

CITY OF FREEPORT, ILLINOIS

ANNUAL FINANCIAL REPORT

April 30, 2010

CITY OF FREEPORT, ILLINOIS

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CITY OF FREEPORT, ILLINOIS

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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, 2010, 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, 2010, 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 our report dated November 2, 2010, on our consideration of the City of Freeport, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis that precedes the basic financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund and Retiree Health Plan on page 56, the Actuarial Valuations for the Police and Firefighter's Pension Systems on page 57, and the Schedule of Revenues and Expenditures Compared with Budget on pages 58 through 72, 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.

Wipfli LLP

Freeport, Illinois
November 2, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2010

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, 2010.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2010 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, 2010

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, 2010

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current Assets	\$11,402,793	\$11,556,105	\$ 3,461,274	\$ 4,586,036	\$14,864,067	\$16,142,141
Non-current Assets	<u>16,052,783</u>	<u>16,081,245</u>	<u>51,551,643</u>	<u>53,249,724</u>	<u>67,604,426</u>	<u>69,330,969</u>
Total Assets	<u>27,455,576</u>	<u>27,637,350</u>	<u>55,012,917</u>	<u>57,835,760</u>	<u>82,468,493</u>	<u>85,473,110</u>
Liabilities:						
Current Liabilities	4,989,235	5,409,195	2,112,371	2,224,741	7,101,606	7,633,936
Non-current Liabilities	<u>14,088,349</u>	<u>11,055,840</u>	<u>28,009,855</u>	<u>30,097,191</u>	<u>42,098,204</u>	<u>41,153,031</u>
Total liabilities	<u>19,077,584</u>	<u>16,465,035</u>	<u>30,122,226</u>	<u>32,321,932</u>	<u>49,199,810</u>	<u>48,786,967</u>
Net Assets:						
Investments in capital assets, net of debt	11,632,430	12,069,335	23,656,223	24,778,217	35,288,653	36,847,552
Restricted	434,386	345,029	1,523,962	1,582,533	1,958,348	1,927,562
Unrestricted	<u>(3,688,824)</u>	<u>(1,242,049)</u>	<u>(289,494)</u>	<u>(846,922)</u>	<u>(3,978,318)</u>	<u>(2,088,971)</u>
Total net assets	<u>\$ 8,377,992</u>	<u>\$11,172,315</u>	<u>\$24,890,691</u>	<u>\$25,513,828</u>	<u>\$33,268,683</u>	<u>\$36,686,143</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, landfill liability, and net pension and OPEB 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, 2010

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, 2010 and 2009**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program:						
Charges for services	\$ 1,400,030	\$ 1,486,958	\$8,362,869	\$ 8,175,232	\$ 9,762,899	\$ 9,662,190
Operating grants & contributions	2,226,989	1,268,258	-	-	2,226,989	1,268,258
General:						
Property & other taxes	16,342,101	16,561,424	-	-	16,342,101	16,561,424
Other	<u>3,283,555</u>	<u>2,777,584</u>	<u>2,818</u>	<u>39,488</u>	<u>3,286,373</u>	<u>2,817,072</u>
Total revenues	<u>23,252,675</u>	<u>22,094,224</u>	<u>8,365,687</u>	<u>8,214,720</u>	<u>31,618,362</u>	<u>30,308,944</u>
Expenses:						
General government	13,137,764	12,216,407	-	-	13,137,764	12,216,407
Public safety	8,009,948	8,148,954	-	-	8,009,948	8,148,954
Public works	2,539,076	2,626,708	-	-	2,539,076	2,626,708
Health	375,588	43,695	-	-	375,588	43,695
Culture and recreation	1,719,502	1,636,681	-	-	1,719,502	1,636,681
Interest on long-term debt	98,595	92,040	-	-	98,595	92,040
Water	-	-	2,192,874	2,143,082	2,192,874	2,143,082
Sewer	-	-	4,369,541	4,438,958	4,369,541	4,438,958
Storm Sewer	-	-	762,581	631,042	762,581	631,042
Landfill Closure	-	-	329,776	334,030	329,776	334,030
Health and Environment	-	-	<u>1,334,052</u>	<u>1,350,127</u>	<u>1,334,052</u>	<u>1,350,127</u>
Total expenses	<u>25,880,473</u>	<u>24,764,485</u>	<u>8,988,824</u>	<u>8,897,239</u>	<u>34,869,297</u>	<u>33,661,724</u>
Special item	-	-	-	<u>1,802,752</u>	-	<u>1,802,752</u>
Change in net assets	<u>\$ (2,627,798)</u>	<u>\$(2,670,261)</u>	<u>\$ (623,137)</u>	<u>\$1,120,233</u>	<u>\$ (3,250,935)</u>	<u>\$(1,550,028)</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, 2010

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 \$33,268,683 as of April 30, 2010. This is a decrease of \$3,250,935 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, 2010 were \$3,477,638. This is an increase of \$232,532 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in June 2009. 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 \$825,873 less than budgeted. General Fund expenses were \$2,012,148 under budget. Not including Inter-Fund Transfers, the General Fund had a net loss of \$226,056 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in the fund balance of \$232,532.

Capital Assets/Long-Term Debt

During the fiscal year the City purchased 3 vehicles for the Water Department for a total expenditure of \$122,553. (See Note E for further information on capital assets.)

In April 2010 the City obtained a 10 year loan for \$750,000 for landfill closure and general obligation expenses. (See Note H for additional information on long-term debt.)

Factors or Conditions Impacting Future Periods

During this operating period, although we experienced similar fiscal pressures as other municipalities, we have continued to manage our expenses and initiate savings that will have lasting positive impacts on our go forward expense structure. Although expenses have been addressed, our revenue still continues to be challenged. In spite of this current phenomenon, we continue to prepare our community for growth when the economic climate changes by maintaining the investment in our Economic Development partnership and maintaining our current level of capital investments in our Water & Sewer infrastructure.

We are confident that our expense control strategies and attention to our infrastructure coupled with our existing TIF Districts and Enterprise Zone will give us the competitive advantage needed to sustain long term economic growth and will position us to capture new private investment opportunities as they arise in the future.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2010

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.

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BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS

April 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,002,909	\$ 560,696	\$ 2,563,605
Investments	2,604,040	323,530	2,927,570
Receivables (net of allowances):			
Property taxes	3,644,103	-	3,644,103
Accounts	2,712,602	891,225	3,603,827
Interest	-	1,402	1,402
Internal balances	-	-	-
Inventories	-	153,359	153,359
Deposits	-	7,100	7,100
Prepaid expenses	439,139	-	439,139
Restricted cash accounts	-	1,523,962	1,523,962
Total current assets	<u>11,402,793</u>	<u>3,461,274</u>	<u>14,864,067</u>
Bond issuance costs	-	256,262	256,262
Deferred charges	-	11,067	11,067
Prepaid interest	389,679	3,158,091	3,547,770
Capital Assets (net of accumulated depreciation):			
Buildings	8,030,804	16,985,026	25,015,830
Infrastructure	5,818,688	28,089,374	33,908,062
Equipment	241,789	2,556,749	2,798,538
Vehicles	1,571,823	-	1,571,823
Work in process	-	495,074	495,074
Total noncurrent assets	<u>16,052,783</u>	<u>51,551,643</u>	<u>67,604,426</u>
Total assets	<u>27,455,576</u>	<u>55,012,917</u>	<u>82,468,493</u>

LIABILITIES

Current liabilities:

Accounts payable	359,252	321,467	680,719
Accrued payroll	168,209	30,253	198,462
Deposits and escrow amounts	2,522	579,115	581,637
Unearned grant revenue	48,419	-	48,419
Deferred revenue	3,644,103	36,510	3,680,613
Claims payable	230,000	-	230,000
Accrued interest	39,133	411,399	450,532
Current portion long term debt	497,597	733,627	1,231,224
	<u>4,989,235</u>	<u>2,112,371</u>	<u>7,101,606</u>

Noncurrent liabilities:

General obligation bonds payable	2,465,000	23,440,000	25,905,000
Market premium on bonds payable	-	61,298	61,298
Deferred gain	143,538	1,174,539	1,318,077
Notes payable	983,438	296,373	1,279,811
Leases payable	84,639	-	84,639
Net pension obligation	7,213,446	-	7,213,446
Net OPEB obligation	2,797,563	-	2,797,563
Accrued compensated absences	400,725	126,813	527,538
Landfill closure liability	-	2,910,832	2,910,832
	<u>14,088,349</u>	<u>28,009,855</u>	<u>42,098,204</u>
Total noncurrent liabilities	<u>19,077,584</u>	<u>30,122,226</u>	<u>49,199,810</u>

NET ASSETS

Invested in capital assets, net of related debt	11,632,430	23,656,223	35,288,653
Restricted	434,386	1,523,962	1,958,348
Unrestricted	<u>(3,688,824)</u>	<u>(289,494)</u>	<u>(3,978,318)</u>
Total net assets	<u>\$ 8,377,992</u>	<u>\$ 24,890,691</u>	<u>\$ 33,268,683</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2010

<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	\$ 13,137,764	\$ 242,028	\$ 783,899	\$ -
Public safety	8,009,948	916,622	433,377	-
Public works	2,539,076	206,980	626,916	-
Health	375,588	-	331,796	-
Culture and recreation	1,719,502	34,400	51,001	-
Interest	98,595	-	-	-
Total governmental activities	<u>\$ 25,880,473</u>	<u>\$ 1,400,030</u>	<u>\$ 2,226,989</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 2,192,874	\$ 1,937,204	\$ -	\$ -
Sewer	4,369,541	3,960,197	-	-
Storm Sewer	762,581	740,412	-	-
Landfill Closure	329,776	300,348	-	-
Health and Environment	1,334,052	1,424,708	-	-
Total business-type activities	<u>\$ 8,988,824</u>	<u>\$ 8,362,869</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
 Prior Period Adjustment (See Note R)
 Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (12,111,837)	\$ -	\$ (12,111,837)
(6,659,949)	-	(6,659,949)
(1,705,180)	-	(1,705,180)
(43,792)	-	(43,792)
(1,634,101)	-	(1,634,101)
(98,595)	-	(98,595)
<u>(22,253,454)</u>	<u>-</u>	<u>(22,253,454)</u>
-	(255,670)	(255,670)
-	(409,344)	(409,344)
-	(22,169)	(22,169)
-	(29,428)	(29,428)
-	90,656	90,656
<u>-</u>	<u>(625,955)</u>	<u>(625,955)</u>
4,521,933	-	4,521,933
9,721,596	-	9,721,596
2,098,572	-	2,098,572
35,543	2,818	38,361
<u>3,248,012</u>	<u>-</u>	<u>3,248,012</u>
<u>19,625,656</u>	<u>2,818</u>	<u>19,628,474</u>
(2,627,798)	(623,137)	(3,250,935)
<u>11,172,315</u>	<u>25,513,828</u>	<u>36,686,143</u>
<u>(166,525)</u>	<u>-</u>	<u>(166,525)</u>
<u>\$ 8,377,992</u>	<u>\$ 24,890,691</u>	<u>\$ 33,268,683</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 25,153	\$ 155,888	\$ 181,041
Investments	1,258,221	3,103,823	4,362,044
Receivables, net of allowances			
Property tax	2,327,908	1,316,195	3,644,103
Accounts	-	538,690	538,690
Other	564,420	-	564,420
Due from other governments	1,583,086	-	1,583,086
Due from other funds	155,893	33,038	188,931
Prepaid expenses	405,316	6,359	411,675
Total assets	\$ 6,319,997	\$ 5,153,993	\$ 11,473,990
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ 182,318	\$ 179,456	\$ 361,774
Accrued payroll	152,676	15,533	168,209
Due to other funds	131,038	155,893	286,931
Unearned grant revenue	48,419	-	48,419
Deferred revenue	2,327,908	1,316,195	3,644,103
Total liabilities	2,842,359	1,667,077	4,509,436
Fund balances:			
Reserved for debt service	-	387,472	387,472
Reserved for restricted tax levies	-	46,914	46,914
Unreserved, reported in:			
General funds	3,477,638	-	3,477,638
Special revenue funds	-	1,893,441	1,893,441
Capital projects funds	-	1,159,089	1,159,089
Total fund balances	3,477,638	3,486,916	6,964,554
Total liabilities and fund balances	\$ 6,319,997	\$ 5,153,993	\$ 11,473,990

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 April 30, 2010

Total fund balances - governmental funds	\$ 6,964,554
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$28,276,917 and the accumulated depreciation is \$12,613,813.	15,663,104
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.	389,679
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.	(14,266)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(14,625,079)</u>
Total net assets - governmental activities	<u>\$ 8,377,992</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 13,049,775	\$ 2,313,136	\$ 15,362,911
Fees	923,633	505,228	1,428,861
Intergovernmental	235,500	3,122,006	3,357,506
Interest	14,244	60,506	74,750
Other	233,880	19,305	253,185
Total revenues	<u>14,457,032</u>	<u>6,020,181</u>	<u>20,477,213</u>
EXPENSES			
Current:			
General government	6,351,461	593,821	6,945,282
Public safety	7,159,885	226,780	7,386,665
Public works	1,022,782	2,076,904	3,099,686
Health	43,792	-	43,792
Culture and recreation	105,168	1,986,001	2,091,169
Capital outlay	-	768,192	768,192
Debt service	-	533,265	533,265
Total expenses	<u>14,683,088</u>	<u>6,184,963</u>	<u>20,868,051</u>
Excess (deficiency) of revenues over expenses	<u>(226,056)</u>	<u>(164,782)</u>	<u>(390,838)</u>
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	-	12,227	12,227
Debt proceeds	425,000	450,000	875,000
Transfers in	492,827	1,932,499	2,425,326
Transfers out	(459,239)	(1,966,087)	(2,425,326)
Total other financing sources and uses	<u>458,588</u>	<u>428,639</u>	<u>887,227</u>
Net change in fund balances	232,532	263,857	496,389
Fund balances - beginning	3,245,106	3,389,584	6,634,690
Special item (See Note R)	-	(166,525)	(166,525)
Fund balances - ending	<u>\$ 3,477,638</u>	<u>\$ 3,486,916</u>	<u>\$ 6,964,554</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, 2010

Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 496,389
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense \$(777,720) exceeds capitalized fixed assets \$(768,192) in the period.	(9,528)
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.	7,091
An internal service fund is used to charge to costs of health insurance. The net revenue of the internal service fund is reported with governmental activities.	(13,146)
Debt proceeds are reported in governmental funds as other financing sources. However, the proceeds are not recorded in the statement of activities. This is the amount of debt proceeds in the period.	(875,000)
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.	434,670
The increase in the net pension and OPEB obligations recorded on the government-wide statements are not recorded in the governmental funds because it does not affect current expenditures. This is the increase in the period.	<u>(2,668,274)</u>
Change in net assets of governmental activities	<u>\$ (2,627,798)</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2010

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS							
Current assets:							
Cash	\$ 545,500	\$ 12,833	\$ 100	\$ 2,263	\$ -	\$ 560,696	\$ 647
Investments	-	-	321,713	-	1,817	323,530	63,217
Receivables, net of allowance for uncollectible:							
Accounts	316,004	446,168	-	129,053	-	891,225	26,406
Interest	254	1,148	-	-	-	1,402	-
Due from other funds	1,855,000	-	-	-	181,225	2,036,225	98,000
Inventories	19,448	133,911	-	-	-	153,359	-
Deposits	6,740	360	-	-	-	7,100	-
Prepaid expenses	-	-	-	-	-	-	27,464
Restricted cash accounts:							
Revolving fund	-	1,662	-	-	-	1,662	-
Bond and interest	-	573,916	-	711,259	-	1,285,175	-
Capital improvements	140,075	97,050	-	-	-	237,125	-
Total current assets	2,883,021	1,267,048	321,813	842,575	183,042	5,497,499	215,734
Bond issuance costs	-	153,759	-	102,503	-	256,262	-
Prepaid interest & market discount	-	2,225,755	-	932,336	-	3,158,091	-
Property, plant and equipment (net of accumulated depreciation)	12,335,940	27,374,363	-	8,415,920	-	48,126,223	-
Deferred charges	11,067	-	-	-	-	11,067	-
Total noncurrent assets	12,347,007	29,753,877	-	9,450,759	-	51,551,643	-
Total assets	15,230,028	31,020,925	321,813	10,293,334	183,042	57,049,142	215,734

LIABILITIES

Current liabilities:

Accounts payable	42,375	108,735	32,288	30,140	107,929	321,467	230,000
Accrued payroll	11,025	18,535	-	693	-	30,253	-
Due to other funds	181,225	1,600,000	-	255,000	-	2,036,225	-
Deposits and escrow amounts	579,030	85	-	-	-	579,115	-
Deferred revenue	-	-	36,510	-	-	36,510	-
Accrued interest payable	-	293,906	-	117,493	-	411,399	-
Current portion long term debt	-	452,276	28,627	252,724	-	733,627	-
Total current liabilities	813,655	2,473,537	97,425	656,050	107,929	4,148,596	230,000

Noncurrent liabilities:

Landfill closure liability	-	-	2,910,832	-	-	2,910,832	-
Deferred gain	-	610,760	-	563,779	-	1,174,539	-
Accrued compensated absences	44,205	80,968	-	1,640	-	126,813	-
Note payable	-	-	296,373	-	-	296,373	-
General obligation bonds payable	-	14,848,745	-	8,591,255	-	23,440,000	-
Market premium on bonds payable	-	42,888	-	18,410	-	61,298	-
Total noncurrent liabilities	44,205	15,583,361	3,207,205	9,175,084	-	28,009,855	-
Total liabilities	857,860	18,056,898	3,304,630	9,831,134	107,929	32,158,451	230,000

NET ASSETS

Restricted due to bond ordinance	140,075	672,628	-	711,259	-	1,523,962	-
Unrestricted	14,232,093	12,291,399	(2,982,817)	(249,059)	75,113	23,366,729	(14,266)
Total net assets	\$ 14,372,168	\$ 12,964,027	\$ (2,982,817)	\$ 462,200	\$ 75,113	\$ 24,890,691	\$ (14,266)

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, 2010

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues:							
Charges for services	\$ 1,937,204	\$ 3,960,197	\$ 220,348	\$ 734,152	\$ 1,424,708	\$ 8,276,609	\$ 2,762,532
Operating expenses:							
Operating	1,801,698	2,610,324	329,776	154,523	1,334,052	6,230,373	2,776,381
Depreciation	349,263	908,650	-	210,081	-	1,467,994	-
Total operating expenses	2,150,961	3,518,974	329,776	364,604	1,334,052	7,698,367	2,776,381
Operating income (loss)	(213,757)	441,223	(109,428)	369,548	90,656	578,242	(13,849)
Nonoperating revenues (expenses):							
Interest income	174	667	81,614	6,623	-	89,078	703
Interest and fiscal charges	(41,913)	(850,567)	-	(397,977)	-	(1,290,457)	-
Total nonoperating revenues	(41,739)	(849,900)	81,614	(391,354)	-	(1,201,379)	703
Net income (loss)	(255,496)	(408,677)	(27,814)	(21,806)	90,656	(623,137)	(13,146)
Net assets - May 1, 2009	14,627,664	13,372,704	(2,955,003)	484,006	(15,543)	25,513,828	(1,120)
Net assets - April 30, 2010	\$ 14,372,168	\$ 12,964,027	\$ (2,982,817)	\$ 462,200	\$ 75,113	\$ 24,890,691	\$ (14,266)

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended April 30, 2010

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Receipts from customers and users	\$ 2,086,658	\$ 3,849,952	\$ 256,858	\$ 684,535	\$ 1,424,708	\$ 8,302,711	\$ 2,657,743
Payments to suppliers	(1,460,416)	(1,697,993)	(1,911,076)	(108,530)	(1,422,891)	(6,600,906)	(2,656,293)
Payments to employees	(622,102)	(919,064)	-	(38,135)	-	(1,579,301)	-
	4,140	1,232,895	(1,654,218)	537,870	1,817	122,504	1,450

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Receipts from customers and users
Payments to suppliers
Payments to employees

Net cash provided by (used in)
operations

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Purchase of investments
Sale of investments
Interest received

Net cash provided by (used
in) investing activities

Purchase of investments	(26)	(1,138,672)	(2,058,400)	-	(1,817)	(3,198,915)	-
Sale of investments	-	1,147,527	3,306,104	-	-	4,453,631	(1,506)
Interest received	174	693	81,614	6,623	-	89,104	703
Net cash provided by (used in) investing activities	148	9,548	1,329,318	6,623	(1,817)	1,343,820	(803)

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

Interest paid	(41,913)	(765,406)	-	(334,292)	-	(1,141,611)	-
Principal payments on long term debt	-	(516,286)	-	(212,332)	-	(728,618)	-
Proceeds from sale of long term debt	-	-	325,000	-	-	325,000	-
Purchase of property and equipment	1,727	51,620	-	4,271	-	57,618	-
Net cash provided by (used in) capital and related financing activities	<u>(40,186)</u>	<u>(1,230,072)</u>	<u>325,000</u>	<u>(542,353)</u>	<u>-</u>	<u>(1,487,611)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(35,898)	12,371	100	2,140	-	(21,287)	647
Beginning cash and cash equivalents	<u>581,398</u>	<u>462</u>	<u>-</u>	<u>123</u>	<u>-</u>	<u>581,983</u>	<u>-</u>
Ending cash and cash equivalents	<u>\$ 545,500</u>	<u>\$ 12,833</u>	<u>\$ 100</u>	<u>\$ 2,263</u>	<u>\$ -</u>	<u>\$ 560,696</u>	<u>\$ 647</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year ended April 30, 2010

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Reconciliation of operating income to net provided (used) by operating activities:							
Operating income (loss)	\$ (213,757)	\$ 441,223	\$ (109,428)	\$ 369,548	\$ 90,656	\$ 578,242	\$ (13,849)
Adjustments to reconcile operating income to net cash provided by (used in) operations:							
Depreciation	349,263	908,650	-	210,081	-	1,467,994	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-
Changes in assets and liabilities:							
Accounts receivable	5,833	(110,245)	-	(49,617)	-	(154,029)	(6,789)
Inventory	187	6,666	-	-	-	6,853	-
Due from other funds	51,000	-	-	-	(31,477)	19,523	(98,000)
Other assets	-	-	-	-	-	-	-
Deposits	3,750	-	-	-	-	3,750	-
Accounts payable	(280,337)	55,548	7,868	22,201	221	(194,499)	124,621
Accrued payroll	(22,294)	(27,673)	-	(1,385)	-	(51,352)	-
Accrued compensated absences	(13,603)	(3,186)	-	(46)	-	(16,835)	-
Deposits and escrow amounts	92,621	-	-	-	-	92,621	-
Deferred revenue	-	-	36,510	-	-	36,510	-
Other liabilities	-	-	(1,589,168)	-	-	(1,589,168)	-
Deferred charges	-	-	-	-	-	-	-
Due to other funds	31,477	(38,088)	-	(12,912)	(57,583)	(77,106)	(4,533)
Net cash provided by (used in) operations	\$ 4,140	\$ 1,232,895	\$ (1,654,218)	\$ 537,870	\$ 1,817	\$ 122,504	\$ 1,450

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2010

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ -	\$ 1,091,748
Investments	136,725	40,612,226
Receivables, net of allowance for uncollectible:		
Loan	287,191	-
Interest	<u>-</u>	<u>91,666</u>
Total assets	<u>423,916</u>	<u>41,795,640</u>
<u>LIABILITIES</u>		
Accounts payable	<u>785</u>	<u>-</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	<u>\$ 423,131</u>	<u>\$ 41,795,640</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2010

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 25,705	\$ -
Contributions-employer taxes	-	1,749,654
Contributions-employee	-	579,324
Investment income	<u>8,696</u>	<u>5,768,249</u>
Total additions	<u>34,401</u>	<u>8,097,227</u>
Deductions:		
Benefits and refunds	-	3,105,276
Other charges and services	<u>26,436</u>	<u>183,019</u>
Total deductions	<u>26,436</u>	<u>3,288,295</u>
Net increase	7,965	4,808,932
Net assets - beginning	<u>415,166</u>	<u>36,986,708</u>
Net assets - ending	<u>\$ 423,131</u>	<u>\$ 41,795,640</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

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, 2010

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 are not included among program revenues, but 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, 2010

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, 2010

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, 2010

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, 2010. 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, 2010

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, 2010 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 2008 levy. Property taxes related to the 2009 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, 2010

A. Summary of Significant Accounting Policies (Continued):

PROPERTY TAXES (CONTINUED)

Effective in December 2009, the City levied its 2009 taxes which will be recognized as revenue in 2011. The amounts of taxes levied are:

General Fund	\$2,351,422
Special Revenue Funds:	
IMRF	212,011
Library	<u>1,117,479</u>
	<u>\$3,680,912</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 appropriate 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, 2010

B. Legal Compliance and Accountability:

BUDGETS

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

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

The budget may be amended by the governing body.

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

DEFICIT FUND BALANCES/RETAINED EARNINGS OF INDIVIDUALS FUNDS

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

<u>Fund</u>	<u>Deficit Balance</u>
Enterprise: Landfill Closure Fund	<u>\$(2,982,817)</u>

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

C. Deposits and Investments (Continued):

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, 2010, 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 \$6,730,743 and the bank balance was \$7,169,870. Of the bank balance, \$7,169,870 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 \$0 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, 2010, \$0 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, 2010, the City's investments were as follows:

	<u>Fair Value</u>
<i>Governmental Activities:</i>	
Investments in State Investment Pool	\$2,467,345
U.S. Government Obligations	<u>45,522</u>
Total	<u>\$2,512,867</u>
 <i>Pension Trust Funds:</i>	
U.S. Government Obligations	\$10,912,952
State and Local Obligations	2,942,150
Equity Mutual Funds	23,993,444
Common Stock	<u>2,763,680</u>
Total	<u>\$40,612,226</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

C. Deposits and Investments (Continued):

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>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	<u>Total</u>
<i>Governmental activities:</i>				
Investments in State				
Investment Pool	\$2,467,345	\$ -	\$ -	\$2,467,345
U.S. Government obligations	<u>-</u>	<u>-</u>	<u>45,522</u>	<u>45,522</u>
Total	<u>\$2,467,345</u>	<u>\$ -</u>	<u>\$ 45,522</u>	<u>\$2,512,867</u>
<i>Pension Trust Funds:</i>				
U.S. Government Obligations	\$ -	\$6,175,317	\$4,737,635	\$10,912,952
State and Local Obligations	<u>-</u>	<u>2,942,150</u>	<u>-</u>	<u>2,942,150</u>
Total	<u>\$ -</u>	<u>\$9,117,467</u>	<u>\$4,737,635</u>	<u>\$13,855,102</u>

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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

C. Deposits and Investments (Continued):

Credit Risk (Continued):

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</u> <u>April 30, 2010</u>	<u>AAAm</u>	<u>Unrated</u>
<i>Governmental activities:</i>			
Investments in State			
Investment Pool	<u>\$2,467,345</u>	<u>\$2,467,345</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, 2010 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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

D. Interfund Assets/Liabilities:

At April 30, 2010, the following interfund receivables/payables existed:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General	\$ 155,893	\$ 131,038
Non-major governmental funds	33,038	155,893
Proprietary funds:		
Water	1,855,000	181,225
Sewer	-	1,600,000
Storm Sewer	-	255,000
Internal Service	98,000	-
Non-major proprietary funds	<u>181,225</u>	<u>-</u>
	<u>\$2,323,156</u>	<u>\$2,323,156</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.

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

E. Property, Plant and Equipment (Continued):

The governmental activities capital asset activity for the year ended April 30, 2010 is as follows:

	<u>Balance</u> <u>May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
Capital assets being depreciated:				
Buildings	\$11,291,330	\$768,192	\$ -	\$12,059,522
Infrastructure	9,069,495	-	-	9,069,495
Equipment	1,628,747	-	-	1,628,747
Vehicles	<u>5,519,153</u>	<u>-</u>	<u>-</u>	<u>5,519,153</u>
Total capital assets being depreciated	<u>27,508,725</u>	<u>768,192</u>	<u>-</u>	<u>28,276,917</u>
Less accumulated depreciation for:				
Buildings	3,702,992	325,726	-	4,028,718
Infrastructure	3,046,234	204,573	-	3,250,807
Equipment	1,320,927	66,031	-	1,386,958
Vehicles	<u>3,765,940</u>	<u>181,390</u>	<u>-</u>	<u>3,947,330</u>
Total accumulated depreciation	<u>11,836,093</u>	<u>777,720</u>	<u>-</u>	<u>12,613,813</u>
Governmental activities capital assets, net	<u>\$15,672,632</u>	<u>\$ (9,528)</u>	<u>\$ -</u>	<u>\$15,663,104</u>

The business-type activities capital asset activity for the year ended April 30, 2010 is as follows:

	<u>Balance</u> <u>May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
Capital assets being depreciated:				
Buildings	\$23,631,837	\$ -	\$ -	\$23,631,837
Infrastructure	39,400,338	-	101,128	39,299,210
Equipment	5,326,156	43,510	-	5,369,666
Work in process	<u>495,074</u>	<u>-</u>	<u>-</u>	<u>495,074</u>
Total capital assets being depreciated	<u>68,853,405</u>	<u>43,510</u>	<u>101,128</u>	<u>68,795,787</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
Less accumulated depreciation for:				
Buildings	6,096,563	550,248	-	6,646,811
Infrastructure	10,444,126	765,710	-	11,209,836
Equipment	<u>2,660,881</u>	<u>152,036</u>	<u>-</u>	<u>2,812,917</u>
 Total accumulated depreciation	 <u>19,201,570</u>	 <u>1,467,994</u>	 <u>-</u>	 <u>20,669,564</u>
 Governmental activities capital assets, net	 <u>\$49,651,835</u>	 <u>\$(1,424,484)</u>	 <u>\$101,128</u>	 <u>\$48,126,223</u>

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

Governmental activities:

General government	\$ 12,904
Public safety	185,771
Public works	411,826
Culture and recreation	<u>167,219</u>
 Total depreciation expense, governmental activities	 <u>\$777,720</u>

Business-type activities:

Water Department	\$ 349,263
Sewer Department	908,650
Storm Sewer Department	<u>210,081</u>
 Total depreciation expense, business-type activities	 <u>\$1,467,994</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

F. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2010:

Special Revenue:

Library Fund:
Reserved for restricted tax levies \$46,914

Debt Service Fund:
Reserved for debt service \$387,472

Enterprise:

Water Fund:
Reserved due to bond ordinance \$140,075

Sewer Fund:
Reserved due to bond ordinance \$672,628

Storm Sewer Fund:
Reserved due to bond ordinance \$711,259

Fiduciary:

Non Expendable Trust Fund:
Revolving Loan Fund:
Reserved for revolving loan \$403,528

Pension Trust Funds:

Police Pension Fund:
Reserved for employees retirement system \$15,843,333

Firefighters Pension Fund:
Reserved for employees retirement system \$25,952,307

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, 2010

G. 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, 2010 was \$500 for “normal” claims and \$25,000 for catastrophes. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

The City is exposed to various risks of loss related to illness of employees. The City is self-insured for health insurance risks and has established a risk financing fund, Health Care Fund (the Fund), for these risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the Fund provides coverage up to a maximum of \$75,000 for each health claim. The City purchases commercial insurance for claims in excess of the coverages provided by the Fund. During fiscal year 2010, 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>
	April 30,
	<u>2010</u>
Unpaid claims - beginning	\$ 105,379
Incurred claims including IBNR, net of claims in excess of stop loss	2,585,139
Claim payments	<u>2,460,518</u>
Unpaid claims - ending	<u>\$ 230,000</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

H. Long-Term Debt:

LEASE OBLIGATIONS

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

On February 1, 2003, the City entered into a capital lease for the purchase of a Fire Truck in the amount of \$643,899. The City agreed to pay 10 annual payments of \$88,411 at an interest rate of 4.5% with final payment on February 1, 2012. The following is a schedule of future minimum lease payments under capital leases as of April 30, 2010.

<u>Year Ending</u> <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 81,028	\$ 7,383
2012	<u>84,639</u>	<u>3,772</u>
Total	<u>\$165,667</u>	<u>\$11,155</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</u> <u>Retired By</u>	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>
US Bank, payable monthly with interest at 4.76%, due February 22, 2012	Debt Service	\$ 82,729	\$ -	\$ 27,925	\$ 54,804
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	355,157	-	134,608	220,549
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	102,694	-	5,616	97,078
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	55,695	-	3,119	52,576

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

H. 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	96,475	-	96,475	-
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	7,309	-	7,309	-
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	58,618	-	58,618	-
State Bank, payable annually with interest at 5.60%, due July 23, 2013	Debt Service	-	450,000	-	450,000
US Bank, payable monthly with interest at 2.77%, due April 28, 2020	General/Landfill Closure	-	750,000	-	750,000
		<u>\$758,677</u>	<u>\$1,200,000</u>	<u>\$333,670</u>	<u>\$1,625,007</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 345,196	\$ 67,822
2012	292,144	52,543
2013	194,346	41,798
2014	202,815	32,287
2015	84,880	22,346
2016 - 2020	476,557	59,571
2021 - 2022	<u>29,069</u>	<u>1,562</u>
Total	<u>\$1,625,007</u>	<u>\$277,929</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

H. 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, 2010

H. 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	\$ 1,125,000	\$ -	\$355,000	\$ 770,000
\$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	745,000	-	80,000	665,000
\$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	1,690,000	-	190,000	1,500,000
\$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	8,405,000	-	65,000	8,340,000
\$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	5,590,000	-	25,000	5,565,000

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

H. 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	9,920,000	-	50,000	9,870,000
		<u>\$27,475,000</u>	<u>\$ -</u>	<u>\$ 765,000</u>	<u>\$26,710,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 805,000	\$ 1,149,547
2012	845,000	1,112,686
2013	880,000	1,073,346
2014	910,000	1,034,673
2015	955,000	991,467
2016 - 2020	5,455,000	4,283,508
2021 - 2025	6,625,000	3,078,358
2026 - 2030	7,965,000	1,553,232
2031 - 2034	<u>2,270,000</u>	<u>243,180</u>
Total	<u>\$26,710,000</u>	<u>\$14,519,997</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

H. 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	\$ 758,677	\$1,200,000	\$ 333,670	\$ 1,625,007
Capitalized leases	243,238	-	77,571	165,667
General obligation bonds payable	<u>27,475,000</u>	<u>-</u>	<u>765,000</u>	<u>26,710,000</u>
Total	<u>\$28,476,915</u>	<u>\$1,200,000</u>	<u>\$1,176,241</u>	<u>\$28,500,674</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.

I. 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, 2010, the amount of defeased debt from the 2000 and 2003 issues outstanding but removed from the City’s financial statements amounted to \$21,095,311.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

J. Conduit Debt:

Governmental entities may enter into arrangements whereby a non-governmental entity is able to finance the acquisition of facilities by issuing conduit debt obligations. Conduit debt obligations are therefore certain limited obligation revenue bonds issued by a state or local governmental entity for a specific third party that is not a part of the issuer's financial reporting entity.

The City entered into an agreement described above with Freeport Regional Health Care Foundation on June 16, 2008. \$8,000,000 of Health Care Facilities Revenue Bonds (Freeport Regional Health Care Foundation Project) Series 2008 were issued in the City's name. At the same time a mortgage agreement was signed between the City and Freeport Regional Health Care. Freeport Regional Health Care used the proceeds to build a new hospital facility. The mortgage agreement is set up to cover the payments of the mortgage revenue bonds. At April 30, 2010, there was \$8,000,000 of Health Care Facilities Revenue Bonds (Freeport Regional Health Care Foundation Project) Series 2008 outstanding.

The City has no responsibility for the payment of the debt except for the payments received from Freeport Regional Health Care on the underlying mortgage loan agreement.

K. 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, 2010, the Government has incurred a liability of \$2,910,832 which represents the estimated costs of capping and monitoring the landfill. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

The City has established an enterprise fund to accumulate assets needed for the actual payout of closure and postclosure care costs. As of April 30, 2010, assets reported on the combined balance sheet which total \$321,813 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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

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

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.

L. 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	\$1,424,708	\$1,937,204	\$3,960,197	\$734,152	\$ 220,348
Depreciation and amortization expense	\$ -	\$349,263	\$908,650	\$210,081	\$ -
Operating income (loss)	\$90,656	\$(213,757)	\$441,223	\$369,548	\$(109,428)
Net income (loss)	\$90,656	\$(255,496)	\$(408,677)	\$(21,806)	\$(27,814)
Plant, property, and equipment:					
Additions	\$ -	\$43,510	\$ -	\$ -	\$ -
Deletions	\$ -	\$58,903	\$37,954	\$4,271	\$ -
Allowance for uncollectible accounts	\$ -	\$(4,000)	\$(5,000)	\$ -	\$ -
Total assets	\$183,042	\$15,230,028	\$31,020,925	\$10,293,334	\$321,813
Net working capital	\$75,113	\$2,069,366	\$(1,206,489)	\$186,525	\$224,388
Bonds and other long- term liabilities:					
Payable from operating revenues	\$ -	\$44,205	\$15,583,361	\$9,175,084	\$3,207,205

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

M. 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 2009 was 7.02 percent of annual 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 fiscal year ending December 31, 2009, the City's **annual pension cost** of \$317,234 for the Regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC (Contributed)</u>	<u>Net Pension Obligation</u>
12/31/09	\$317,234	100%	\$-0-
12/31/08	314,805	100%	-0-
12/31/07	332,571	100%	-0-

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

M. Pension Plan (Continued):

ANNUAL PENSION COST (CONTINUED)

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 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 0.4% 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 23 years.

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 83.55 percent funded. The actuarial accrued liability for benefits was \$13,195,289 and the actuarial value of assets was \$11,024,256 resulting in an underfunded actuarial accrued liability (UAAL) of \$2,171,033. The covered payroll (annual payroll of active employees covered by the plan) was \$4,519,000 and the ratio of the UAAL to the covered payroll was 48 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

At April 30, 2010, 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>20</u>
Total	<u>98</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.

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

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.

At April 30, 2010, 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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

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.

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS

Police Pension

The City's net pension obligation to the Police Pension Plan as of April 30, 2010 was as follows:

Annual required contribution	\$ 410,293
Interest adjustment	277,279
Adjustment to amortize unfunded liability	<u>761,297</u>
Annual pension cost	1,448,869
Contributions made	<u>937,954</u>
Increase (decrease) in net pension obligation	510,915
Net pension obligation, beginning	<u>3,961,122</u>
Net pension obligation, ending	<u>\$4,472,037</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Police Pension (Continued)

The annual required contribution for the current year was determined as part of the April 30, 2009 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, 2009, was 24 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>
4/30/09	\$1,448,869	64.74%	\$4,472,037
4/30/08	1,376,782	64.96%	3,961,122
4/30/07	1,245,361	66.20%	3,478,703

As of April 30, 2009, the most recent actuarial valuation date, the Police Pension plan was 48.3 percent funded. The actuarial accrued liability for benefits was \$29,922,428 and the actuarial value of assets was \$14,443,123 resulting in an underfunded actuarial accrued liability (UAAL) of \$15,479,305. The covered payroll (annual payroll of active employees covered by the plan) was \$2,970,165 and the ratio of the UAAL to the covered payroll was 521.2 percent.

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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Firefighters' Pension

The City's net pension obligation to the Firefighter's Pension Plan as of April 30, 2010 was as follows:

Annual required contribution	\$ 618,517
Interest adjustment	146,721
Adjustment to amortize unfunded liability	<u>588,741</u>
Annual pension cost	1,353,979
Contributions made	<u>708,589</u>
Increase (decrease) in net pension obligation	645,390
Net pension obligation, beginning	<u>2,096,020</u>
Net pension obligation, ending	<u>\$2,741,410</u>

The annual required contribution for the current year was determined as part of the April 30, 2009, 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, 2009, was 24 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>
4/30/09	\$1,353,979	52.33%	\$2,741,410
4/30/08	1,029,263	71.62%	2,096,020
4/30/07	832,232	83.47%	1,803,897

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Firefighters' Pension (Continued)

As of April 30, 2009, the most recent actuarial valuation date, the Fire Pension plan was 64.9 percent funded. The actuarial accrued liability for benefits was \$34,110,453 and the actuarial value of assets was \$22,139,703 resulting in an underfunded actuarial accrued liability (UAAL) of \$11,970,750. The covered payroll (annual payroll of active employees covered by the plan) was \$2,846,313 and the ratio of the UAAL to the covered payroll was 420.6 percent.

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.

N. Other Post-Employment Benefits:

Plan description. In addition to providing the pension benefits described, the City provides post-employment healthcare benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contribution are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

Benefits provided. The City provides continued health insurance coverage at the active employer rate to all eligible employees. To be eligible for the benefits, an employee must qualify for retirement under one of the City's retirement plans.

Membership. At April 30, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	52
Terminated employees entitled to benefits but not yet receiving benefits	-
Active vested plan members	22
Active non-vested plan members	<u>197</u>
Total	<u>271</u>
Number of participating employers	<u>1</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

N. Other Post-Employment Benefits (Continued):

Funding policy. For the fiscal year ending April 30, 2010, retirees contributed approximately \$213,688. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefits (OPEB) cost (expense) for the fiscal year ended April 30, 2010, is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The City's annual OPEB cost of \$1,661,378 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of April 30, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows (information for the year ended April 30, 2008 is not available as an actuarial valuation was performed for the first time for the year ended April 30, 2009):

<u>Fiscal Year ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2010	\$1,725,658	\$213,688	12.4%	\$2,797,563
April 30, 2009	1,661,378	375,785	22.6%	\$1,285,593

The net OPEB obligation as of April 30, 2010, was calculated as follows:

Annual required contribution	\$1,661,378
Interest of net OPEB obligation	64,280
Adjustment to annual required contribution	-
Annual OPEB cost	1,725,658
Contributions made	<u>(213,688)</u>
Increase (decrease) in net OPEB obligation	1,511,970
Net OPEB obligation beginning of year	<u>1,285,593</u>
Net OPEB obligation end of year	<u>\$2,797,563</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2010

N. Other Post-Employment Benefits (Continued):

Funded Status and Funding in Process. The funded status of the plan as of April 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$15,839,465
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	15,839,465
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	9,203,549
UAAL as a percentage of covered payroll	172%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an initial healthcare cost trend rate of 9.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 5.0% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at April 30, 2010, was 30 years.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2010

O. Transfers:

Below are the interfund transfers as of April 30, 2010:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Governmental Funds:		
General	\$ 492,827	\$ (459,239)
Non-Major Governmental Funds	<u>1,932,499</u>	<u>(1,966,087)</u>
Total all funds	<u>\$2,425,326</u>	<u>\$(2,425,326)</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.

P. Contingencies:

From time to time, the City is party to other pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the City's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

Q. Pending GASB Statements:

Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" will be effective for the fiscal year ending April 30, 2012. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Management has not yet completed their assessment of this statement and its impact on the financial statements.

R. Prior Period Adjustment:

The City recorded \$166,525 in grant revenue in the prior year that was never received. To account for the amount that was not received, the City recorded the amount as a special item in the Grant Fund and Governmental activities on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2010

**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>
12/31/09	\$11,024,256	\$13,195,289	\$2,171,033	83.55%	\$4,519,000	48.04%
12/31/08	11,382,992	13,185,371	1,802,379	86.33%	4,409,034	40.88%
12/31/07	13,636,271	12,691,010	(945,261)	107.45%	4,131,315	0.00%

**Retiree Health Plan
 Schedule of Funding Progress**

Actuarial Valuation Date <u>April 30</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>
4/30/09	\$0	\$15,839,465	\$15,839,465	0.0%	\$9,203,549	172.00%
4/30/08	0	15,839,465	15,839,465	0.0%	9,203,549	172.00%

CITY OF FREEPORT, ILLINOIS
Required Supplementary Information
April 30, 2010

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2010.

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)
2009	\$14,443,123	\$29,922,428	48.3%	\$15,479,305	\$2,970,165	521.2%
2008	15,278,332	30,000,084	50.9%	14,721,752	3,042,379	483.9%
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%
2004	12,670,887	23,604,453	53.7%	10,933,566	2,503,876	436.7%

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2010.

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)
2009	\$22,139,703	\$34,110,453	64.9%	\$11,970,750	\$2,846,313	420.6%
2008	26,223,233	32,705,508	80.2%	6,482,275	2,735,484	237.0%
2007	26,230,887	30,088,786	87.2%	3,857,899	2,421,933	159.3%
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%
2004	21,427,558	25,571,834	83.8%	4,144,276	2,335,930	177.4%

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Property taxes	\$ 2,395,405	\$ 2,395,405	\$ 2,400,103	\$ 4,698
Property transfer tax	150,000	150,000	133,890	(16,110)
Retailers occupation tax	5,350,000	5,350,000	5,266,771	(83,229)
Income tax	2,395,000	2,395,000	2,039,465	(355,535)
Replacement tax	405,000	405,000	375,083	(29,917)
Food, drink tax	900,000	900,000	796,921	(103,079)
Utility tax	460,000	460,000	419,981	(40,019)
Special use tax	390,000	390,000	310,036	(79,964)
Natural gas tax	325,000	325,000	305,706	(19,294)
Telephone utility tax	850,000	850,000	771,405	(78,595)
Water and sewer payment	230,000	230,000	230,414	414
	<u>13,850,405</u>	<u>13,850,405</u>	<u>13,049,775</u>	<u>(800,630)</u>
Total taxes				
Fees:				
Cable TV franchise fees	300,000	300,000	292,444	(7,556)
Circuit clerk fines and fees	275,500	275,500	346,212	70,712
Building fees and permits	200,000	200,000	199,064	(936)
911 dispatching fees	86,000	86,000	85,913	(87)
	<u>861,500</u>	<u>861,500</u>	<u>923,633</u>	<u>62,133</u>
Total fees				
Intergovernmental:				
Grant administration reimbursements	40,000	40,000	26,643	(13,357)
IDOT reimbursement	50,000	50,000	50,592	592
Federal grant for SLANT officer	36,000	36,000	31,597	(4,403)
Airport hangar rent	120,000	120,000	97,365	(22,635)
Fire training reimbursement	10,000	10,000	-	(10,000)
Police training reimbursement	10,000	10,000	24,173	14,173
Traffic signal maintenance reimbursement	10,000	10,000	5,130	(4,870)
	<u>276,000</u>	<u>276,000</u>	<u>235,500</u>	<u>(40,500)</u>
Total intergovernmental				

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues (Continued):				
Interest	30,000	30,000	14,244	(15,756)
Other:				
Miscellaneous local sources	40,000	40,000	45,011	5,011
Miscellaneous other charges for services	225,000	225,000	188,869	(36,131)
Total other revenues	<u>265,000</u>	<u>265,000</u>	<u>233,880</u>	<u>(31,120)</u>
Total revenues	<u>\$15,282,905</u>	<u>\$15,282,905</u>	<u>\$14,457,032</u>	<u>\$ (825,873)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	7,500	7,500	4,136	(3,364)
Education, training and travel	-	-	125	125
Total city council	37,900	37,900	34,660	(3,240)
Commissions:				
Commissions stipends	4,325	4,325	4,313	(12)
Legal advertising	2,500	2,500	756	(1,744)
Education, training and travel	12,000	12,000	11,808	(192)
Books, periodicals, and memberships	500	500	-	(500)
Total commissions	19,325	19,325	16,877	(2,448)
City Clerk:				
Elected officials	49,579	49,579	49,579	-
Contracted equipment repairs	500	500	-	(500)
Printing	500	500	177	(323)
Publication expense	6,000	6,000	6,524	524
Education, training and travel	1,500	1,500	1,849	349
Insurance other than employee benefits	100	100	-	(100)
Books, periodicals and memberships	500	500	255	(245)
Office supplies	1,000	1,000	794	(206)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total city clerk	61,179	61,179	59,178	(2,001)
Mayor:				
Non-bargaining	43,371	43,371	41,242	(2,129)
Elected officials	82,756	82,756	82,756	-
Overtime, non-bargaining	-	-	88	88
Contracted vehicle repair and maintenance	200	200	3	(197)
Contracted equip. repair and maintenance	200	200	-	(200)
Telephone and communications	2,000	2,000	2,236	236

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Printing	200	200	257	57
Education, training and travel	5,000	7,000	5,053	(1,947)
Other supply expense	1,700	1,700	186	(1,514)
Books, periodicals and memberships	500	500	300	(200)
Office supplies	1,500	1,500	164	(1,336)
Gasoline	4,000	2,000	1,230	(770)
Total mayor	<u>141,427</u>	<u>141,427</u>	<u>133,515</u>	<u>(7,912)</u>
Office of Management and Budget:				
Non-bargaining	206,114	206,114	200,826	(5,288)
Bank service charges	150	150	93	(57)
Telephone	200	200	170	(30)
Printing	2,500	2,500	1,233	(1,267)
Education, training and travel	500	500	141	(359)
Books, periodicals and memberships	500	500	225	(275)
Office supplies	1,900	1,900	1,381	(519)
Equipment, furniture and fixtures	3,000	3,000	-	(3,000)
Total Office of Management and Budget	<u>214,864</u>	<u>214,864</u>	<u>204,069</u>	<u>(10,795)</u>
Treasurer:				
Elected officials	50,874	50,874	50,874	-
Contracted equipment repairs	-	-	51	51
Printing	300	300	-	(300)
Seminar, training and travel	2,000	2,000	1,169	(831)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	700	700	518	(182)
Books, periodicals and memberships	125	125	90	(35)
Office supplies	2,250	2,250	316	(1,934)
Total Treasurer	<u>56,674</u>	<u>56,674</u>	<u>53,384</u>	<u>(3,290)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	139,070	139,070	134,109	(4,961)
Title searches and recording fees	750	750	581	(169)
Outside legal	75,000	75,000	49,087	(25,913)
Outside legal - prosecutorial	30,000	30,000	26,980	(3,020)
Court report, witness and service fees	4,000	4,000	3,454	(546)
Printing	450	450	48	(402)
Education	2,000	2,000	904	(1,096)
Books, periodicals and memberships	5,250	5,250	5,195	(55)
Office supplies	550	550	324	(226)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total legal	<u>258,570</u>	<u>258,570</u>	<u>220,682</u>	<u>(37,888)</u>
Department of Public Works:				
Non-bargaining	83,815	83,815	61,134	(22,681)
Engineering	6,000	6,000	6,159	159
Other technical services	100	100	-	(100)
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	100	100	-	(100)
Telephone and communications	750	750	482	(268)
Printing	100	100	16	(84)
Publication expense	200	200	121	(79)
Education, training and travel	500	500	-	(500)
Other supplies	100	100	-	(100)
Books, periodicals and memberships	500	500	-	(500)
Postage and freight	100	100	-	(100)
Office supplies	250	250	-	(250)
Gasoline	1,000	1,000	201	(799)
Equipment supplies	100	100	-	(100)
Computer hardware	4,000	4,000	-	(4,000)
Total department of public works	<u>97,715</u>	<u>97,715</u>	<u>68,113</u>	<u>(29,602)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	8,929	(1,071)
Telephone and communications	3,000	3,000	1,201	(1,799)
Equipment supplies	15,000	15,000	4,575	(10,425)
Total traffic engineering	<u>28,000</u>	<u>28,000</u>	<u>14,705</u>	<u>(13,295)</u>
Street lights:				
Contracted equipment repairs	10,000	10,000	1,003	(8,997)
Equipment supplies	2,000	2,000	802	(1,198)
Electricity	350,000	350,000	296,099	(53,901)
Machinery and equipment	5,000	5,000	-	(5,000)
Total street lights	<u>367,000</u>	<u>367,000</u>	<u>297,904</u>	<u>(69,096)</u>
General Government Building:				
Custodial	15,600	15,600	15,800	200
Contracted building repair and maintenance	225,000	225,000	18,359	(206,641)
Contracted equipment repair and maintenance	5,000	5,000	10,164	5,164
Other supply expense	250	250	65	(185)
Building supplies	500	500	760	260
Equipment and janitorial supplies	4,000	4,000	1,532	(2,468)
Natural gas	10,000	10,000	5,079	(4,921)
Water and sewer	2,500	2,500	2,184	(316)
Total general government building	<u>262,850</u>	<u>262,850</u>	<u>53,943</u>	<u>(208,907)</u>
City Cemetery:				
Salaries, AFSCME	47,769	47,769	44,150	(3,619)
Overtime, AFSCME	1,000	1,000	1,461	461
Contracted equipment repair and maintenance	1,000	1,000	14	(986)
Telephone and communications	500	500	451	(49)
Education	500	500	95	(405)
Other supply expense	800	800	1,132	332
Equipment rental	500	500	-	(500)
Equipment supplies	2,600	2,600	406	(2,194)
Building supplies	700	700	-	(700)
Equipment, furniture, and fixtures	2,000	2,000	-	(2,000)
Computer hardware & software	2,000	2,000	-	(2,000)
Total city cemetery	<u>59,369</u>	<u>59,369</u>	<u>47,709</u>	<u>(11,660)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Other professional services	3,400	3,400	3,425	25
Other technical services	200	200	-	(200)
Emergency expenses	100	100	-	(100)
Total hearings administration	<u>3,700</u>	<u>3,700</u>	<u>3,425</u>	<u>(275)</u>
Management information systems:				
Computer and network consulting	6,000	6,000	995	(5,005)
Contracted equipment repairs	10,000	10,000	1,758	(8,242)
Books, periodicals and memberships	4,750	4,750	4,368	(382)
Hardware	15,000	15,000	-	(15,000)
Software	-	-	189	189
Total management information systems	<u>35,750</u>	<u>35,750</u>	<u>7,310</u>	<u>(28,440)</u>
Community development:				
Salaries, non-bargaining	144,822	144,822	138,056	(6,766)
Other professional services	7,500	7,500	3,270	(4,230)
Other technical services	3,000	3,000	4,403	1,403
Telephone and communications	1,000	1,000	-	(1,000)
Printing	1,200	1,200	833	(367)
Legal advertising	900	900	1,488	588
Education, training, and travel	4,000	4,000	1,693	(2,307)
Books, periodicals, and memberships	1,000	1,000	734	(266)
Office supplies	1,800	1,800	1,650	(150)
Machinery	2,500	2,500	-	(2,500)
Total community development	<u>167,722</u>	<u>167,722</u>	<u>152,127</u>	<u>(15,595)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Airport authority:				
Engineering authority	17,000	17,000	2,174	(14,826)
Airport management	62,000	62,000	54,026	(7,974)
Lawn care	250	250	-	(250)
Disposal and recycling services	1,000	1,000	1,015	15
Contracted building repairs and maintenance	4,000	4,000	1,349	(2,651)
Contracted vehicle repair and maintenance	1,900	1,900	760	(1,140)
Contracted equipment repair and maintenance	8,500	8,500	758	(7,742)
Contracted infrastructure repair and maintenanc	14,000	14,000	1,850	(12,150)
Telephone and communications	5,000	5,000	4,436	(564)
Equipment rental	1,700	1,700	5,256	3,556
Other supply expense	900	900	645	(255)
Office supplies	200	200	85	(115)
Vehicle supplies	200	200	928	728
Other technical services	6,100	6,100	2,235	(3,865)
Postage and freight	100	100	102	2
Insurance other than employee benefits	5,500	5,500	3,500	(2,000)
Building supplies	1,500	1,500	980	(520)
Equipment supplies	2,000	2,000	786	(1,214)
Maintenance and janitorial supplies	150	150	-	(150)
Natural gas	8,000	8,000	4,759	(3,241)
Electricity	20,000	20,000	15,899	(4,101)
Gasoline	2,000	2,000	1,396	(604)
Diesel fuel	79,000	79,000	3,508	(75,492)
Machinery	35,000	35,000	-	(35,000)
Property taxes	20,000	20,000	7,622	(12,378)
Total airport authority	<u>296,000</u>	<u>296,000</u>	<u>114,069</u>	<u>(181,931)</u>
Human resources:				
Non-bargaining	44,193	44,193	40,740	(3,453)
Medical and veterinary services	11,500	11,500	5,264	(6,236)
Printing	-	-	41	41
Legal advertising	500	500	-	(500)
Recruitment advertising	10,000	10,000	3,171	(6,829)
Education, training and travel	650	650	803	153
Books, periodicals and memberships	-	-	320	320
Office and maintenance supplies	750	750	348	(402)
Equipment	1,500	1,500	-	(1,500)
Total human resources	<u>69,093</u>	<u>69,093</u>	<u>50,687</u>	<u>(18,406)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	-	-	-	-
Social security contribution	161,000	161,000	150,454	(10,546)
Contribution to Fire Pension Fund	715,589	715,589	716,722	1,133
Contribution to Police Pension Fund	1,031,320	1,031,320	1,025,810	(5,510)
Medicare contribution	113,000	113,000	104,342	(8,658)
Group health insurance	1,930,000	1,930,000	1,987,910	57,910
PEHP contributions	60,000	60,000	100,294	40,294
Unemployment insurance	25,000	25,000	24,061	(939)
Worker compensation	383,000	383,000	313,114	(69,886)
Auditing city records	35,000	35,000	35,000	-
Other consulting services	40,000	40,000	7,786	(32,214)
Equipment rental	7,500	7,500	4,527	(2,973)
Contracted equipment repair and maintenance	50,000	50,000	45,936	(4,064)
Telephone and communications	20,000	20,000	18,048	(1,952)
Printing	1,000	1,000	175	(825)
Postage	13,000	13,000	12,769	(231)
Insurance	210,000	210,000	181,311	(28,689)
Stephenson County Health Department	5,000	5,000	5,000	-
Fuel for resale	68,000	68,000	78,448	10,448
Books, periodical and memberships	4,000	4,000	1,856	(2,144)
Other supply expense	2,500	2,500	1,820	(680)
Office supplies	5,000	5,000	3,041	(1,959)
Property taxes	106,500	106,500	680	(105,820)
Total interdepartmental expenses	<u>4,986,409</u>	<u>4,986,409</u>	<u>4,819,104</u>	<u>(167,305)</u>
Total general government	<u>7,163,547</u>	<u>7,163,547</u>	<u>6,351,461</u>	<u>(812,086)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	810,798	810,798	783,538	(27,260)
Salaries, AFSCME	671,732	671,732	625,951	(45,781)
Police salaries	2,384,178	2,384,178	2,245,396	(138,782)
Overtime, non-bargaining	16,500	16,500	13,975	(2,525)
Overtime, AFSCME	74,000	74,000	31,259	(42,741)
Overtime, police	135,000	135,000	65,414	(69,586)
Clothing allowance	56,500	56,500	51,926	(4,574)
Medical and veterinary services	4,000	4,000	4,895	895
Other prof/admin services consulting	2,000	2,000	1,049	(951)
Custodial services	12,240	12,240	9,600	(2,640)
Laundry and cleaning	150	150	86	(64)
Contracted building repairs	35,000	35,000	11,674	(23,326)
Contracted vehicle repair and maintenance	23,000	23,000	15,949	(7,051)
Contracted equipment repair and maintenance	54,600	54,600	46,010	(8,590)
Rental of equipment	4,300	4,300	2,905	(1,395)
Telephone and communications	40,400	40,400	25,311	(15,089)
Printing	6,500	6,500	3,403	(3,097)
Publication expense	1,000	1,000	161	(839)
Education, training and travel	50,000	50,000	30,877	(19,123)
Postage	600	600	513	(87)
Books, periodicals and memberships	3,600	3,600	3,864	264
Other supply expense	1,000	1,000	2,152	1,152
Office supplies	8,200	8,200	7,296	(904)
Educational supplies	7,500	7,500	1,134	(6,366)
Animal supplies	3,000	3,000	45	(2,955)
Extinguisher supplies	800	800	466	(334)
Departmental gear and clothing	9,000	9,000	1,203	(7,797)
Vehicle supplies	21,000	21,000	14,890	(6,110)
Building supplies	1,100	1,100	961	(139)
Ammunition	6,000	6,000	5,074	(926)
Equipment supplies	2,000	2,000	-	(2,000)
Investigation and patrol supplies	5,500	5,500	5,545	45

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	<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	3,300	3,300	3,401	101
Gasoline	80,000	80,000	66,500	(13,500)
Water/sewer	1,000	1,000	947	(53)
Equipment, furniture and fixtures	2,000	2,000	285	(1,715)
Computer hardware	43,000	43,000	20,657	(22,343)
Total police department	<u>4,580,498</u>	<u>4,580,498</u>	<u>4,104,312</u>	<u>(476,186)</u>
Fire department:				
Non-bargaining	423,854	423,854	409,570	(14,284)
Fire	2,485,569	2,485,569	2,371,131	(114,438)
Overtime, non-bargaining	2,000	2,000	2,514	514
Overtime, fire	24,000	24,000	17,715	(6,285)
Clothing allowance	22,500	22,500	20,787	(1,713)
Medical services	11,000	11,000	1,802	(9,198)
Laundry and cleaning	7,500	7,500	9,123	1,623
Contracted building repairs	10,000	10,000	1,897	(8,103)
Contracted vehicle repair and maintenance	20,000	20,000	14,687	(5,313)
Contracted equipment repair and maintenance	15,000	15,000	7,772	(7,228)
Telephone and communications	9,000	9,000	7,222	(1,778)
Printing	500	500	59	(441)
Publication expense	500	500	-	(500)
Education, training and travel	19,000	19,000	10,774	(8,226)
Postage and freight	500	500	293	(207)
Books, periodicals and memberships	4,000	4,000	4,921	921
Other supply expense	500	500	480	(20)
Office supplies	1,500	1,500	1,514	14
Ambulance supplies	8,000	8,000	6,857	(1,143)
Educational supplies	1,000	1,000	137	(863)
Extinguisher supplies	1,000	1,000	514	(486)
Department clothing gear supplies	10,000	10,000	2,953	(7,047)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	20,000	20,000	9,071	(10,929)
Building supplies	5,000	5,000	1,540	(3,460)
Equipment supplies	7,500	7,500	1,829	(5,671)
Investigation and patrol supplies	1,000	1,000	484	(516)
Maintenance and janitorial supplies	5,000	5,000	5,472	472
Gasoline	5,500	5,500	3,582	(1,918)
Diesel fuel	10,500	10,500	10,786	286
Water/sewer	2,250	2,250	2,113	(137)
Equipment	3,000	3,000	-	(3,000)
Total fire department	3,136,673	3,136,673	2,927,599	(209,074)
Buildings:				
Non-bargaining	108,516	108,516	100,628	(7,888)
Title searches and recording fees	2,800	2,800	3,554	754
Court report, witness and service fees	200	200	-	(200)
Other technical services	-	-	102	102
Lawn care	15,000	15,000	9,740	(5,260)
Contracted vehicle repairs	900	900	102	(798)
Contracted equip repairs	2,700	2,700	1,052	(1,648)
Demolition	58,000	58,000	7,717	(50,283)
Telephone and communications	1,700	1,700	1,571	(129)
Printing	700	700	-	(700)
Publication expense	400	400	112	(288)
Education, training and travel	1,500	1,500	121	(1,379)
Other supply expense	100	100	7	(93)
Books, periodicals and memberships	1,000	1,000	356	(644)
Office and maintenance supplies	800	800	-	(800)
Investigation and patrol supplies	600	600	54	(546)
Gasoline	1,600	1,600	2,858	1,258
Total buildings	196,516	196,516	127,974	(68,542)
Total public safety	7,913,687	7,913,687	7,159,885	(753,802)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	64,903	64,903	46,736	(18,167)
Salaries, AFSCME	593,378	593,378	541,492	(51,886)
Temporary, non-bargaining	-	-	-	-
Overtime, AFSCME	55,000	55,000	26,812	(28,188)
Medical services	2,000	2,000	1,154	(846)
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	30,000	30,000	6,350	(23,650)
Contracted vehicles repairs and maintenance	17,000	17,000	9,794	(7,206)
Contracted equipment repairs and maintenance	25,000	25,000	21,325	(3,675)
Contracted infrastructure repairs and maintenance	100,000	100,000	37,213	(62,787)
Equipment rental	5,000	5,000	7,423	2,423
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,942	(58)
Printing	300	300	103	(197)
Education, training, and travel	500	500	155	(345)
Postage and freight	500	500	80	(420)
Other supplies	3,500	3,500	4,767	1,267
Books, periodicals, and memberships	500	500	-	(500)
Office supplies	1,200	1,200	792	(408)
Departmental gear and clothing	4,000	4,000	1,893	(2,107)
Vehicle supplies	45,000	45,000	26,585	(18,415)
Rock and road	55,000	55,000	16,616	(38,384)
Street marking supplies	45,000	45,000	22,887	(22,113)
Snow removal supplies	200,000	200,000	120,019	(79,981)
Building supplies	15,000	15,000	5,210	(9,790)
Equipment supplies	40,000	40,000	30,108	(9,892)
Maintenance and janitorial supplies	3,000	3,000	3,941	941
Gasoline	60,000	60,000	62,144	2,144
Diesel fuel	70,000	70,000	24,934	(45,066)
Equipment, furniture, and fixtures	8,000	8,000	307	(7,693)
Computer hardware	2,000	2,000	-	(2,000)
Total highways and streets/transportation	<u>1,450,781</u>	<u>1,450,781</u>	<u>1,022,782</u>	<u>(427,999)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Health:				
Dog pound:				
Salaries, AFSCME	35,352	35,352	33,640	(1,712)
Overtime, AFSCME	5,000	5,000	3,573	(1,427)
Medical and veterinary services	10,000	10,000	4,747	(5,253)
Cleaning kennels	400	400	-	(400)
Contractual equipment	700	700	244	(456)
Education	-	-	236	236
Departmental gear and clothing	300	300	246	(54)
Office and maintenance	50	50	198	148
Animal supplies	500	500	600	100
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	1,000	1,000	62	(938)
Equipment, furniture and fixtures <1000	300	300	221	(79)
Total health	<u>53,652</u>	<u>53,652</u>	<u>43,792</u>	<u>(9,860)</u>
Culture and recreation:				
Forestry:				
Salaries, AFSCME	91,819	91,819	86,668	(5,151)
Overtime, AFSCME	3,000	3,000	1,100	(1,900)
Other technical services	10,000	6,000	9,104	3,104
Contracted vehicle repairs and maintenance	1,500	1,500	928	(572)
Contracted equip. repairs and maintenance	1,000	1,000	1,365	365
Postage	50	50	-	(50)
Tree assistance	2,000	2,000	2,000	-
Other supplies	200	1,200	699	(501)
Vehicle supplies	500	500	97	(403)
Equipment supplies	1,000	4,000	3,207	(793)
Equipment, furniture and fixtures	2,500	2,500	-	(2,500)
Total culture and recreation	<u>113,569</u>	<u>113,569</u>	<u>105,168</u>	<u>(8,401)</u>
Total expenditures	<u>\$16,695,236</u>	<u>\$16,695,236</u>	<u>\$14,683,088</u>	<u>\$ (2,012,148)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses):				
Debt proceeds:	\$ -	\$ -	\$ 425,000	\$ 425,000
Operating transfers in:				
Insurance Reserve	\$ 265,000	\$ 265,000	\$ 260,827	\$ (4,173)
Capital Improvement Fund	50,000	50,000	50,000	-
Library Fund	100,000	100,000	182,000	82,000
Total operating transfers in	\$ 415,000	\$ 415,000	\$ 492,827	\$ 77,827
Operating transfers out:				
IMRF Fund	\$ (42,000)	\$ (42,000)	\$ (42,000)	\$ -
Grant Administration Fund	(17,500)	(17,500)	(11,877)	5,623
NHS Fund	(35,000)	(35,000)	(35,000)	-
Debt Service Fund	(371,050)	(371,050)	(370,362)	688
Total operating transfers out	\$ (465,550)	\$ (465,550)	\$ (459,239)	\$ 6,311

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OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2010

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 155,888	\$ -	\$ 50,107	\$ -
Investments, at cost	3,103,823	95,447	34,257	95,076
Receivables:				
Property tax	1,316,195	209,891	-	-
Accounts	538,690	-	57,359	-
Prepaid expenses	6,359	-	-	-
Due from other funds	33,038	-	-	-
Total assets	<u>\$ 5,153,993</u>	<u>\$ 305,338</u>	<u>\$ 141,723</u>	<u>\$ 95,076</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 179,456	\$ -	\$ -	\$ -
Accrued payroll	15,533	-	-	-
Due to other funds	155,893	-	-	72
Deferred revenues	1,316,195	209,891	-	-
Total liabilities	<u>1,667,077</u>	<u>209,891</u>	<u>-</u>	<u>72</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	434,386	-	-	-
Fund balances, unreserved	3,052,530	95,447	141,723	95,004
Total fund balances	<u>3,486,916</u>	<u>95,447</u>	<u>141,723</u>	<u>95,004</u>
Total liabilities and fund equity	<u>\$ 5,153,993</u>	<u>\$ 305,338</u>	<u>\$ 141,723</u>	<u>\$ 95,076</u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 73,203	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,777	42,047	2,907	-	8,701
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,000	-
<u>\$ 73,203</u>	<u>\$ 3,777</u>	<u>\$ 42,047</u>	<u>\$ 2,907</u>	<u>\$ 10,000</u>	<u>\$ 8,701</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,000	-
-	-	-	-	-	-
73,203	3,777	42,047	2,907	-	8,701
<u>73,203</u>	<u>3,777</u>	<u>42,047</u>	<u>2,907</u>	<u>-</u>	<u>8,701</u>
<u>\$ 73,203</u>	<u>\$ 3,777</u>	<u>\$ 42,047</u>	<u>\$ 2,907</u>	<u>\$ 10,000</u>	<u>\$ 8,701</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2010

	Special				Grants
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	West Ave. T.I.F. District	
<u>ASSETS</u>					
Cash	\$ 32,578	\$ -	\$ -	\$ -	\$ -
Investments, at cost	-	131,351	526,485	-	-
Receivables:					
Property tax	-	-	-	-	-
Accounts	-	-	-	-	214,056
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	23,038
Total assets	<u>\$ 32,578</u>	<u>\$ 131,351</u>	<u>\$ 526,485</u>	<u>\$ -</u>	<u>\$ 237,094</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 5,086	\$ 20,140	\$ 1,778	\$ 81,273
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	155,821
Deferred revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>5,086</u>	<u>20,140</u>	<u>1,778</u>	<u>237,094</u>
<u>FUND EQUITY</u>					
Fund equity:					
Fund balances, reserved	-	-	-	-	-
Fund balances, unreserved	32,578	126,265	506,345	(1,778)	-
Total fund balances	<u>32,578</u>	<u>126,265</u>	<u>506,345</u>	<u>(1,778)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 32,578</u>	<u>\$ 131,351</u>	<u>\$ 526,485</u>	<u>\$ -</u>	<u>\$ 237,094</u>

Revenue	Debt Service	Capital Projects			
Public Library	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
865,608	387,472	112,930	386,533	301,819	109,413
1,106,304	-	-	-	-	-
5,888	-	-	235,221	26,166	-
2,609	-	-	3,750	-	-
-	-	-	-	-	-
<u>\$ 1,980,409</u>	<u>\$ 387,472</u>	<u>\$ 112,930</u>	<u>\$ 625,504</u>	<u>\$ 327,985</u>	<u>\$ 109,413</u>
\$ 44,436	\$ -	\$ -	\$ 6,893	\$ 9,850	\$ -
15,533	-	-	-	-	-
-	-	-	-	-	-
1,106,304	-	-	-	-	-
<u>1,166,273</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>9,850</u>	<u>-</u>
46,914	387,472	-	-	-	-
767,222	-	112,930	618,611	318,135	109,413
<u>814,136</u>	<u>387,472</u>	<u>112,930</u>	<u>618,611</u>	<u>318,135</u>	<u>109,413</u>
<u>\$ 1,980,409</u>	<u>\$ 387,472</u>	<u>\$ 112,930</u>	<u>\$ 625,504</u>	<u>\$ 327,985</u>	<u>\$ 109,413</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2010

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 2,313,136	\$ 168,346	\$ -	\$ -
Fees	505,228	-	-	-
Intergovernmental	3,122,006	-	1,294,260	-
Interest	60,506	226	23,004	6,300
Other	19,305	-	-	-
Total revenues	<u>6,020,181</u>	<u>168,572</u>	<u>1,317,264</u>	<u>6,300</u>
Expenditures:				
General government	593,821	239,458	-	-
Public safety	226,780	-	-	-
Public works	2,845,096	-	626,916	-
Culture and recreation	1,986,001	-	-	-
Debt service	533,265	-	-	-
Total expenditures	<u>6,184,963</u>	<u>239,458</u>	<u>626,916</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(164,782)</u>	<u>(70,886)</u>	<u>690,348</u>	<u>6,300</u>
Other financing sources (uses):				
Sale of fixed assets	12,227	-	-	-
Debt proceeds	450,000	-	-	-
Operating transfers in	1,932,499	42,000	-	-
Operating transfers out	<u>(1,966,087)</u>	<u>-</u>	<u>(931,648)</u>	<u>-</u>
Total other financing sources (uses)	<u>428,639</u>	<u>42,000</u>	<u>(931,648)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	263,857	(28,886)	(241,300)	6,300
Fund balance - May 1, 2009	3,389,584	124,333	383,023	88,704
Prior Period Adj. (See Note R)	<u>(166,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - April 30, 2010	<u><u>\$ 3,486,916</u></u>	<u><u>\$ 95,447</u></u>	<u><u>\$ 141,723</u></u>	<u><u>\$ 95,004</u></u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 149,630	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
411	62	52	4	-	12
-	-	6,900	-	-	300
<u>150,041</u>	<u>62</u>	<u>6,952</u>	<u>4</u>	<u>-</u>	<u>312</u>
166,600	129,678	-	-	35,000	1,372
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>166,600</u>	<u>129,678</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>1,372</u>
<u>(16,559)</u>	<u>(129,616)</u>	<u>6,952</u>	<u>4</u>	<u>(35,000)</u>	<u>(1,060)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	35,000	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
(16,559)	(129,616)	6,952	4	-	(1,060)
89,762	133,393	35,095	2,903	-	9,761
-	-	-	-	-	-
<u>\$ 73,203</u>	<u>\$ 3,777</u>	<u>\$ 42,047</u>	<u>\$ 2,907</u>	<u>\$ -</u>	<u>\$ 8,701</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2010

	Special				Grants
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	West Ave. T.I.F. District	
Revenues:					
Taxes	\$ -	\$ 244,164	\$ 581,428	\$ -	\$ -
Fees	-	-	-	-	-
Intergovernmental	42	-	-	-	1,538,387
Interest	53	379	815	-	-
Other	665	-	-	-	-
Total revenues	<u>760</u>	<u>244,543</u>	<u>582,243</u>	<u>-</u>	<u>1,538,387</u>
Expenditures:					
General government	6,551	-	-	-	-
Public safety	-	-	-	-	170,566
Public works	-	46,671	188,504	1,778	1,040,549
Culture and recreation	-	-	-	-	550,386
Debt service	-	-	-	-	-
Total expenditures	<u>6,551</u>	<u>46,671</u>	<u>188,504</u>	<u>1,778</u>	<u>1,761,501</u>
Excess of revenues over (under) expenditure	<u>(5,791)</u>	<u>197,872</u>	<u>393,739</u>	<u>(1,778)</u>	<u>(223,114)</u>
Other financing sources (uses):					
Sale of fixed assets	-	-	-	-	-
Debt proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	389,639
Operating transfers out	-	(68,084)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(68,084)</u>	<u>-</u>	<u>-</u>	<u>389,639</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(5,791)</u>	<u>129,788</u>	<u>393,739</u>	<u>(1,778)</u>	<u>166,525</u>
Fund balance - May 1, 2009	38,369	(3,523)	112,606	-	-
Prior Period Adj. (See Note R)	-	-	-	-	(166,525)
Fund balance - April 30, 2010	<u>\$ 32,578</u>	<u>\$ 126,265</u>	<u>\$ 506,345</u>	<u>\$ (1,778)</u>	<u>\$ -</u>

Revenue	Debt Service	Capital Projects			
		Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
Public Library	Debt Service				
\$ 1,169,568	\$ -	\$ -	\$ -	\$ -	\$ -
27,398	-	-	477,830	-	-
39,501	-	-	-	249,816	-
15,233	1,034	-	1,870	10,997	54
11,283	-	157	-	-	-
<u>1,262,983</u>	<u>1,034</u>	<u>157</u>	<u>479,700</u>	<u>260,813</u>	<u>54</u>
-	-	3,572	-	11,590	-
-	-	-	56,214	-	-
-	-	-	-	-	940,678
1,435,615	-	-	-	-	-
-	533,265	-	-	-	-
<u>1,435,615</u>	<u>533,265</u>	<u>3,572</u>	<u>56,214</u>	<u>11,590</u>	<u>940,678</u>
<u>(172,632)</u>	<u>(532,231)</u>	<u>(3,415)</u>	<u>423,486</u>	<u>249,223</u>	<u>(940,624)</u>
-	-	-	-	12,227	-
-	450,000	-	-	-	-
-	534,212	-	-	-	931,648
<u>(182,000)</u>	<u>(371,262)</u>	<u>-</u>	<u>(363,093)</u>	<u>(50,000)</u>	<u>-</u>
<u>(182,000)</u>	<u>612,950</u>	<u>-</u>	<u>(363,093)</u>	<u>(37,773)</u>	<u>931,648</u>
(354,632)	80,719	(3,415)	60,393	211,450	(8,976)
1,168,768	306,753	116,345	558,218	106,685	118,389
-	-	-	-	-	-
<u>\$ 814,136</u>	<u>\$ 387,472</u>	<u>\$ 112,930</u>	<u>\$ 618,611</u>	<u>\$ 318,135</u>	<u>\$ 109,413</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2010

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	136,725	20,388	116,337
Loans receivable	<u>287,191</u>	<u>-</u>	<u>287,191</u>
Total assets	<u>423,916</u>	<u>20,388</u>	<u>403,528</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>785</u>	<u>785</u>	<u>-</u>
Net assets	<u>\$ 423,131</u>	<u>\$ 19,603</u>	<u>\$ 403,528</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2010

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 25,705	\$ 25,705	\$ -
Interest	<u>8,696</u>	<u>30</u>	<u>8,666</u>
Total additions	<u>34,401</u>	<u>25,735</u>	<u>8,666</u>
Deductions:			
Contractual services	2,572	2,572	-
Supplies	17,777	17,777	-
Capital outlay	<u>6,087</u>	<u>6,087</u>	<u>-</u>
Total deductions	<u>26,436</u>	<u>26,436</u>	<u>-</u>
Net increase	7,965	(701)	8,666
Net assets held in trust for other purposes			
Net assets, May 1, 2009	<u>415,166</u>	<u>20,304</u>	<u>394,862</u>
Net assets, April 30, 2010	<u>\$ 423,131</u>	<u>\$ 19,603</u>	<u>\$ 403,528</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2010

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 1,091,748	\$ 297,569	\$ 794,179
Receivables:			
Accrued interest	<u>91,666</u>	<u>538</u>	<u>91,128</u>
Investments, at fair value			
U.S. government obligations	10,912,952	-	10,912,952
State and local obligations	2,942,150	-	2,942,150
Common stock	2,763,680	1,504,483	1,259,197
Mutual funds	<u>23,993,444</u>	<u>14,040,743</u>	<u>9,952,701</u>
Total investments	<u>40,612,226</u>	<u>15,545,226</u>	<u>25,067,000</u>
Total assets	<u>41,795,640</u>	<u>15,843,333</u>	<u>25,952,307</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 41,795,640</u>	<u>\$ 15,843,333</u>	<u>\$ 25,952,307</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2010

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 1,749,654	\$ 1,032,932	\$ 716,722
Contributions - employees	579,324	307,151	272,173
Other investment income	<u>5,768,249</u>	<u>1,582,293</u>	<u>4,185,956</u>
 Total additions	 <u>8,097,227</u>	 <u>2,922,376</u>	 <u>5,174,851</u>
 Deductions:			
Benefits and refunds	3,105,276	1,439,456	1,665,820
Other charges and services	<u>183,019</u>	<u>82,710</u>	<u>100,309</u>
 Total deductions	 <u>3,288,295</u>	 <u>1,522,166</u>	 <u>1,766,129</u>
 Net increase	 4,808,932	 1,400,210	 3,408,722
 Net assets held in trust for pension benefits			
Net assets, May 1, 2009	<u>36,986,708</u>	<u>14,443,123</u>	<u>22,543,585</u>
Net assets, April 30, 2010	<u>\$ 41,795,640</u>	<u>\$ 15,843,333</u>	<u>\$ 25,952,307</u>

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
 April 30, 2010

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>
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
2009	\$5.15/month	\$2.63	\$4,114,647
2010	\$5.15/month	\$2.63	\$3,960,197

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION**

April 30, 2010

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 \$27,554,812 or approximately 11.9% between 2005 and 2009 (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>
2009	\$256,361,207	(0.795)%
2008	\$258,416,227	1.398%
2007	\$254,852,880	3.430%
2006	\$246,401,399	3.659%
2005	\$237,703,078	2.694%
Per Capita EAV		<u>\$9,710.65</u>

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2010

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2009 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$176,002,490	68.655%
Farm	140,912	0.055%
Commercial	67,641,861	26.385%
Industrial	12,119,330	4.727%
Railroad	<u>456,614</u>	<u>0.178%</u>
	<u>\$256,361,207</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2010 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$26,710,000</u>	<u>\$26,710,000</u>	<u>\$-0-</u>
Total	<u>\$26,710,000</u>	<u>\$26,710,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2009 EAV			-0-%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$14,162,840	44%	\$ 6,231,650
School District #145	19,320,013	76%	14,683,210
Freeport Park District	2,554,115	99%	2,528,574
Community College District #519	<u>5,835,000</u>	18%	<u>1,050,300</u>
Total	<u>\$41,871,968</u>		<u>\$24,493,734</u>

Per capita net overlapping debt	\$927.79
Percent of net overlapping debt to 2009 EAV	9.10%

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
 April 30, 2010

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 2005 through 2009 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Corporate	0.28179	0.38616	0.39155	0.38094	0.39529
Police Pension	0.35365	0.31928	0.29444	0.29097	0.27651
Public Library	0.43590	0.43561	0.42887	0.42984	0.43095
Municipal Retirement	0.08270	0.06502	0.06749	0.07306	0.08246
Firefighter's Pension	<u>0.28179</u>	<u>0.22154</u>	<u>0.22244</u>	<u>0.23982</u>	<u>0.23300</u>
Total	<u>1.43583</u>	<u>1.42761</u>	<u>1.40479</u>	<u>1.41463</u>	<u>1.41821</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 2009 were as follows:

<u>Taxing Unit</u>	<u>2009 Tax Levy</u>
City of Freeport	1.43583
Stephenson County	1.14966
Freeport Township	.40150
Community College District #519	.47834
School District #145	5.77607
Freeport Park District	.94098
Freeport MOSQ Abate	.04281

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
Year ended April 30, 2010

<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>
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>\$ 665,000</u>	<u>\$ 138,968</u>	<u>\$ 1,900,000</u>	<u>\$ 988,278</u>

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CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2010

Year ended <u>April 30</u>	2000 <u>General Obligation Bonds</u>		2003 <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 770,000</u>	<u>\$ 62,327</u>	<u>\$ 1,500,000</u>	<u>\$ 315,551</u>

2004		2005		2006	
General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 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
\$ 8,340,000	\$ 3,299,406	\$ 5,565,000	\$ 4,377,044	\$ 7,970,000	\$ 5,338,423

**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, 2010, and have issued our report thereon dated November 2, 2010. 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.

Wipfli LLP

Freeport, Illinois
November 2, 2010