,000
Books, periodicals, and memberships	800	1,500	1,270	(230)
Office supplies	1,400	2,200	1,730	(470)
Machinery	3,700	2,200	-	(2,200)
Total community development	<u>239,719</u>	<u>204,719</u>	<u>242,920</u>	<u>38,201</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Airport authority:				
Engineering authority	14,000	14,000	19,808	5,808
Airport management	60,500	60,500	59,970	(530)
Lawn care	500	500	50	(450)
Disposal and recycling services	800	800	959	159
Contracted building repairs and maintenance	4,000	4,000	527	(3,473)
Contracted vehicle repair and maintenance	1,900	1,900	980	(920)
Contracted equipment repair and maintenance	8,500	8,500	6,180	(2,320)
Contracted infrastructure repair and maintenance	14,000	14,000	9,898	(4,102)
Telephone and communications	5,000	5,000	4,971	(29)
Equipment rental	1,700	1,700	3,786	2,086
Other supply expense	700	700	1,016	316
Office supplies	200	200	120	(80)
Vehicle supplies	200	200	343	143
Other technical services	2,200	7,200	8,347	1,147
Postage and freight	200	200	24	(176)
Insurance other than employee benefits	5,500	5,500	5,140	(360)
Building supplies	1,500	1,500	1,329	(171)
Equipment supplies	1,500	6,500	4,741	(1,759)
Maintenance and janitorial supplies	300	300	289	(11)
Natural gas	8,000	8,000	7,515	(485)
Electricity	22,300	22,300	18,382	(3,918)
Gasoline	800	800	2,207	1,407
Diesel fuel	3,800	3,800	5,779	1,979
Improvements	-	-	-	-
Property taxes	12,000	12,000	6,458	(5,542)
Total airport authority	<u>170,100</u>	<u>180,100</u>	<u>168,819</u>	<u>(11,281)</u>
Human resources:				
Non-bargaining	35,471	35,471	32,133	(3,338)
Medical and veterinary services	5,000	5,000	2,277	(2,723)
Other professional and admin	-	-	-	-
Printing	500	500	-	(500)
Legal advertising	-	-	342	342
Recruitment advertising	9,500	9,500	2,740	(6,760)
Education, training and travel	500	500	276	(224)
Books, periodicals and memberships	-	-	-	-
Office and maintenance supplies	750	750	282	(468)
Equipment	1,500	1,500	-	(1,500)
Total human resources	<u>53,221</u>	<u>53,221</u>	<u>38,050</u>	<u>(15,171)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	-	-	42	42
Social security contribution	140,000	140,000	142,943	2,943
Contribution to Fire Pension Fund	738,626	738,626	737,140	(1,486)
Contribution to Police Pension Fund	896,175	896,175	894,363	(1,812)
Medicare contribution	93,000	93,000	97,297	4,297
Group health insurance	2,235,500	1,935,500	1,501,396	(434,104)
PEHP contributions	140,000	140,000	112,677	(27,323)
Unemployment insurance	25,000	25,000	21,579	(3,421)
Worker compensation	257,900	257,900	252,007	(5,893)
Auditing city records	33,000	33,000	32,850	(150)
Other consulting services	40,000	40,000	30,130	(9,870)
Equipment rental	7,500	7,500	4,847	(2,653)
Contracted equipment repair and maintenance	50,000	50,000	49,084	(916)
Telephone and communications	20,000	20,000	17,576	(2,424)
Printing	1,500	1,500	1,557	57
Legal advertising	1,000	1,000	155	(845)
Training	-	-	-	-
Postage	11,000	11,000	10,859	(141)
Insurance	215,000	215,000	137,313	(77,687)
Celebrate summer	-	-	-	-
Fuel for resale	83,000	383,000	65,198	(317,802)
Books, periodical and memberships	4,000	4,000	3,066	(934)
Other supply expense	1,000	1,000	1,447	447
Office supplies	5,000	5,000	3,803	(1,197)
Property taxes	-	-	(529)	(529)
Annexation payments	300	300	287	(13)
Total interdepartmental expenses	<u>4,998,501</u>	<u>4,998,501</u>	<u>4,117,087</u>	<u>(881,414)</u>
Total general government	<u>6,740,419</u>	<u>6,705,419</u>	<u>5,738,908</u>	<u>(966,511)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	726,856	726,856	749,618	22,762
Salaries, AFSCME	617,141	617,141	584,120	(33,021)
Police salaries	2,109,944	2,119,944	2,093,377	(26,567)
Overtime, non-bargaining	12,000	12,000	17,843	5,843
Overtime, AFSCME	70,400	70,400	68,923	(1,477)
Overtime, police	130,000	130,000	83,025	(46,975)
Clothing allowance	49,025	49,025	49,454	429
Medical and veterinary services	3,680	3,680	936	(2,744)
Other prof/admin services consulting	1,500	1,500	2,539	1,039
Custodial services	12,240	12,240	9,429	(2,811)
Laundry and cleaning	150	150	74	(76)
Lawn care	-	-	-	-
Contracted building repairs	36,500	7,500	6,577	(923)
Contracted vehicle repair and maintenance	18,500	18,500	19,554	1,054
Contracted equipment repair and maintenance	47,000	47,000	43,813	(3,187)
Rental of equipment	4,300	4,300	1,883	(2,417)
Telephone and communications	35,600	24,600	23,354	(1,246)
Printing	6,500	6,500	4,324	(2,176)
Publication expense	2,000	2,000	1,221	(779)
Education, training and travel	43,500	43,500	50,203	6,703
Postage	600	600	538	(62)
Books, periodicals and memberships	3,600	3,600	2,853	(747)
Other supply expense	1,000	1,000	1,072	72
Office supplies	8,200	8,200	9,121	921
Educational supplies	7,500	2,500	1,253	(1,247)
Animal supplies	3,000	3,000	323	(2,677)
Extinguisher supplies	800	800	779	(21)
Departmental gear and clothing	8,400	8,400	6,907	(1,493)
Vehicle supplies	16,000	16,000	16,131	131
Building supplies	1,100	1,100	1,712	612
Ammunition	4,000	4,000	2,472	(1,528)
Equipment supplies	2,000	2,000	36	(1,964)
Investigation and patrol supplies	5,500	5,500	5,314	(186)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	2,600	2,600	3,469	869
Gasoline	60,000	55,000	51,261	(3,739)
Water/sewer	850	850	1,025	175
Equipment, furniture and fixtures	2,000	2,000	984	(1,016)
Computer hardware	31,000	31,000	25,576	(5,424)
Total police department	<u>4,084,986</u>	<u>4,044,986</u>	<u>3,941,093</u>	<u>(103,893)</u>
Fire department:				
Non-bargaining	425,915	425,915	436,983	11,068
Fire	2,172,311	2,242,311	2,252,651	10,340
Overtime, non-bargaining	1,500	1,500	3,049	1,549
Overtime, fire	125,000	125,000	122,511	(2,489)
Clothing allowance	20,000	20,000	18,654	(1,346)
Medical services	10,000	10,000	4,205	(5,795)
Laundry and cleaning	10,000	10,000	10,788	788
Contracted building repairs	7,500	7,500	1,834	(5,666)
Contracted vehicle repair and maintenance	17,500	17,500	7,823	(9,677)
Contracted equipment repair and maintenance	13,500	13,500	7,686	(5,814)
Telephone and communications	8,500	8,500	7,026	(1,474)
Printing	500	500	525	25
Publication expense	500	500	-	(500)
Education, training and travel	15,000	15,000	11,527	(3,473)
Postage and freight	250	250	216	(34)
Books, periodicals and memberships	4,000	4,000	3,682	(318)
Other supply expense	500	500	267	(233)
Office supplies	1,500	1,500	1,323	(177)
Ambulance supplies	6,500	6,500	7,427	927
Educational supplies	500	500	45	(455)
Extinguisher supplies	750	750	776	26
Department clothing gear supplies	6,000	6,000	5,581	(419)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	16,000	17,000	20,139	3,139
Building supplies	2,500	2,500	1,833	(667)
Equipment supplies	6,500	6,500	7,817	1,317
Investigation and patrol supplies	1,000	1,000	488	(512)
Maintenance and janitorial supplies	3,000	3,000	4,151	1,151
Gasoline	5,000	5,000	3,006	(1,994)
Diesel fuel	9,500	9,500	7,524	(1,976)
Water/sewer	2,250	2,250	1,920	(330)
Equipment	2,000	1,000	-	(1,000)
Total fire department	<u>2,895,476</u>	<u>2,965,476</u>	<u>2,951,457</u>	<u>(14,019)</u>
Buildings:				
Non-bargaining	128,912	128,912	91,090	(37,822)
Title searches and recording fees	3,000	3,000	1,940	(1,060)
Other professional services	800	800	53	(747)
Court report, witness and service fees	200	200	-	(200)
Other technical services	-	-	-	-
Lawn care	5,000	5,000	3,853	(1,147)
Contracted vehicle repairs	500	500	552	52
Contracted equip repairs	200	200	-	(200)
Demolition	20,000	20,000	5,474	(14,526)
Telephone and communications	1,620	1,620	1,266	(354)
Printing	900	900	170	(730)
Publication expense	400	400	163	(237)
Education, training and travel	1,000	1,000	1,704	704
Other supply expense	200	200	36	(164)
Books, periodicals and memberships	1,000	1,000	833	(167)
Office and maintenance supplies	800	800	1,115	315
Investigation and patrol supplies	900	900	388	(512)
Gasoline	1,500	1,500	1,240	(260)
Equipment, furniture, and fixtures>1000	3,600	3,600	-	(3,600)
Total buildings	<u>170,532</u>	<u>170,532</u>	<u>109,877</u>	<u>(60,655)</u>
Total public safety	<u>7,150,994</u>	<u>7,180,994</u>	<u>7,002,427</u>	<u>(178,567)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	58,430	58,430	59,086	656
Salaries, AFSCME	528,414	518,414	517,539	(875)
Temporary, non-bargaining	-	-	-	-
Overtime, AFSCME	55,000	50,000	45,691	(4,309)
Medical services	3,500	3,500	1,001	(2,499)
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	10,000	10,000	20,692	10,692
Contracted vehicles repairs and maintenance	17,000	17,000	11,167	(5,833)
Contracted equipment repairs and maintenance	20,000	20,000	17,647	(2,353)
Contracted infrastructure repairs and maintenance	55,000	75,000	151,260	76,260
Equipment rental	1,000	1,000	2,395	1,395
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,905	(95)
Printing	300	300	687	387
Education, training, and travel	500	500	1,155	655
Postage and freight	1,500	1,500	32	(1,468)
Other supplies	3,000	8,000	3,532	(4,468)
Books, periodicals, and memberships	500	500	172	(328)
Office supplies	1,000	5,000	1,359	(3,641)
Departmental gear and clothing	6,000	6,000	4,213	(1,787)
Vehicle supplies	40,000	40,000	27,036	(12,964)
Rock and road	50,000	56,000	55,544	(456)
Street marking supplies	20,000	35,000	32,209	(2,791)
Snow removal supplies	75,000	140,000	138,387	(1,613)
Building supplies	15,000	15,000	9,069	(5,931)
Equipment supplies	40,000	40,000	38,840	(1,160)
Maintenance and janitorial supplies	2,000	6,000	5,147	(853)
Gasoline	65,000	76,000	75,243	(757)
Diesel fuel	50,000	75,000	73,095	(1,905)
Equipment, furniture, and fixtures<1000	3,000	3,000	-	(3,000)
Computer hardware	3,000	3,000	1,391	(1,609)
Total highways and streets/transportation	<u>1,129,144</u>	<u>1,269,144</u>	<u>1,297,494</u>	<u>28,350</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Health:				
Dog pound:				
Salaries, AFSCME	31,394	31,394	30,162	(1,232)
Overtime, AFSCME	6,500	6,500	2,379	(4,121)
Medical and veterinary services	9,000	9,000	4,660	(4,340)
Cleaning kennels	400	400	-	(400)
Contractual equipment	700	700	143	(557)
Education	-	-	-	-
Departmental gear and clothing	150	150	29	(121)
Office and maintenance	50	50	208	158
Animal supplies	300	300	257	(43)
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	200	200	274	74
Equipment, furniture and fixtures <1000	300	300	-	(300)
Total health	<u>49,044</u>	<u>49,044</u>	<u>38,137</u>	<u>(10,907)</u>
Culture and recreation:				
Forestry:				
Salaries, AFSCME	83,727	83,727	80,817	(2,910)
Overtime, AFSCME	2,500	2,500	1,737	(763)
Other technical services	10,000	10,000	8,500	(1,500)
Contracted vehicle repairs and maintenance	1,500	1,500	-	(1,500)
Contracted equip. repairs and maintenance	500	500	1,022	522
Postage	50	50	-	(50)
Tree assistance	3,000	500	-	(500)
Other supplies	200	200	1,316	1,116
Vehicle supplies	500	3,000	4,234	1,234
Equipment supplies	1,000	1,000	1,142	142
Equipment, furniture and fixtures <1000	2,000	2,000	-	(2,000)
Total culture and recreation	<u>104,977</u>	<u>104,977</u>	<u>98,768</u>	<u>(6,209)</u>
Total expenditures	<u>\$15,174,578</u>	<u>\$15,309,578</u>	<u>\$14,175,734</u>	<u>\$ (1,133,844)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses):				
Operating transfers in:				
Insurance Reserve	\$ 25,000	\$ 25,000	\$ 12,498	\$ (12,502)
Library Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total operating transfers in	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 37,498</u>	<u>\$ (12,502)</u>
Operating transfers out:				
IMRF Fund	\$ (45,000)	\$ (45,000)	\$ (45,000)	\$ -
Capital Equipment Fund	-	-	(68,000)	(68,000)
Capital Improvement Fund	(205,000)	(205,000)	(12,948)	192,052
Grant Administration Fund	(216,510)	(111,510)	(90,102)	21,408
NHS Fund	(75,000)	(75,000)	(75,000)	-
Debt Service Fund	<u>(381,650)</u>	<u>(381,650)</u>	<u>(377,803)</u>	<u>3,847</u>
Total operating transfers out	<u>\$ (923,160)</u>	<u>\$ (818,160)</u>	<u>\$ (668,853)</u>	<u>\$ 149,307</u>

CITY OF FREEPORT, ILLINOIS
WATER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating revenues:				
Water revenues:				
Residential	\$ 1,180,000	\$ 1,180,000	\$ 1,190,993	\$ 10,993
Industrial	160,000	160,000	146,760	(13,240)
Commercial	220,000	220,000	278,752	58,752
Capital improvement surcharge	-	-	298,674	298,674
Fire protection	97,000	97,000	99,883	2,883
Public	77,000	77,000	85,918	8,918
Water connections	7,000	7,000	7,666	666
Service orders	35,000	35,000	54,556	19,556
Miscellaneous income	3,000	3,000	2,775	(225)
Late charges	40,000	40,000	53,883	13,883
Total operating revenues	<u>\$ 1,819,000</u>	<u>\$ 1,819,000</u>	<u>\$ 2,219,860</u>	<u>\$ 400,860</u>
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 143,000	\$ 193,000	\$ 195,865	\$ 2,865
Plant maintenance	46,800	46,800	45,984	(816)
Distribution	188,000	188,000	151,954	(36,046)
General and administrative	470,650	470,650	521,156	50,506
UWS management fees	390,000	220,000	91,744	(128,256)
Other operating expenses	286,500	406,500	438,044	31,544
Total direct operating expenses	<u>1,524,950</u>	<u>1,524,950</u>	<u>1,444,747</u>	<u>(80,203)</u>
Depreciation expense	-	-	361,520	361,520
Total operating expenses	<u>\$ 1,524,950</u>	<u>\$ 1,524,950</u>	<u>\$ 1,806,267</u>	<u>\$ 281,317</u>
Nonoperating revenues (expenses):				
Interest income	\$ 32,500	\$ 32,500	\$ 18,956	\$ (13,544)
Interest and fiscal charges	(25,000)	(25,000)	(36,863)	(11,863)
Total nonoperating revenues (expenses)	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ (17,907)</u>	<u>\$ (25,407)</u>

CITY OF FREEPORT, ILLINOIS
SEWER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) Budget
Operating revenues:				
Sewer revenues:				
Residential	\$ 2,340,000	\$ 2,340,000	\$2,345,720	\$ 5,720
Commercial	564,000	564,000	588,335	24,335
Capital improvement surcharge	-	-	228,139	228,139
Industrial	357,000	357,000	399,899	42,899
Industrial user	1,300	1,300	7,100	5,800
City buildings	3,200	3,200	278	(2,922)
Public	175,000	175,000	179,940	4,940
Sewer connections	4,000	4,000	7,000	3,000
Service orders	1,000	1,000	-	(1,000)
Miscellaneous	850	850	904	54
Late charges	60,000	60,000	80,045	20,045
	<u>\$ 3,506,350</u>	<u>\$ 3,506,350</u>	<u>\$3,837,360</u>	<u>\$ 331,010</u>
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 178,500	\$ 178,500	\$ 175,608	\$ (2,892)
Maintenance	86,500	86,500	84,397	(2,103)
Collection	209,000	209,000	223,967	14,967
Laboratory	94,000	94,000	90,701	(3,299)
General and administrative	780,100	780,100	862,825	82,725
UWS management fees	545,000	245,000	126,695	(118,305)
Other operating expenses	328,500	628,500	663,981	35,481
	<u>2,221,600</u>	<u>2,221,600</u>	<u>2,228,174</u>	<u>6,574</u>
Depreciation expense	-	-	912,013	912,013
	<u>\$ 2,221,600</u>	<u>\$ 2,221,600</u>	<u>\$3,140,187</u>	<u>\$ 918,587</u>
Nonoperating revenues (expenses):				
Interest income	\$ 61,000	\$ 61,000	\$ 41,037	\$ (19,963)
Grant revenue	-	-	-	-
Interest and fiscal charges	(847,000)	(847,000)	(892,107)	(45,107)
	<u>\$ (786,000)</u>	<u>\$ (786,000)</u>	<u>\$ (851,070)</u>	<u>\$ (65,070)</u>

CITY OF FREEPORT, ILLINOIS
 LANDFILL CLOSURE FUND
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating expenses-direct:				
Landfill closures and post-closure costs	\$ 150,000	\$ 350,000	\$ 1,100,607	\$ 750,607
Nonoperating revenue:				
Interest on investments	\$ 105,000	\$ 105,000	\$ 80,473	\$ (24,527)

CITY OF FREEPORT, ILLINOIS
 STORM SEWER FUND
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended April 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating revenues:				
User fees:				
Residential	\$ 485,000	\$ 485,000	\$ 486,528	\$ 1,528
Industrial	19,000	19,000	20,380	1,380
Commercial	135,000	135,000	145,492	10,492
Public	45,000	45,000	45,516	516
 Total operating revenues	 \$ 684,000	 \$ 684,000	 \$ 697,916	 \$ 13,916
Operating expenses:				
Direct operating expenses:				
UWS management fees	\$ -	\$ 5,000	\$ 4,457	\$ (543)
Other operating expenses	52,620	54,620	50,024	(4,596)
 Total direct operating expenses	 52,620	 59,620	 54,481	 (5,139)
 Depreciation expense	 -	 -	 168,121	 168,121
 Total operating expenses	 \$ 52,620	 \$ 59,620	 \$ 222,602	 \$ 162,982
Nonoperating revenues (expenses):				
Interest income	\$ 7,500	\$ 7,500	\$ 15,366	\$ 7,866
Interest and fiscal charges	(402,000)	(395,000)	(417,662)	(22,662)
 Total nonoperating revenues (expenses)	 \$ (394,500)	 \$ (387,500)	 \$ (402,296)	 \$ (14,796)

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2008

	<u>Total</u>	<u>Special</u>		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 176,799	\$ -	\$ 56,453	\$ -
Investments, at cost	3,462,145	125,467	548,433	80,633
Receivables:				
Property tax	1,252,338	170,280	-	-
Accounts	347,265	-	59,194	-
Prepaid expenses	2,423	-	-	-
Due from other funds	<u>82,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 5,323,026</u>	 <u>\$ 295,747</u>	 <u>\$ 664,080</u>	 <u>\$ 80,633</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 170,856	\$ 11,724	\$ -	\$ -
Accrued payroll	50,877	15,329	-	-
Due to other funds	174,160	-	-	-
Deferred revenues	<u>1,252,338</u>	<u>170,280</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>1,648,231</u>	 <u>197,333</u>	 <u>-</u>	 <u>-</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	428,539	-	-	-
Fund balances, unreserved	<u>3,246,256</u>	<u>98,414</u>	<u>664,080</u>	<u>80,633</u>
 Total fund balances	 <u>3,674,795</u>	 <u>98,414</u>	 <u>664,080</u>	 <u>80,633</u>
 Total liabilities and fund equity	 <u>\$ 5,323,026</u>	 <u>\$ 295,747</u>	 <u>\$ 664,080</u>	 <u>\$ 80,633</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 76,227	\$ -	\$ -	\$ -	\$ -
-	29,230	2,869	-	9,847
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 76,227</u>	<u>\$ 29,230</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ 9,847</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
76,227	29,230	2,869	-	9,847
<u>76,227</u>	<u>29,230</u>	<u>2,869</u>	<u>-</u>	<u>9,847</u>
<u>\$ 76,227</u>	<u>\$ 29,230</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ 9,847</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2008

	Special			
	<u>Drug Forfeiture</u>	<u>Downtown T.I.F. District</u>	<u>Lamm Road T.I.F. District</u>	<u>Grants</u>
<u>ASSETS</u>				
Cash	\$ 43,740	\$ -	\$ -	\$ 175
Investments, at cost	-	75,296	33,725	-
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	72,404
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	14,056
Total assets	<u>\$ 43,740</u>	<u>\$ 75,296</u>	<u>\$ 33,725</u>	<u>\$ 86,635</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 5,302	\$ -	\$ 73,331
Accrued payroll	-	-	-	-
Due to other funds	-	148,358	-	13,304
Deferred revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>153,660</u>	<u>-</u>	<u>86,635</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	<u>43,740</u>	<u>(78,364)</u>	<u>33,725</u>	<u>-</u>
Total fund balances	<u>43,740</u>	<u>(78,364)</u>	<u>33,725</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 43,740</u>	<u>\$ 75,296</u>	<u>\$ 33,725</u>	<u>\$ 86,635</u>

Revenue	Debt	Capital Projects			
	Service	Capital	Fire	Equipment	Street
Public	Debt	Improvements	Capital	Capital	Capital
Library	Service		Improvements	Projects	Projects
\$ 204	\$ -	\$ -	\$ -	\$ -	\$ -
1,402,182	386,593	312,448	231,489	165,197	58,736
1,082,058	-	-	-	-	-
12,868	-	-	163,508	39,291	-
2,423	-	-	-	-	-
-	-	-	-	-	68,000
<u>\$ 2,499,735</u>	<u>\$ 386,593</u>	<u>\$ 312,448</u>	<u>\$ 394,997</u>	<u>\$ 204,488</u>	<u>\$ 126,736</u>
\$ 73,484	\$ -	\$ 3,559	\$ 3,456	\$ -	\$ -
35,548	-	-	-	-	-
-	-	-	12,498	-	-
1,082,058	-	-	-	-	-
<u>1,191,090</u>	<u>-</u>	<u>3,559</u>	<u>15,954</u>	<u>-</u>	<u>-</u>
41,946	386,593	-	-	-	-
1,266,699	-	308,889	379,043	204,488	126,736
<u>1,308,645</u>	<u>386,593</u>	<u>308,889</u>	<u>379,043</u>	<u>204,488</u>	<u>126,736</u>
<u>\$ 2,499,735</u>	<u>\$ 386,593</u>	<u>\$ 312,448</u>	<u>\$ 394,997</u>	<u>\$ 204,488</u>	<u>\$ 126,736</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2008

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 1,716,568	\$ 179,561	\$ -	\$ -
Fees	470,767	-	-	-
Intergovernmental	1,364,365	-	738,229	-
Interest	360,856	4,600	28,639	4,690
Other	149,697	-	-	-
Total revenues	<u>4,062,253</u>	<u>184,161</u>	<u>766,868</u>	<u>4,690</u>
Expenditures:				
General government	1,638,514	222,777	-	-
Public safety	431,236	-	-	-
Public works	979,764	-	-	-
Culture and recreation	1,349,191	-	-	-
Debt service	609,540	-	-	-
Total expenditures	<u>5,008,245</u>	<u>222,777</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(945,992)</u>	<u>(38,616)</u>	<u>766,868</u>	<u>4,690</u>
Other financing sources (uses):				
Sale of fixed assets	13,569	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	1,865,944	45,000	-	-
Operating transfers out	(1,234,589)	-	(970,734)	-
Total other financing sources (uses)	<u>644,924</u>	<u>45,000</u>	<u>(970,734)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(301,068)</u>	<u>6,384</u>	<u>(203,866)</u>	<u>4,690</u>
Fund balance - May 1, 2007	<u>3,975,863</u>	<u>92,030</u>	<u>867,946</u>	<u>75,943</u>
Fund balance - April 30, 2008	<u>\$ 3,674,795</u>	<u>\$ 98,414</u>	<u>\$ 664,080</u>	<u>\$ 80,633</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 174,196	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
212	972	109	-	414
-	6,500	-	-	1,677
<u>174,408</u>	<u>7,472</u>	<u>109</u>	<u>-</u>	<u>2,091</u>
142,630	-	-	75,000	2,195
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>142,630</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>2,195</u>
<u>31,778</u>	<u>7,472</u>	<u>109</u>	<u>(75,000)</u>	<u>(104)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	75,000	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
31,778	7,472	109	-	(104)
<u>44,449</u>	<u>21,758</u>	<u>2,760</u>	<u>-</u>	<u>9,951</u>
<u>\$ 76,227</u>	<u>\$ 29,230</u>	<u>\$ 2,869</u>	<u>\$ -</u>	<u>\$ 9,847</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2008

	Special			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
Revenues:				
Taxes	\$ -	\$ 200,174	\$ 48,620	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	-	311,941
Interest	292	6,870	1,281	-
Other	8,196	-	-	-
Total revenues	<u>8,488</u>	<u>207,044</u>	<u>49,901</u>	<u>311,941</u>
Expenditures:				
General government	6,136	437,890	23,830	402,412
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>6,136</u>	<u>437,890</u>	<u>23,830</u>	<u>402,412</u>
Excess of revenues over (under) expenditures	<u>2,352</u>	<u>(230,846)</u>	<u>26,071</u>	<u>(90,471)</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	90,471
Operating transfers out	-	(63,484)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(63,484)</u>	<u>-</u>	<u>90,471</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,352	(294,330)	26,071	-
Fund balance - May 1, 2007	<u>41,388</u>	<u>215,966</u>	<u>7,654</u>	<u>-</u>
Fund balance - April 30, 2008	<u>\$ 43,740</u>	<u>\$ (78,364)</u>	<u>\$ 33,725</u>	<u>\$ -</u>

Revenue	Debt Service	Capital Projects			
	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ 1,114,017	\$ -	\$ -	\$ -	\$ -	\$ -
28,539	-	-	442,228	-	-
46,515	-	-	-	267,680	-
51,750	10,001	231,683	6,375	10,387	2,581
125,790	-	7,534	-	-	-
<u>1,366,611</u>	<u>10,001</u>	<u>239,217</u>	<u>448,603</u>	<u>278,067</u>	<u>2,581</u>
-	-	148,064	-	177,580	-
-	-	-	431,236	-	-
-	-	-	-	-	979,764
1,349,191	-	-	-	-	-
-	609,540	-	-	-	-
<u>1,349,191</u>	<u>609,540</u>	<u>148,064</u>	<u>431,236</u>	<u>177,580</u>	<u>979,764</u>
<u>17,420</u>	<u>(599,539)</u>	<u>91,153</u>	<u>17,367</u>	<u>100,487</u>	<u>(977,183)</u>
-	-	-	-	13,569	-
-	-	-	-	-	-
-	603,791	12,948	-	-	1,038,734
<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(124,858)</u>	<u>(50,513)</u>	<u>-</u>
<u>(25,000)</u>	<u>603,791</u>	<u>12,948</u>	<u>(124,858)</u>	<u>(36,944)</u>	<u>1,038,734</u>
(7,580)	4,252	104,101	(107,491)	63,543	61,551
<u>1,316,225</u>	<u>382,341</u>	<u>204,788</u>	<u>486,534</u>	<u>140,945</u>	<u>65,185</u>
<u>\$ 1,308,645</u>	<u>\$ 386,593</u>	<u>\$ 308,889</u>	<u>\$ 379,043</u>	<u>\$ 204,488</u>	<u>\$ 126,736</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2008

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	75,424	28,793	46,631
Loans receivable	<u>338,406</u>	<u>-</u>	<u>338,406</u>
Total assets	<u>413,830</u>	<u>28,793</u>	<u>385,037</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>465</u>	<u>465</u>	<u>-</u>
Net assets	<u>\$ 413,365</u>	<u>\$ 28,328</u>	<u>\$ 385,037</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2008

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 28,407	\$ 28,407	\$ -
Interest	<u>11,545</u>	<u>830</u>	<u>10,715</u>
Total additions	<u>39,952</u>	<u>29,237</u>	<u>10,715</u>
Deductions:			
Contractual services	2,075	2,075	-
Supplies	8,193	8,193	-
Capital outlay	<u>7,947</u>	<u>7,947</u>	<u>-</u>
Total deductions	<u>18,215</u>	<u>18,215</u>	<u>-</u>
Net increase	21,737	11,022	10,715
Net assets held in trust for other purposes			
Net assets, May 1, 2007	<u>391,628</u>	<u>17,306</u>	<u>374,322</u>
Net assets, April 30, 2008	<u>\$ 413,365</u>	<u>\$ 28,328</u>	<u>\$ 385,037</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2008

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 4,938,529	\$ 382,399	\$ 4,556,130
Receivables:			
Accrued interest	<u>168,863</u>	<u>72,782</u>	<u>96,081</u>
Investments, at fair value			
U.S. government obligations	20,121,755	8,803,336	11,318,419
State and local obligations	77,739	-	77,739
Common stock	2,322,533	1,235,418	1,087,115
Mutual funds	14,447,843	4,962,925	9,484,918
Certificates of deposit	<u>50,013</u>	<u>50,013</u>	<u>-</u>
Total investments	<u>37,019,883</u>	<u>15,051,692</u>	<u>21,968,191</u>
Total assets	<u>42,127,275</u>	<u>15,506,873</u>	<u>26,620,402</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 42,127,275</u>	<u>\$ 15,506,873</u>	<u>\$ 26,620,402</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2008

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 1,631,503	\$ 894,363	\$ 737,140
Contributions - employees	532,050	284,344	247,706
Other investment income	<u>1,033,381</u>	<u>218,252</u>	<u>815,129</u>
Total additions	<u>3,196,934</u>	<u>1,396,959</u>	<u>1,799,975</u>
Deductions:			
Benefits and refunds	2,687,657	1,230,748	1,456,909
Other charges and services	<u>165,909</u>	<u>84,189</u>	<u>81,720</u>
Total deductions	<u>2,853,566</u>	<u>1,314,937</u>	<u>1,538,629</u>
Net increase	343,368	82,022	261,346
Net assets held in trust for pension benefits			
Net assets, May 1, 2007	<u>41,783,907</u>	<u>15,424,851</u>	<u>26,359,056</u>
Net assets, April 30, 2008	<u>\$ 42,127,275</u>	<u>\$ 15,506,873</u>	<u>\$ 26,620,402</u>

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CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
 Year ended April 30, 2008

<u>Year ended</u> <u>April 30</u>	<u>2003</u> <u>General Obligation Bonds</u>		<u>2006</u> <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 70,000	\$ 37,994	\$ 12,000	\$ 76,696
2010	80,000	38,970	15,000	72,683
2011	85,000	32,057	15,000	75,743
2012	90,000	28,580	17,000	75,085
2013	90,000	24,806	17,000	74,355
2014	90,000	22,947	17,000	71,632
2015	100,000	15,694	18,000	73,665
2016	100,000	10,273	17,000	73,387
2017	110,000	4,611	19,000	73,386
2018	-	-	140,000	72,124
2019	-	-	143,000	66,665
2020	-	-	148,000	60,990
2021	-	-	151,000	55,107
2022	-	-	161,000	49,009
2023	-	-	169,000	42,496
2024	-	-	170,000	35,645
2025	-	-	127,000	28,738
2026	-	-	136,000	23,580
2027	-	-	138,000	18,033
2028	-	-	147,000	12,376
2029	-	-	150,000	6,262
	<u>\$ 815,000</u>	<u>\$ 215,932</u>	<u>\$ 1,927,000</u>	<u>\$ 1,137,657</u>

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2008

Year ended April 30	2000 General Obligation Bonds		2003 General Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 335,000	\$ 77,597	\$ 185,000	\$ 88,231
2010	355,000	60,010	190,000	78,330
2011	375,000	41,195	195,000	74,443
2012	395,000	21,132	205,000	66,370
2013	-	-	215,000	57,606
2014	-	-	225,000	46,122
2015	-	-	235,000	36,444
2016	-	-	250,000	23,858
2017	-	-	175,000	10,708
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
	<u>\$ 1,460,000</u>	<u>\$ 199,934</u>	<u>\$ 1,875,000</u>	<u>\$ 482,112</u>

2004 General Obligation Bonds		2005 General Obligation Bonds		2006 General Obligation Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 65,000	\$ 353,468	\$ 25,000	\$ 254,424	\$ 33,000	\$ 326,404
65,000	351,518	25,000	253,736	35,000	328,617
70,000	349,566	30,000	252,986	35,000	323,557
70,000	347,292	30,000	252,012	38,000	322,215
490,000	344,842	30,000	250,992	38,000	320,745
510,000	322,792	30,000	249,912	38,000	321,268
530,000	299,843	30,000	248,786	42,000	317,035
555,000	275,992	35,000	247,646	43,000	314,913
575,000	253,793	35,000	246,158	131,000	312,514
600,000	230,792	35,000	244,672	320,000	308,151
625,000	206,793	35,000	243,184	332,000	296,130
645,000	181,792	40,000	241,696	347,000	283,280
675,000	155,993	40,000	239,996	364,000	269,858
700,000	128,318	40,000	238,296	374,000	255,356
735,000	98,918	45,000	236,546	391,000	240,469
760,000	67,680	45,000	234,578	405,000	224,920
800,000	35,000	50,000	232,608	423,000	208,827
-	-	915,000	230,422	439,000	191,985
-	-	960,000	189,246	457,000	174,532
-	-	1,000,000	146,046	478,000	156,389
-	-	1,045,000	99,796	495,000	136,722
-	-	1,095,000	51,466	510,000	116,377
-	-	-	-	535,000	95,340
-	-	-	-	555,000	72,870
-	-	-	-	575,000	49,560
-	-	-	-	605,000	25,410
<u>\$ 8,470,000</u>	<u>\$ 4,004,392</u>	<u>\$ 5,615,000</u>	<u>\$ 4,885,204</u>	<u>\$ 8,038,000</u>	<u>\$ 5,993,444</u>



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE OF ILLINOIS PUBLIC ACT 85-1142

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Freeport, Illinois for the year ended April 30, 2008, and have issued our report thereon dated November 5, 2008. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the Downtown TIF district and Lamm Road TIF District pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The City of Freeport, Illinois' management is responsible for the government's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our test indicate that for the items tested, the City of Freeport, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

Lindgren, Callihan, Van Osdol & Co., Ltd.

Freeport, Illinois
November 5, 2008

Lindgren, Callihan, Van Osdol & Co., Ltd.
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