

CITY OF FREEPORT, ILLINOIS
Freeport, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2011

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, 2011, 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, 2011, 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 7, 2011, 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 7, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

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, 2011.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2011 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, 2011

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, 2011

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2011 and 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current Assets	\$14,075,681	\$11,402,793	\$ 3,415,003	\$ 3,461,274	\$17,490,684	\$14,864,067
Non-current Assets	<u>15,544,003</u>	<u>16,052,783</u>	<u>51,608,018</u>	<u>51,551,643</u>	<u>67,152,021</u>	<u>67,604,426</u>
Total Assets	<u>29,619,684</u>	<u>27,455,576</u>	<u>55,023,021</u>	<u>55,012,917</u>	<u>84,642,705</u>	<u>82,468,493</u>
Liabilities:						
Current Liabilities	4,926,954	4,989,235	2,393,902	2,112,371	7,320,856	7,101,606
Non-current Liabilities	<u>15,131,588</u>	<u>14,088,349</u>	<u>26,847,477</u>	<u>28,009,855</u>	<u>41,979,065</u>	<u>42,098,204</u>
Total liabilities	<u>20,058,542</u>	<u>19,077,584</u>	<u>29,241,379</u>	<u>30,122,226</u>	<u>49,299,921</u>	<u>49,199,810</u>
Net Assets:						
Investments in capital assets, net of debt	11,639,944	11,632,430	24,618,059	23,656,223	36,258,003	35,288,653
Restricted	304,910	434,386	1,541,814	1,523,962	1,846,724	1,958,348
Unrestricted	<u>(2,383,712)</u>	<u>(3,688,824)</u>	<u>(378,231)</u>	<u>(289,494)</u>	<u>(2,761,943)</u>	<u>(3,978,318)</u>
Total net assets	<u>\$ 9,561,142</u>	<u>\$ 8,377,992</u>	<u>\$25,781,642</u>	<u>\$24,890,691</u>	<u>\$35,342,784</u>	<u>\$33,268,683</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, 2011

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, 2011 and 2010**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program:						
Charges for services	\$ 1,461,463	\$ 1,400,030	\$8,706,747	\$8,362,869	\$10,168,210	\$ 9,762,899
Operating grants & contributions	1,556,564	2,226,989	-	-	1,556,564	2,226,989
General:						
Property & other taxes	18,376,484	16,342,101	-	-	18,376,484	16,342,101
Other	<u>1,664,930</u>	<u>3,283,555</u>	<u>745</u>	<u>2,818</u>	<u>1,665,675</u>	<u>3,286,373</u>
Total revenues	<u>23,059,441</u>	<u>23,252,675</u>	<u>8,707,492</u>	<u>8,365,687</u>	<u>31,766,933</u>	<u>31,618,362</u>
Expenses:						
General government	10,261,091	13,137,764	-	-	10,261,091	13,137,764
Public safety	7,419,110	8,009,948	-	-	7,419,110	8,009,948
Public works	2,378,329	2,539,076	-	-	2,378,329	2,539,076
Health	95,228	375,588	-	-	95,228	375,588
Culture and recreation	1,533,876	1,719,502	-	-	1,533,876	1,719,502
Interest on long-term debt	188,657	98,595	-	-	188,657	98,595
Water	-	-	1,986,988	2,192,874	1,986,988	2,192,874
Sewer	-	-	3,601,312	4,369,541	3,601,312	4,369,541
Storm Sewer	-	-	659,394	762,581	659,394	762,581
Landfill Closure	-	-	200,278	329,776	200,278	329,776
Health and Environment	-	-	<u>1,368,569</u>	<u>1,334,052</u>	<u>1,368,569</u>	<u>1,334,052</u>
Total expenses	<u>21,876,291</u>	<u>25,880,473</u>	<u>7,816,541</u>	<u>8,988,824</u>	<u>29,692,832</u>	<u>34,869,297</u>
Change in net assets	<u>\$ 1,183,150</u>	<u>\$ (2,627,798)</u>	<u>\$ 890,951</u>	<u>\$ (623,137)</u>	<u>\$ 2,074,101</u>	<u>\$ (3,250,935)</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, 2011

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 \$35,342,784 as of April 30, 2011. This is an increase of \$2,074,101 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, 2011 were \$5,080,387. This is an increase of \$1,602,749 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in June 2010. 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 \$691,381 more than budgeted. General Fund expenses were \$2,475,444 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$1,849,862 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in the fund balance of \$1,602,749.

Capital Assets/Long-Term Debt

During the fiscal year the City purchased 1 vehicle for the Sewer Department, 1 vehicle for the Fire Department, 1 vehicle for the Mayor's Office and 4 police cars for the Police Department for a total expenditure of \$159,525. The City also had four vehicles contributed to the transportation program which totaled approximately \$180,000. (See Note E for further information on capital assets.)

The City incurred no new debt during the fiscal year ended April 30, 2011. (See Note H for additional information on long-term debt.)

Factors or Conditions Impacting Future Periods

We reported in prior annual financial reports about our focus on expense management and organizational review. As this financial report reflects, we are showing the positive results of these initiatives. Expenses for the period are down, we have noticed increases in our efficiency and productivity from continued organizational structure changes and the diversity of our revenue stream has resulted in slight increases, in spite of challenges in an economy that have not been experienced for decades.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2011

Factors or Conditions Impacting Future Periods (Continued)

Although challenges still exist, we are cognizant of the need to continue investing in our infrastructure. To this end we are increasing the financial commitment to our roadways, investing \$20,000,000 in our water & sewer utility and are finalizing the strategies to embark on a five year economic development program that will provide the stimulus to perpetuate the forward progress and momentum we are experiencing.

We believe this balanced approach, coupled with the prospects of an uptick in the economy, will prove to be a successful recipe for sustained growth in our region and will enable us to capitalize on emerging opportunities.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,518,195	\$ 698,545	\$ 3,216,740
Investments	4,665,878	84,355	4,750,233
Receivables (net of allowances):			
Property taxes	3,690,327	-	3,690,327
Accounts	2,679,146	929,097	3,608,243
Interest	-	1,397	1,397
Inventories	-	152,695	152,695
Deposits	-	7,100	7,100
Prepaid expenses	522,135	-	522,135
Restricted cash accounts	-	1,541,814	1,541,814
Total current assets	<u>14,075,681</u>	<u>3,415,003</u>	<u>17,490,684</u>
Bond issuance costs	-	235,046	235,046
Deferred charges	-	11,067	11,067
Prepaid interest	370,745	3,007,474	3,378,219
Capital Assets (net of accumulated depreciation):			
Buildings	7,947,384	16,635,023	24,582,407
Infrastructure	5,660,482	28,272,639	33,933,121
Equipment	186,831	2,828,813	3,015,644
Vehicles	1,378,561	-	1,378,561
Work in process	-	617,956	617,956
Total noncurrent assets	<u>15,544,003</u>	<u>51,608,018</u>	<u>67,152,021</u>
Total assets	<u>29,619,684</u>	<u>55,023,021</u>	<u>84,642,705</u>

LIABILITIES

Current liabilities:			
Accounts payable	312,793	399,549	712,342
Accrued payroll	166,625	35,287	201,912
Deposits and escrow amounts	2,546	675,241	677,787
Unearned grant revenue	35,253	83,037	118,290
Deferred revenue	3,690,327	37,313	3,727,640
Claims payable	235,000	-	235,000
Accrued interest	40,354	396,050	436,404
Current portion long term debt	444,056	767,425	1,211,481
	<u>4,926,954</u>	<u>2,393,902</u>	<u>7,320,856</u>
Total current liabilities			
Noncurrent liabilities:			
General obligation bonds payable	2,358,000	22,702,000	25,060,000
Market premium on bonds payable	-	42,614	42,614
Deferred gain	137,557	1,120,841	1,258,398
Notes payable	731,258	266,947	998,205
Net pension obligation	8,415,402	-	8,415,402
Net OPEB obligation	3,126,489	-	3,126,489
Accrued compensated absences	362,882	125,000	487,882
Landfill closure liability	-	2,590,075	2,590,075
	<u>15,131,588</u>	<u>26,847,477</u>	<u>41,979,065</u>
Total noncurrent liabilities			
Total liabilities	<u>20,058,542</u>	<u>29,241,379</u>	<u>49,299,921</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,639,944	24,618,059	36,258,003
Restricted	304,910	1,541,814	1,846,724
Unrestricted	<u>(2,383,712)</u>	<u>(378,231)</u>	<u>(2,761,943)</u>
Total net assets	<u>\$ 9,561,142</u>	<u>\$ 25,781,642</u>	<u>\$ 35,342,784</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2011

<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	\$ 10,261,091	\$ 279,891	\$ 809,300	\$ -
Public safety	7,419,110	917,166	295,526	-
Public works	2,378,329	232,885	359,599	-
Health	95,228	-	52,579	-
Culture and recreation	1,533,876	31,521	39,560	-
Interest	188,657	-	-	-
Total governmental activities	<u>\$ 21,876,291</u>	<u>\$ 1,461,463</u>	<u>\$ 1,556,564</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 1,986,988	\$ 2,118,354	\$ -	\$ -
Sewer	3,601,312	3,892,259	-	-
Storm Sewer	659,394	1,090,170	-	-
Landfill Closure	200,278	262,628	-	-
Health and Environment	1,368,569	1,343,336	-	-
Total business-type activities	<u>\$ 7,816,541</u>	<u>\$ 8,706,747</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

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

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (9,171,900)	\$ -	\$ (9,171,900)
(6,206,418)	-	(6,206,418)
(1,785,845)	-	(1,785,845)
(42,649)	-	(42,649)
(1,462,795)	-	(1,462,795)
(188,657)	-	(188,657)
<u>(18,858,264)</u>	<u>-</u>	<u>(18,858,264)</u>
-	131,366	131,366
-	290,947	290,947
-	430,776	430,776
-	62,350	62,350
-	(25,233)	(25,233)
<u>-</u>	<u>890,206</u>	<u>890,206</u>
4,609,593	-	4,609,593
11,850,735	-	11,850,735
1,916,156	-	1,916,156
28,863	745	29,608
1,636,067	-	1,636,067
<u>20,041,414</u>	<u>745</u>	<u>20,042,159</u>
1,183,150	890,951	2,074,101
8,377,992	24,890,691	33,268,683
<u>\$ 9,561,142</u>	<u>\$ 25,781,642</u>	<u>\$ 35,342,784</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50,884	\$ 138,137	\$ 189,021
Investments	2,771,433	4,159,849	6,931,282
Receivables, net of allowances			
Property tax	2,368,718	1,321,609	3,690,327
Accounts	-	702,701	702,701
Other	574,737	-	574,737
Due from other governments	1,399,358	-	1,399,358
Due from other funds	303,403	56,678	360,081
Prepaid expenses	516,265	3,750	520,015
Total assets	\$ 7,984,798	\$ 6,382,724	\$ 14,367,522
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ 133,324	\$ 182,015	\$ 315,339
Accrued payroll	150,543	16,082	166,625
Due to other funds	216,573	310,268	526,841
Unearned grant revenue	35,253	-	35,253
Deferred revenue	2,368,718	1,321,609	3,690,327
Total liabilities	2,904,411	1,829,974	4,734,385
Fund balances:			
Reserved for debt service	-	262,052	262,052
Reserved for restricted tax levies	-	42,858	42,858
Unreserved, reported in:			
General funds	5,080,387	-	5,080,387
Special revenue funds	-	2,761,772	2,761,772
Capital projects funds	-	1,486,068	1,486,068
Total fund balances	5,080,387	4,552,750	9,633,137
Total liabilities and fund balances	\$ 7,984,798	\$ 6,382,724	\$ 14,367,522

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2011

Total fund balances - governmental funds	\$ 9,633,137
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 \$28,469,031 and the accumulated depreciation is \$13,295,773.	15,173,258
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.	370,745
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.	-
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(15,615,998)</u>
Total net assets - governmental activities	<u>\$ 9,561,142</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 14,935,153	\$ 2,462,470	\$ 17,397,623
Fees	925,436	521,782	1,447,218
Intergovernmental	255,629	2,284,647	2,540,276
Interest	12,405	324,441	336,846
Other	251,261	104,199	355,460
Total revenues	<u>16,379,884</u>	<u>5,697,539</u>	<u>22,077,423</u>
EXPENSES			
Current:			
General government	6,625,064	1,442,698	8,067,762
Public safety	6,819,344	377,600	7,196,944
Public works	958,078	1,000,357	1,958,435
Health	42,649	-	42,649
Culture and recreation	84,887	1,386,920	1,471,807
Debt service	-	671,843	671,843
Total expenses	<u>14,530,022</u>	<u>4,879,418</u>	<u>19,409,440</u>
Excess (deficiency) of revenues over expenses	<u>1,849,862</u>	<u>818,121</u>	<u>2,667,983</u>
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	600	-	600
Transfers in	207,715	1,011,238	1,218,953
Transfers out	(455,428)	(763,525)	(1,218,953)
Total other financing sources and uses	<u>(247,113)</u>	<u>247,713</u>	<u>600</u>
Net change in fund balances	1,602,749	1,065,834	2,668,583
Fund balances - beginning	3,477,638	3,486,916	6,964,554
Fund balances - ending	<u>\$ 5,080,387</u>	<u>\$ 4,552,750</u>	<u>\$ 9,633,137</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, 2011

Excess (deficiency) of revenues received and other sources over (under)
 expenditures disbursed and other uses - Governmental funds \$ 2,668,583

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 \$(771,354) exceeds capitalized fixed assets \$(288,665) in the period. (482,689)

Losses on the disposition of capital assets are recorded in the statement of activities.
 However, the entire cost of the capital assets have already been expensed in
 the governmental funds as expenditures. This is the amount of the loss in the period. (7,157)

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. 37,843

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. 14,266

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. 483,186

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. (1,530,882)

Change in net assets of governmental activities \$ 1,183,150

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

Business-type Activities-Enterprise Funds

	<u>Business-type Activities-Enterprise Funds</u>						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
ASSETS							
Current assets:							
Cash	\$ 634,267	\$ 63,597	\$ 100	\$ 581	\$ -	\$ 698,545	\$ -
Investments	-	-	8,556	-	75,799	84,355	63,770
Receivables, net of allowance for uncollectible:							
Accounts	352,207	427,727	-	149,163	-	929,097	2,350
Interest	254	1,143	-	-	-	1,397	-
Due from other funds	2,340,000	-	-	-	85,275	2,425,275	166,760
Inventories	18,784	133,911	-	-	-	152,695	-
Deposits	6,740	360	-	-	-	7,100	-
Prepaid expenses	-	-	-	-	-	-	2,120
Restricted cash accounts:							
Revolving fund	-	1,663	-	-	-	1,663	-
Bond and interest	-	607,983	-	696,967	-	1,304,950	-
Capital improvements	139,959	95,242	-	-	-	235,201	-
Total current assets	<u>3,492,211</u>	<u>1,331,626</u>	<u>8,656</u>	<u>846,711</u>	<u>161,074</u>	<u>5,840,278</u>	<u>235,000</u>
Noncurrent assets:							
Bond issuance costs	-	140,067	-	94,979	-	235,046	-
Prepaid interest & market discount	-	2,114,178	-	893,296	-	3,007,474	-
Property, plant and equipment (net of accumulated depreciation)	12,063,283	27,458,489	-	8,832,659	-	48,354,431	-
Deferred charges	11,067	-	-	-	-	11,067	-
Total noncurrent assets	<u>12,074,350</u>	<u>29,712,734</u>	<u>-</u>	<u>9,820,934</u>	<u>-</u>	<u>51,608,018</u>	<u>-</u>
Total assets	<u>15,566,561</u>	<u>31,044,360</u>	<u>8,656</u>	<u>10,667,645</u>	<u>161,074</u>	<u>57,448,296</u>	<u>235,000</u>

LIABILITIES

Current liabilities:

Accounts payable	248,397	34,558	5,241	175	111,178	399,549	235,000
Accrued payroll	14,246	20,299	-	742	-	35,287	-
Due to other funds	85,275	1,880,000	-	460,000	-	2,425,275	-
Deposits and escrow amounts	672,516	2,725	-	-	-	675,241	-
Deferred revenue	-	63,000	37,313	20,037	-	120,350	-
Accrued interest payable	-	285,976	-	110,074	-	396,050	-
Current portion long term debt	-	511,008	29,425	226,992	-	767,425	-
Total current liabilities	<u>1,020,434</u>	<u>2,797,566</u>	<u>71,979</u>	<u>818,020</u>	<u>111,178</u>	<u>4,819,177</u>	<u>235,000</u>

Noncurrent liabilities:

Landfill closure liability	-	-	2,590,075	-	-	2,590,075	-
Deferred gain	-	580,553	-	540,288	-	1,120,841	-
Accrued compensated absences	42,543	79,528	-	2,929	-	125,000	-
Note payable	-	-	266,947	-	-	266,947	-
General obligation bonds payable	-	14,302,062	-	8,399,938	-	22,702,000	-
Market premium on bonds payable	-	28,656	-	13,958	-	42,614	-
Total noncurrent liabilities	<u>42,543</u>	<u>14,990,799</u>	<u>2,857,022</u>	<u>8,957,113</u>	<u>-</u>	<u>26,847,477</u>	<u>-</u>
Total liabilities	<u>1,062,977</u>	<u>17,788,365</u>	<u>2,929,001</u>	<u>9,775,133</u>	<u>111,178</u>	<u>31,666,654</u>	<u>235,000</u>

NET ASSETS

Restricted due to bond ordinance	139,959	704,888	-	696,967	-	1,541,814	-
Unrestricted	14,363,625	12,551,107	(2,920,345)	195,545	49,896	24,239,828	-
Total net assets	<u>\$ 14,503,584</u>	<u>\$ 13,255,995</u>	<u>\$ (2,920,345)</u>	<u>\$ 892,512</u>	<u>\$ 49,896</u>	<u>\$ 25,781,642</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended April 30, 2011

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
Operating revenues:							
Charges for services	\$ 2,118,354	\$ 3,892,259	\$ 262,628	\$ 721,511	\$ 1,343,336	\$ 8,338,088	\$ 2,921,237
Operating expenses:							
Operating	1,593,088	2,239,958	200,278	63,332	1,368,569	5,465,225	2,907,524
Depreciation	348,911	894,484	-	210,081	-	1,453,476	-
Total operating expenses	1,941,999	3,134,442	200,278	273,413	1,368,569	6,918,701	2,907,524
Operating income (loss)	176,355	757,817	62,350	448,098	(25,233)	1,419,387	13,713
Nonoperating revenues (expenses):							
Interest income	50	209	122	348	16	745	553
Grant revenue	-	349,998	-	368,659	-	718,657	-
Interest and fiscal charges	(44,989)	(816,056)	-	(386,793)	-	(1,247,838)	-
Total nonoperating revenues	(44,939)	(465,849)	122	(17,786)	16	(528,436)	553
Net income (loss)	131,416	291,968	62,472	430,312	(25,217)	890,951	14,266
Net assets - May 1, 2010	14,372,168	12,964,027	(2,982,817)	462,200	75,113	24,890,691	(14,266)
Net assets - April 30, 2011	\$ 14,503,584	\$ 13,255,995	\$ (2,920,345)	\$ 892,512	\$ 49,896	\$ 25,781,642	\$ -

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended April 30, 2011

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	\$ 1,690,637	\$ 3,976,340	\$ 263,431	\$ 721,438	\$ 1,343,336	\$ 7,995,182	\$ 2,876,533
Payments to suppliers	(899,132)	(1,151,065)	(548,082)	148,903	(1,269,370)	(3,718,746)	(2,902,524)
Payments to employees	(581,661)	(882,746)	-	(35,862)	-	(1,500,269)	-
Net cash provided by (used in) operations	209,844	1,942,529	(284,651)	834,479	73,966	2,776,167	(25,991)

**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	-	-	(19,123)	-	(1,817)	(20,940)	-
Sale of investments	116	(32,260)	332,280	-	(72,165)	227,971	24,791
Interest received	50	214	122	348	16	750	553
Net cash provided by (used in) investing activities	166	(32,046)	313,279	348	(73,966)	207,781	25,344

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

Interest paid	(44,989)	(743,156)	-	(361,299)	-	(1,149,444)	-
Grant revenue	-	349,998	-	368,659	-	718,657	-
Principal payments on long term debt	-	(487,951)	(28,628)	(217,049)	-	(733,628)	-
Purchase of property and equipment	(76,254)	(978,610)	-	(626,820)	-	(1,681,684)	-
Net cash provided by (used in) capital and related financing activities	(121,243)	(1,859,719)	(28,628)	(836,509)	-	(2,846,099)	-
Net increase (decrease) in cash and cash equivalents	88,767	50,764	-	(1,682)	-	137,849	(647)
Beginning cash and cash equivalents	545,500	12,833	100	2,263	-	560,696	647
Ending cash and cash equivalents	\$ 634,267	\$ 63,597	\$ 100	\$ 581	\$ -	\$ 698,545	\$ -

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 Year ended April 30, 2011

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
	\$ 176,355	\$ 757,817	\$ 62,350	\$ 448,098	\$ (25,233)	\$ 1,419,387	\$ 13,713
Operating income (loss)	348,911	894,484	-	210,081	-	1,453,476	-
Adjustments to reconcile operating income to net cash provided by (used in) operations:							
Depreciation	(36,203)	18,441	-	(20,110)	-	(37,872)	24,056
Loss on disposal of fixed assets	664	-	-	-	-	664	-
Changes in assets and liabilities:	(485,000)	-	-	-	95,950	(389,050)	(68,760)
Accounts receivable	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Accounts payable	206,022	(74,177)	(27,047)	(29,965)	3,249	78,082	5,000
Accrued payroll	3,221	1,764	-	49	-	5,034	-
Accrued compensated absences	(1,662)	(1,440)	-	1,289	-	(1,813)	-
Deposits and escrow amounts	93,486	2,640	-	-	-	96,126	-
Deferred revenue	-	63,000	803	20,037	-	83,840	-
Other liabilities	-	-	(320,757)	-	-	(320,757)	-
Deferred charges	-	-	-	-	-	-	-
Due to other funds	(95,950)	280,000	-	205,000	-	389,050	-
Net cash provided by (used in) operations	\$ 209,844	\$ 1,942,529	\$ (284,651)	\$ 834,479	\$ 73,966	\$ 2,776,167	\$ (25,991)

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

April 30, 2011

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ 92,944	\$ 819,953
Investments	30,268	45,050,488
Receivables, net of allowance for uncollectible:		
Loan	321,414	-
Interest	-	36,074
	<hr/>	<hr/>
Total assets	444,626	45,906,515
	<hr/>	<hr/>
 <u>LIABILITIES</u>		
Accounts payable	106	-
	<hr/>	<hr/>
 <u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$ 444,520	\$ 45,906,515
	<hr/>	<hr/>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2011

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 25,462	\$ -
Contributions-employer taxes	-	2,043,393
Contributions-employee	-	547,701
Investment income	<u>10,860</u>	<u>5,096,041</u>
Total additions	<u>36,322</u>	<u>7,687,135</u>
Deductions:		
Benefits and refunds	-	3,382,361
Other charges and services	<u>14,933</u>	<u>193,899</u>
Total deductions	<u>14,933</u>	<u>3,576,260</u>
Net increase	21,389	4,110,875
Net assets - beginning	<u>423,131</u>	<u>41,795,640</u>
Net assets - ending	<u>\$ 444,520</u>	<u>\$ 45,906,515</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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.

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, 2011

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, 2011

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, 2011

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, 2011

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.

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, 2011 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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

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 2009 levy. Property taxes related to the 2010 levy are collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

Effective in December 2010, the City levied its 2010 taxes which will be recognized as revenue in 2012. The amounts of taxes levied are:

General Fund	\$2,392,645
Special Revenue Funds:	
IMRF	240,007
Library	<u>1,094,952</u>
	<u>\$3,727,604</u>

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

INVENTORY

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

FUND EQUITY

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

A. Summary of Significant Accounting Policies (Continued):

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.

B. Legal Compliance and Accountability:

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>\$(2,920,345)</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, 2011

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, 2011, 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 \$5,890,339 and the bank balance was \$6,341,183. Of the bank balance, \$5,792,722 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 \$548,461 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, 2011, \$548,461 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, 2011, the City's investments were as follows:

	<u>Fair Value</u>
<i>Governmental Activities:</i>	
Investments in State Investment Pool	\$4,514,296
U.S. Government Obligations	<u>47,317</u>
Total	<u>\$4,561,613</u>
<i>Pension Trust Funds:</i>	
U.S. Government Obligations	\$4,500,520
Investments in State Investment Pool	9,356
State and Local Obligations	277,923
Equity Mutual Funds	36,589,396
Common Stock	<u>3,682,649</u>
Total	<u>\$45,059,844</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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	\$4,514,296	\$ -	\$ -	\$4,514,296
U.S. Government obligations	-	-	47,317	47,317
Total	<u>\$4,514,296</u>	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$4,561,613</u>
<i>Pension Trust Funds:</i>				
U.S. Government Obligations	\$118,812	\$1,417,229	\$2,964,479	\$4,500,520
Investments in State				
Investment Pool	9,356	-	-	9,356
State and Local Obligations	-	101,607	176,316	277,923
Total	<u>\$128,168</u>	<u>\$ 101,607</u>	<u>\$ 176,316</u>	<u>\$4,787,799</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, 2011

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 April 30, 2011</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>
<i>Pension Trust Funds:</i>			
Investments in State			
Investment Pool	<u>\$9,356</u>	<u>\$9,356</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, 2011 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, 2011

D. Interfund Assets/Liabilities:

At April 30, 2011, the following interfund receivables/payables existed:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General	\$ 303,403	\$ 216,573
Non-major governmental funds	56,678	310,268
Proprietary funds:		
Water	2,340,000	85,275
Sewer	-	1,880,000
Storm Sewer	-	460,000
Internal Service	166,760	-
Non-major proprietary funds	<u>85,275</u>	<u>-</u>
	<u>\$2,952,116</u>	<u>\$2,952,116</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, 2011

E. Property, Plant and Equipment (Continued):

The governmental activities capital asset activity for the year ended April 30, 2011 is as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Capital assets being depreciated:				
Buildings	\$12,059,522	\$ -	\$ -	\$12,059,522
Infrastructure	9,069,495	-	-	9,069,495
Equipment	1,628,747	-	-	1,628,747
Vehicles	<u>5,519,153</u>	<u>288,665</u>	<u>96,551</u>	<u>5,711,267</u>
Total capital assets being depreciated	<u>28,276,917</u>	<u>288,665</u>	<u>96,551</u>	<u>28,469,031</u>
Less accumulated depreciation for:				
Buildings	4,028,718	83,420	-	4,112,138
Infrastructure	3,250,807	158,206	-	3,409,013
Equipment	1,386,958	54,958	-	1,441,916
Vehicles	<u>3,947,330</u>	<u>474,770</u>	<u>89,394</u>	<u>4,332,706</u>
Total accumulated depreciation	<u>12,613,813</u>	<u>771,354</u>	<u>89,394</u>	<u>13,295,773</u>
Governmental activities capital assets, net	<u>\$15,663,104</u>	<u>\$(482,689)</u>	<u>\$ 7,157</u>	<u>\$15,173,258</u>

The business-type activities capital asset activity for the year ended April 30, 2011 is as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Capital assets being depreciated:				
Buildings	\$23,631,837	\$ 198,272	\$ -	\$23,830,109
Infrastructure	39,299,210	946,799	-	40,246,009
Equipment	5,369,666	413,731	27,227	5,756,170
Work in process	<u>495,074</u>	<u>122,882</u>	<u>-</u>	<u>617,956</u>
Total capital assets being depreciated	<u>68,795,787</u>	<u>1,681,684</u>	<u>27,227</u>	<u>70,450,244</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Less accumulated depreciation for:				
Buildings	6,646,811	575,502	27,227	7,195,086
Infrastructure	11,209,836	763,534	-	11,973,370
Equipment	<u>2,812,917</u>	<u>114,440</u>	<u>-</u>	<u>2,927,357</u>
 Total accumulated depreciation	 <u>20,669,564</u>	 <u>1,453,476</u>	 <u>27,227</u>	 <u>22,095,813</u>
 Governmental activities capital assets, net	 <u>\$48,126,223</u>	 <u>\$ 228,208</u>	 <u>\$ -</u>	 <u>\$48,354,431</u>

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

Governmental activities:

General government	\$ 13,817
Public safety	184,336
Public works	436,132
Culture and recreation	<u>137,069</u>
Total depreciation expense, governmental activities	<u>\$771,354</u>

Business-type activities:

Water Department	\$ 348,911
Sewer Department	894,484
Storm Sewer Department	<u>210,081</u>
Total depreciation expense, business-type activities	<u>\$1,453,476</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

F. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2011:

Special Revenue:

Library Fund:

Reserved for restricted tax levies \$42,858

Debt Service Fund:

Reserved for debt service \$262,052

Enterprise:

Water Fund:

Reserved due to bond ordinance \$139,959

Sewer Fund:

Reserved due to bond ordinance \$704,888

Storm Sewer Fund:

Reserved due to bond ordinance \$696,967

Fiduciary:

Non Expendable Trust Fund:

Revolving Loan Fund:

Reserved for revolving loan \$414,358

Pension Trust Funds:

Police Pension Fund:

Reserved for employees retirement system \$17,482,448

Firefighters Pension Fund:

Reserved for employees retirement system \$28,424,067

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, 2011

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, 2011 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 2011, the City's claims did not exceed its stop loss limits. Settled claims in each of the prior three fiscal years did not exceed commercial coverage.

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

	<u>Fiscal Year Ended</u> <u>April 30,</u> <u>2011</u>
Unpaid claims - beginning	\$ 230,000
Incurred claims including IBNR, net of claims in excess of stop loss	2,596,109
Claim payments	<u>2,591,109</u>
Unpaid claims - ending	<u>\$ 235,000</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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, 2011.

<u>Year Ending</u> <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>\$84,639</u>	<u>\$3,772</u>

INSTALLMENT CONTRACTS/NOTES PAYABLE

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

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

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
US Bank, payable monthly with interest at 4.76%, due February 22, 2012	Debt Service	\$ 54,804	\$ -	\$ 29,302	\$ 25,502
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	220,549	-	139,301	81,248
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	97,078	-	5,948	91,130
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	52,576	-	3,292	49,284

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

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>
State Bank, payable annually with interest at 5.60%, due July 23, 2013	Debt Service	450,000	-	103,368	346,632
US Bank, payable monthly with interest at 2.77%, due April 28, 2020	General/Landfill Closure	<u>750,000</u>	<u>-</u>	<u>63,749</u>	<u>686,251</u>
		<u>\$1,625,007</u>	<u>\$ -</u>	<u>\$344,960</u>	<u>\$1,280,047</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 292,047	\$ 52,543
2013	194,346	41,798
2014	203,165	32,287
2015	84,880	22,346
2016	88,170	19,056
2017 - 2021	404,624	41,757
2022	<u>12,815</u>	<u>320</u>
Total	<u>\$1,280,047</u>	<u>\$210,107</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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, 2011

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	\$ 770,000	\$ -	\$375,000	\$ 395,000
\$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	665,000	-	85,000	580,000
\$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	1,500,000	-	195,000	1,305,000
\$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	8,340,000	-	70,000	8,270,000
\$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	5,565,000	-	30,000	5,535,000

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

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	9,870,000	-	50,000	9,820,000
		<u>\$26,710,000</u>	<u>\$ -</u>	<u>\$805,000</u>	<u>\$25,905,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 845,000	\$ 1,112,686
2013	880,000	1,073,346
2014	910,000	1,034,673
2015	955,000	991,467
2016	1,000,000	946,069
2017 – 2021	5,685,000	4,058,393
2022 – 2026	6,885,000	2,803,391
2027 – 2031	7,010,000	1,202,585
2032 - 2034	<u>1,735,000</u>	<u>147,840</u>
Total	<u>\$25,905,000</u>	<u>\$13,370,450</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

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	\$ 1,625,007	\$ -	\$ 344,960	\$ 1,280,047
Capitalized leases	165,667	-	81,028	84,639
General obligation bonds payable	<u>26,710,000</u>	<u>-</u>	<u>805,000</u>	<u>25,905,000</u>
Total	<u>\$28,500,674</u>	<u>\$ -</u>	<u>\$1,230,988</u>	<u>\$27,269,686</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, 2011, the amount of defeased debt from the 2000 and 2003 issues outstanding but removed from the City’s financial statements amounted to \$19,935,000.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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, 2011, there was \$7,785,000 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, 2011, the Government has incurred a liability of \$2,590,075 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, 2011, assets reported on the combined balance sheet which total \$8,656 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, 2011

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	\$1,343,336	\$2,118,354	\$3,892,259	\$721,511	\$ 262,628
Depreciation and amortization expense	\$ -	\$348,911	\$894,484	\$210,081	\$ -
Operating income (loss)	\$(25,233)	\$176,355	\$757,817	\$448,098	\$62,350
Net income (loss)	\$(25,217)	\$131,416	\$291,968	\$430,312	\$62,472
Plant, property, and equipment:					
Additions	\$ -	\$ 76,254	\$ 978,610	\$626,820	\$ -
Deletions	\$ -	\$ 27,227	\$ -	\$ -	\$ -
Allowance for uncollectible accounts	\$ -	\$(4,000)	\$(5,000)	\$ -	\$ -
Total assets	\$161,074	\$15,566,561	\$31,044,360	\$10,667,645	\$8,656
Net working capital	\$49,896	\$2,471,777	\$(1,465,940)	\$28,691	\$(63,323)
Bonds and other long- term liabilities:					
Payable from operating revenues	\$ -	\$42,543	\$14,990,799	\$8,957,113	\$2,857,022

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

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 2010 used by the employer was 8.51 percent of annual covered payroll. The City annual required contribution rate for calendar year 2010 was 10.79. 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 calendar year ending December 31, 2010, the City's actual contributions for pension cost for the Regular were \$374,025. Its required contribution for calendar year 2010 was \$474,234.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/10	\$474,234	79%	\$-0*
12/31/09	317,234	100%	-0-
12/31/08	314,805	100%	-0-

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

M. Pension Plan (Continued):

ANNUAL PENSION COST (CONTINUED)

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 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 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 77.90 percent funded. The actuarial accrued liability for benefits was \$12,763,902 and the actuarial value of assets was \$9,943,325, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,820,577. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$4,395,129 and the ratio of the UAAL to the covered payroll was 64 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.

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, 2011

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

At April 30, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	44
Current employees	
Vested	34
Nonvested	<u>16</u>
Total	<u>94</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 under two different "Tiers". "Tier 1" (hired before 01/01/11) 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.

"Tier 2" (hired on or after 01/01/11) employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank based on the highest consecutive 96 months of the final 120 months of service. Pensionable salary is capped at \$106,800. The pension shall be increased 2.5% of such salary for each additional year of service over 20 up to a maximum of 75 percent of such salary.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

COLA increases begin at age 60 or on the first anniversary of the pension start date whichever is later. COLA increases will be based on the lesser of one half of the CPI-U (certified by the Illinois Department of Insurance) or 3 percent of the originally granted pension.

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. Municipalities are required to fund the pension fund to 90 percent of the total actuarial liabilities by 2040.

On March 30, 2011, the actuarial value of the pension fund's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of assets after March 30, 2011, any actuarial gains or losses from investment returns incurred in a fiscal year shall be recognized in equal amounts over the five-year period following that fiscal year.

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 percent per year, compounded annually.

Firefighter's Pension

Fire sworn personnel are covered by the Firefighter's Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40-Article 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

At April 30, 2011, 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	57
Current employees	
Vested	31
Nonvested	<u>16</u>
Total	<u>104</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 under two different "Tiers". "Tier 1" (hired on or after 01/01/2011) employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement.

The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75 percent of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3 percent of the original pension and 3 percent annually thereafter.

"Tier 2" (hired on or after 01/01/2011) employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank based on the highest consecutive 96 months of the final 120 months of service. Pensionable salary is capped at \$106,800. The pension shall be increased 2.5% of such salary for each additional year of service over 20 up to a maximum of 75 percent of such salary.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

COLA increases begin at age 60 or on the first anniversary of the pension start date whichever is later. COLA increases will be based on the lesser of one half of the CPI-U (certified by the Illinois Department of Insurance) or 3 percent of the originally granted pension.

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 is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Municipalities are required to fund the pension fund to 90 percent of the total actuarial liabilities by 2040.

On March 30, 2011, the actuarial value of the pension fund's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of assets after March 30, 2011, any actuarial gains or losses from investment returns incurred in a fiscal year shall be recognized in equal amounts over the five-year period following that fiscal year.

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS

Police Pension

The City's net pension obligation to the Police Pension Plan as of April 30, 2011 was as follows:

Annual required contribution	\$ 404,998
Interest adjustment	313,043
Adjustment to amortize unfunded liability	<u>936,941</u>
Annual pension cost	1,654,982
Contributions made	<u>1,025,810</u>
Increase (decrease) in net pension obligation	629,172
Net pension obligation, beginning	<u>4,472,037</u>
Net pension obligation, ending	<u>\$5,101,209</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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, 2010 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, 2010, was 23 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>
4/30/10	\$1,654,982	61.98%	\$5,101,209
4/30/09	1,448,869	64.74%	4,472,037
4/30/08	1,376,782	64.96%	3,961,122

As of April 30, 2010, the most recent actuarial valuation date, the Police Pension plan was 46.3 percent funded. The actuarial accrued liability for benefits was \$34,227,967 and the actuarial value of assets was \$15,843,333 resulting in an underfunded actuarial accrued liability (UAAL) of \$18,384,634. The covered payroll (annual payroll of active employees covered by the plan) was \$2,897,030 and the ratio of the UAAL to the covered payroll was 634.6 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.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

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, 2011 was as follows:

Annual required contribution	\$ 591,604
Interest adjustment	191,899
Adjustment to amortize unfunded liability	<u>506,003</u>
Annual pension cost	1,289,506
Contributions made	<u>716,722</u>
Increase (decrease) in net pension obligation	572,784
Net pension obligation, beginning	<u>2,741,410</u>
Net pension obligation, ending	<u>\$3,314,194</u>

The annual required contribution for the current year was determined as part of the April 30, 2010, 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, 2010, was 23 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>
4/30/10	\$1,289,506	55.58%	\$3,314,194
4/30/09	1,353,979	52.33%	2,741,410
4/30/08	1,029,263	71.62%	2,096,020

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Firefighters' Pension (Continued)

As of April 30, 2010, the most recent actuarial valuation date, the Fire Pension plan was 71.9 percent funded. The actuarial accrued liability for benefits was \$35,359,086 and the actuarial value of assets was \$25,430,308 resulting in an underfunded actuarial accrued liability (UAAL) of \$9,928,778. The covered payroll (annual payroll of active employees covered by the plan) was \$2,779,506 and the ratio of the UAAL to the covered payroll was 357.2 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.

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, 2011, membership consisted of:

Retirees and beneficiaries currently receiving benefits	38
Terminated employees entitled to benefits but not yet receiving benefits	-
Active vested plan members	115
Active non-vested plan members	<u>71</u>
Total	<u>224</u>
Number of participating employers	<u>1</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

N. Other Post-Employment Benefits (Continued):

Funding policy. 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, 2011, 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, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

<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, 2011	\$ 629,646	\$300,720	47.8%	\$3,126,489
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, 2011, was calculated as follows:

Annual required contribution	\$ 583,020
Interest of net OPEB obligation	139,878
Adjustment to annual required contribution	(93,252)
Annual OPEB cost	629,646
Contributions made	<u>(300,720)</u>
Increase (decrease) in net OPEB obligation	328,926
Net OPEB obligation beginning of year	<u>2,797,563</u>
Net OPEB obligation end of year	<u>\$3,126,489</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

N. Other Post-Employment Benefits (Continued):

Funded Status and Funding in Process. The funded status of the plan as of April 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$8,919,997
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	8,919,997
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	10,126,575
UAAL as a percentage of covered payroll	88%

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, 2011, 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 8.0% with an ultimate healthcare inflation rate of 6.0%. 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, 2011, was 30 years.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2011

O. Transfers:

Below are the interfund transfers as of April 30, 2011:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Governmental Funds:		
General	\$ 207,715	\$ (455,428)
Non-Major Governmental Funds	<u>1,011,238</u>	<u>(763,525)</u>
Total all funds	<u>\$1,218,953</u>	<u>\$(1,218,953)</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.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2011

**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>
12/31/10	\$ 9,943,325	\$12,763,902	\$2,820,577	77.90%	\$4,395,129	64.18%
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%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$10,858,586. On a market basis, the funded ratio would be 85.07%.

**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>
4/30/11	\$0	\$ 8,919,997	\$ 8,919,997	0.0%	\$10,126,575	88.09%
4/30/10	0	15,839,465	15,839,465	0.0%	10,495,006	150.92%
4/30/09	0	15,839,465	15,839,465	0.0%	9,203,549	172.10%

CITY OF FREEPORT, ILLINOIS
Required Supplementary Information
April 30, 2011

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2011.

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 Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2010	\$15,843,333	\$34,227,967	46.3%	\$18,384,634	\$2,897,030	634.6%
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%

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2011.

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 Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2010	\$25,430,308	\$35,359,086	71.9%	\$9,928,778	\$2,779,506	357.2%
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%

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Property taxes	\$ 2,351,403	\$ 2,351,403	\$ 2,361,693	\$ 10,290
Property transfer tax	130,000	130,000	100,723	(29,277)
Retailers occupation tax	6,900,000	6,900,000	7,213,932	313,932
Income tax	1,800,000	1,800,000	2,046,345	246,345
Replacement tax	405,000	405,000	462,704	57,704
Food, drink tax	560,000	560,000	589,683	29,683
Utility tax	450,000	450,000	450,696	696
Special use tax	325,000	325,000	377,646	52,646
Natural gas tax	325,000	325,000	312,104	(12,896)
Telephone utility tax	800,000	800,000	788,967	(11,033)
Water and sewer payment	230,000	230,000	230,660	660
	<u>14,276,403</u>	<u>14,276,403</u>	<u>14,935,153</u>	<u>658,750</u>
Total taxes				
Fees:				
Cable TV franchise fees	290,000	290,000	299,792	9,792
Circuit clerk fines and fees	320,100	320,100	308,755	(11,345)
Building fees and permits	220,000	220,000	236,860	16,860
911 dispatching fees	86,000	86,000	80,029	(5,971)
	<u>916,100</u>	<u>916,100</u>	<u>925,436</u>	<u>9,336</u>
Total fees				
Intergovernmental:				
Grant administration reimbursements	40,000	40,000	18,769	(21,231)
IDOT reimbursement	50,000	50,000	53,786	3,786
Federal grant for SLANT officer	36,000	36,000	52,504	16,504
Airport hangar rent	100,000	100,000	101,597	1,597
Fire training reimbursement	10,000	10,000	2,374	(7,626)
Police training reimbursement	10,000	10,000	11,500	1,500
Traffic signal maintenance reimbursement	10,000	10,000	15,099	5,099
	<u>256,000</u>	<u>256,000</u>	<u>255,629</u>	<u>(371)</u>
Total intergovernmental				

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues (Continued):				
Interest	10,000	10,000	12,405	2,405
Other:				
Miscellaneous local sources	45,000	45,000	105,161	60,161
Miscellaneous other charges for services	185,000	185,000	146,100	(38,900)
Total other revenues	230,000	230,000	251,261	21,261
Total revenues	<u>\$15,688,503</u>	<u>\$15,688,503</u>	<u>\$16,379,884</u>	<u>\$ 691,381</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	8,500	8,500	4,507	(3,993)
Education, training and travel	-	-	(125)	(125)
Total city council	<u>38,900</u>	<u>38,900</u>	<u>34,781</u>	<u>(4,119)</u>
Commissions:				
Commissions stipends	4,325	4,325	4,300	(25)
Legal advertising	2,500	2,500	-	(2,500)
Education, training and travel	11,000	11,000	3,663	(7,337)
Books, periodicals, and memberships	500	500	500	-
Total commissions	<u>18,325</u>	<u>18,325</u>	<u>8,463</u>	<u>(9,862)</u>
City Clerk:				
Elected officials	52,316	52,316	51,066	(1,250)
Contracted equipment repairs	-	-	95	95
Printing	500	500	354	(146)
Publication expense	8,500	8,500	5,665	(2,835)
Education, training and travel	1,500	1,500	904	(596)
Insurance other than employee benefits	100	100	-	(100)
Books, periodicals and memberships	500	500	283	(217)
Office supplies	1,000	1,000	883	(117)
Equipment, furniture and fixtures	2,350	2,350	165	(2,185)
Total city clerk	<u>66,766</u>	<u>66,766</u>	<u>59,415</u>	<u>(7,351)</u>
Mayor:				
Non-bargaining	43,620	43,620	39,949	(3,671)
Elected officials	83,584	83,584	83,584	-
Contracted vehicle repair and maintenance	200	200	130	(70)
Contracted equip. repair and maintenance	700	700	-	(700)
Telephone and communications	2,500	2,500	2,227	(273)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
penditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Printing	200	200	-	(200)
Education, training and travel	4,500	4,500	5,521	1,021
Other supply expense	1,700	1,700	147	(1,553)
Books, periodicals and memberships	500	500	425	(75)
Office supplies	1,000	1,000	609	(391)
Gasoline	4,000	4,000	1,919	(2,081)
Total mayor	142,504	142,504	134,511	(7,993)
Office of Management and Budget:				
Non-bargaining	212,300	210,800	196,585	(14,215)
Bank service charges	150	150	125	(25)
Telephone	250	250	341	91
Printing	1,900	1,900	1,085	(815)
Education, training and travel	500	500	-	(500)
Books, periodicals and memberships	500	500	-	(500)
Office supplies	2,100	2,100	1,435	(665)
Equipment, furniture and fixtures	1,500	3,000	2,884	(116)
Total Office of Management and Budget	219,200	219,200	202,455	(16,745)
Treasurer:				
Elected officials	52,325	52,325	52,325	-
Printing	100	100	82	(18)
Seminar, training and travel	1,850	1,850	1,247	(603)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	600	600	401	(199)
Books, periodicals and memberships	125	125	180	55
Office supplies	1,850	1,850	292	(1,558)
Total Treasurer	57,275	57,275	54,893	(2,382)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	142,280	142,280	129,822	(12,458)
Overtime	-	-	267	267
Title searches and recording fees	750	750	710	(40)
Outside legal	96,500	96,500	25,925	(70,575)
Outside legal - prosecutorial	32,000	32,000	27,664	(4,336)
Court report, witness and service fees	4,000	4,000	4,531	531
Printing	450	450	-	(450)
Education	2,000	2,000	1,184	(816)
Books, periodicals and memberships	5,750	5,750	5,018	(732)
Office supplies	550	550	460	(90)
Equipment, furniture and fixtures	3,000	3,000	-	(3,000)
Total legal	<u>287,280</u>	<u>287,280</u>	<u>195,581</u>	<u>(91,699)</u>
Department of Public Works:				
Non-bargaining	47,659	47,659	43,907	(3,752)
Engineering	7,000	7,000	3,583	(3,417)
Other technical services	100	100	-	(100)
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	100	100	-	(100)
Telephone and communications	500	500	668	168
Printing	100	100	-	(100)
Publication expense	200	200	133	(67)
Education, training and travel	500	500	782	282
Other supplies	100	100	18	(82)
Books, periodicals and memberships	500	500	-	(500)
Postage and freight	100	100	19	(81)
Office supplies	250	250	146	(104)
Gasoline	500	500	-	(500)
Equipment supplies	100	100	22	(78)
Computer hardware	2,000	2,000	-	(2,000)
Total department of public works	<u>59,809</u>	<u>59,809</u>	<u>49,278</u>	<u>(10,531)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	6,640	(3,360)
Telephone and communications	3,000	3,000	853	(2,147)
Equipment supplies	15,000	15,000	50	(14,950)
Total traffic engineering	<u>28,000</u>	<u>28,000</u>	<u>7,543</u>	<u>(20,457)</u>
Street lights:				
Contracted equipment repairs	7,500	7,500	1,481	(6,019)
Equipment supplies	2,000	2,000	1,251	(749)
Electricity	317,500	317,500	281,174	(36,326)
Machinery and equipment	5,000	5,000	-	(5,000)
Total street lights	<u>332,000</u>	<u>332,000</u>	<u>283,906</u>	<u>(48,094)</u>
General Government Building:				
Custodial	16,000	16,000	15,670	(330)
Contracted building repair and maintenance	15,000	15,000	12,549	(2,451)
Contracted equipment repair and maintenance	10,000	10,000	9,980	(20)
Other supply expense	250	250	-	(250)
Building supplies	500	500	920	420
Equipment and janitorial supplies	4,000	4,000	1,118	(2,882)
Natural gas	15,000	15,000	-	(15,000)
Water and sewer	2,500	2,500	2,688	188
Total general government building	<u>63,250</u>	<u>63,250</u>	<u>42,925</u>	<u>(20,325)</u>
City Cemetery:				
Salaries, AFSCME	50,714	50,714	40,507	(10,207)
Overtime, AFSCME	1,500	1,500	923	(577)
Contracted equipment repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	500	500	793	293
Education	500	500	-	(500)
Other supply expense	1,300	1,300	-	(1,300)
Equipment rental	500	500	-	(500)
Equipment supplies	2,100	2,100	384	(1,716)
Building supplies	700	700	-	(700)
Equipment, furniture, and fixtures	3,500	3,500	-	(3,500)
Computer hardware & software	10,000	10,000	-	(10,000)
Total city cemetery	<u>72,314</u>	<u>72,314</u>	<u>42,607</u>	<u>(29,707)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Other professional services	4,000	4,500	4,157	(343)
Other technical services	200	200	-	(200)
Emergency expenses	100	100	-	(100)
Total hearings administration	<u>4,300</u>	<u>4,800</u>	<u>4,157</u>	<u>(643)</u>
Management information systems:				
Computer and network consulting	1,000	1,000	922	(78)
Contracted equipment repairs	7,500	7,500	2,819	(4,681)
Books, periodicals and memberships	6,000	6,000	4,403	(1,597)
Hardware	15,000	15,000	1,588	(13,412)
Software	-	-	-	-
Total management information systems	<u>29,500</u>	<u>29,500</u>	<u>9,732</u>	<u>(19,768)</u>
Community development:				
Salaries, non-bargaining	150,687	150,687	123,487	(27,200)
Other professional services	5,000	5,000	-	(5,000)
Other technical services	3,000	3,000	2,486	(514)
Emergency expenses	20,000	20,000	21,250	1,250
Telephone and communications	-	-	1,212	1,212
Printing	1,200	1,200	705	(495)
Legal advertising	1,000	1,000	751	(249)
Education, training, and travel	4,000	3,500	1,071	(2,429)
Economic development	15,000	15,000	15,000	-
Books, periodicals, and memberships	1,200	1,200	756	(444)
Office supplies	1,800	1,800	1,840	40
Machinery	3,000	3,000	-	(3,000)
Total community development	<u>205,887</u>	<u>205,387</u>	<u>168,558</u>	<u>(36,829)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
penditures (Continued):				
eneral government (Continued):				
Airport authority:				
Engineering authority	12,000	12,000	2,048	(9,952)
Airport management	65,000	65,000	57,862	(7,138)
Lawn care	250	250	-	(250)
Disposal and recycling services	1,000	1,000	853	(147)
Contracted building repairs and maintenance	4,500	4,500	608	(3,892)
Contracted vehicle repair and maintenance	900	900	341	(559)
Contracted equipment repair and maintenance	9,000	9,000	5,355	(3,645)
Contracted infrastructure repair and mainten	13,000	13,000	6,820	(6,180)
Telephone and communications	5,000	5,000	4,522	(478)
Equipment rental	1,700	1,700	5,376	3,676
Other supply expense	900	900	351	(549)
Office supplies	200	200	-	(200)
Vehicle supplies	200	200	(300)	(500)
Other technical services	6,100	6,100	1,700	(4,400)
Postage and freight	100	100	-	(100)
Insurance other than employee benefits	5,500	5,500	5,195	(305)
Building supplies	1,500	1,500	1,321	(179)
Equipment supplies	3,000	3,000	1,836	(1,164)
Maintenance and janitorial supplies	150	150	-	(150)
Natural gas	8,000	8,000	4,178	(3,822)
Electricity	20,000	20,000	15,479	(4,521)
Gasoline	1,500	1,500	1,130	(370)
Diesel fuel	3,000	3,000	3,455	455
Machinery	50,000	50,000	2,700	(47,300)
Property taxes	10,000	10,000	7,340	(2,660)
Total airport authority	222,500	222,500	128,170	(94,330)
Human resources:				
Non-bargaining	39,044	39,044	38,139	(905)
Medical and veterinary services	8,000	8,000	1,398	(6,602)
Legal advertising	500	500	-	(500)
Recruitment advertising	10,000	10,000	5,644	(4,356)
Education, training and travel	1,250	1,250	922	(328)
Books, periodicals and memberships	2,500	2,500	1,931	(569)
Office and maintenance supplies	750	750	468	(282)
Equipment	1,750	1,750	-	(1,750)
Total human resources	63,794	63,794	48,502	(15,292)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Social security contribution	185,000	185,000	142,647	(42,353)
Contribution to Fire Pension Fund	902,990	902,990	906,155	3,165
Contribution to Police Pension Fund	1,133,273	1,133,273	1,108,745	(24,528)
Medicare contribution	112,000	112,000	102,012	(9,988)
Group health insurance	2,305,000	2,233,000	2,045,372	(187,628)
PEHP contributions	165,000	165,000	59,282	(105,718)
Unemployment insurance	25,000	25,000	29,685	4,685
Worker compensation	373,000	373,000	343,447	(29,553)
Auditing city records	35,000	35,000	35,000	-
Computer and network consulting	-	-	825	825
Other consulting services	35,000	35,000	3,622	(31,378)
Equipment rental	7,500	7,500	4,419	(3,081)
Contracted equipment repair and maintenance	50,000	50,000	46,833	(3,167)
Telephone and communications	20,000	20,000	15,525	(4,475)
Printing	1,000	1,000	-	(1,000)
Legal advertising	-	-	667	667
Postage	14,000	13,000	8,576	(4,424)
Insurance	235,000	235,000	185,466	(49,534)
Fuel for resale	68,000	103,000	105,262	2,262
Books, periodical and memberships	4,000	4,000	1,804	(2,196)
Other supply expense	2,500	2,500	518	(1,982)
Office supplies	5,000	5,000	2,715	(2,285)
Property taxes	1,500	1,500	174	(1,326)
Machinery	-	1,000	836	(164)
Total interdepartmental expenses	<u>5,679,763</u>	<u>5,642,763</u>	<u>5,149,587</u>	<u>(493,176)</u>
 Total general government	 <u>7,591,367</u>	 <u>7,554,367</u>	 <u>6,625,064</u>	 <u>(929,303)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	756,737	756,737	712,102	(44,635)
Salaries, AFSCME	699,708	699,708	573,605	(126,103)
Police salaries	2,322,433	2,322,433	2,079,986	(242,447)
Overtime, non-bargaining	16,500	16,500	11,205	(5,295)
Overtime, AFSCME	74,000	74,000	45,821	(28,179)
Overtime, police	135,000	135,000	47,714	(87,286)
Clothing allowance	56,500	56,500	48,279	(8,221)
Medical and veterinary services	4,000	4,000	39	(3,961)
Other prof/admin services consulting	2,000	2,000	806	(1,194)
Custodial services	12,240	12,240	8,922	(3,318)
Laundry and cleaning	150	150	111	(39)
Contracted building repairs	35,000	35,000	8,004	(26,996)
Contracted vehicle repair and maintenance	23,000	23,000	10,564	(12,436)
Contracted equipment repair and maintenance	56,785	56,785	15,262	(41,523)
Rental of equipment	4,300	4,300	2,629	(1,671)
Telephone and communications	40,400	40,400	22,475	(17,925)
Printing	6,500	6,500	3,970	(2,530)
Publication expense	1,000	1,000	131	(869)
Education, training and travel	50,000	50,000	24,654	(25,346)
Postage	600	600	344	(256)
Books, periodicals and memberships	3,600	3,600	2,610	(990)
Other supply expense	1,000	1,000	57	(943)
Office supplies	8,200	8,200	6,363	(1,837)
Educational supplies	7,500	7,500	286	(7,214)
Extinguisher supplies	800	800	167	(633)
Departmental gear and clothing	9,000	9,000	6,030	(2,970)
Vehicle supplies	21,000	21,000	24,011	3,011
Building supplies	1,100	1,100	719	(381)
Ammunition	6,000	6,000	4,878	(1,122)
Equipment supplies	2,000	2,000	-	(2,000)
Investigation and patrol supplies	5,500	5,500	2,918	(2,582)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	3,300	3,300	2,874	(426)
Gasoline	80,000	80,000	70,468	(9,532)
Water/sewer	1,000	1,000	785	(215)
Equipment, furniture and fixtures	2,000	2,000	400	(1,600)
Machinery	-	-	4,335	4,335
Computer hardware	15,000	15,000	461	(14,539)
Total police department	<u>4,463,853</u>	<u>4,463,853</u>	<u>3,743,985</u>	<u>(719,868)</u>
Fire department:				
Non-bargaining	633,953	633,953	566,607	(67,346)
Fire	2,387,939	2,387,939	2,249,877	(138,062)
Overtime, non-bargaining	3,500	3,500	2,565	(935)
Overtime, fire	21,500	21,500	18,620	(2,880)
Clothing allowance	22,500	22,500	16,928	(5,572)
Medical services	10,000	10,000	2,130	(7,870)
Laundry and cleaning	10,000	10,000	9,778	(222)
Contracted building repairs	12,500	12,500	2,870	(9,630)
Contracted vehicle repair and maintenance	25,000	25,000	4,980	(20,020)
Contracted equipment repair and maintenance	15,000	15,000	8,676	(6,324)
Telephone and communications	9,000	9,000	8,395	(605)
Printing	500	500	-	(500)
Publication expense	500	500	153	(347)
Education, training and travel	15,000	15,000	6,670	(8,330)
Postage and freight	500	500	412	(88)
Books, periodicals and memberships	4,000	4,000	3,908	(92)
Other supply expense	500	500	182	(318)
Office supplies	1,500	1,500	1,565	65
Ambulance supplies	8,000	8,000	8,755	755
Educational supplies	1,000	1,000	63	(937)
Extinguisher supplies	1,000	1,000	972	(28)
Department clothing gear supplies	10,000	10,000	3,136	(6,864)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	20,000	20,000	8,618	(11,382)
Building supplies	5,000	5,000	1,610	(3,390)
Equipment supplies	7,500	7,500	2,109	(5,391)
Investigation and patrol supplies	1,000	1,000	928	(72)
Maintenance and janitorial supplies	6,000	6,000	5,192	(808)
Gasoline	6,000	6,000	5,208	(792)
Diesel fuel	11,500	11,500	13,521	2,021
Water/sewer	2,250	2,250	1,945	(305)
Equipment	3,500	3,500	-	(3,500)
Total fire department	<u>3,256,142</u>	<u>3,256,142</u>	<u>2,956,373</u>	<u>(299,769)</u>
Buildings:				
Non-bargaining	113,284	113,284	103,070	(10,214)
Title searches and recording fees	4,800	4,800	1,364	(3,436)
Court report, witness and service fees	200	200	-	(200)
Other technical services	-	-	998	998
Lawn care	10,000	10,000	4,450	(5,550)
Contracted vehicle repairs	3,500	3,500	1,115	(2,385)
Contracted equip repairs	800	800	-	(800)
Demolition	25,000	25,000	2,869	(22,131)
Telephone and communications	1,700	1,700	1,499	(201)
Printing	300	300	222	(78)
Publication expense	400	400	77	(323)
Education, training and travel	2,000	2,000	-	(2,000)
Other supply expense	100	100	34	(66)
Books, periodicals and memberships	1,000	1,000	248	(752)
Office and maintenance supplies	800	800	42	(758)
Investigation and patrol supplies	600	600	296	(304)
Gasoline	1,900	1,900	2,702	802
Total buildings	<u>166,384</u>	<u>166,384</u>	<u>118,986</u>	<u>(47,398)</u>
Total public safety	<u>7,886,379</u>	<u>7,886,379</u>	<u>6,819,344</u>	<u>(1,067,035)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	37,289	37,289	33,878	(3,411)
Salaries, AFSCME	582,517	582,517	514,526	(67,991)
Temporary, non-bargaining	7,500	7,500	-	(7,500)
Overtime, AFSCME	50,000	50,000	35,440	(14,560)
Medical services	1,500	1,500	476	(1,024)
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	30,000	30,000	9,378	(20,622)
Contracted vehicles repairs and maintenance	17,000	17,000	7,330	(9,670)
Contracted equipment repairs and maintenance	25,000	25,000	8,434	(16,566)
Contracted infrastructure repairs and maintenance	85,000	85,000	34,850	(50,150)
Equipment rental	5,000	5,000	7,000	2,000
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,557	(443)
Printing	300	300	343	43
Education, training, and travel	500	500	55	(445)
Postage and freight	500	500	-	(500)
Other supplies	4,000	4,000	1,579	(2,421)
Books, periodicals, and memberships	500	500	-	(500)
Office supplies	1,200	1,200	1,043	(157)
Departmental gear and clothing	4,000	4,000	1,743	(2,257)
Vehicle supplies	40,000	40,000	15,765	(24,235)
Rock and road	55,000	55,000	5,433	(49,567)
Street marking supplies	45,000	45,000	24,187	(20,813)
Snow removal supplies	200,000	200,000	107,647	(92,353)
Building supplies	10,000	10,000	4,711	(5,289)
Equipment supplies	40,000	40,000	46,794	6,794
Maintenance and janitorial supplies	3,000	3,000	2,412	(588)
Gasoline	75,000	75,000	34,115	(40,885)
Diesel fuel	55,000	55,000	56,732	1,732
Equipment, furniture, and fixtures	5,500	5,500	-	(5,500)
Computer hardware	1,000	1,000	650	(350)
Total highways and streets/transportation	<u>1,386,306</u>	<u>1,386,306</u>	<u>958,078</u>	<u>(428,228)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Health:				
Dog pound:				
Salaries, AFSCME	36,209	36,209	31,751	(4,458)
Overtime, AFSCME	7,500	7,500	4,907	(2,593)
Medical and veterinary services	9,000	9,000	3,115	(5,885)
Cleaning kennels	400	400	16	(384)
Contractual equipment	700	700	-	(700)
Education	900	900	-	(900)
Departmental gear and clothing	550	550	366	(184)
Office and maintenance	50	50	219	169
Animal supplies	1,250	1,250	751	(499)
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	500	500	150	(350)
Gasoline	-	-	1,349	1,349
Equipment, furniture and fixtures <1000	300	300	-	(300)
Total health	<u>57,409</u>	<u>57,409</u>	<u>42,649</u>	<u>(14,760)</u>
Culture and recreation:				
Forestry:				
Salaries, AFSCME	96,455	96,455	77,811	(18,644)
Overtime, AFSCME	3,000	3,000	832	(2,168)
Other technical services	10,000	10,000	2,600	(7,400)
Contracted vehicle repairs and maintenance	1,500	1,500	989	(511)
Contracted equip. repairs and maintenance	1,000	1,000	-	(1,000)
Postage	50	50	-	(50)
Tree assistance	3,500	3,500	-	(3,500)
Other supplies	500	500	952	452
Vehicle supplies	500	500	-	(500)
Equipment supplies	4,000	4,000	1,703	(2,297)
Equipment, furniture and fixtures	500	500	-	(500)
Total culture and recreation	<u>121,005</u>	<u>121,005</u>	<u>84,887</u>	<u>(36,118)</u>
Total expenditures	<u>\$17,042,466</u>	<u>\$17,005,466</u>	<u>\$14,530,022</u>	<u>\$ (2,475,444)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses):				
Operating transfers in:				
Insurance Reserve	\$ 185,000	\$ 185,000	\$ 182,715	\$ (2,285)
Library Fund	25,000	25,000	25,000	-
Total operating transfers in	\$ 210,000	\$ 210,000	\$ 207,715	\$ (2,285)
Operating transfers out:				
IMRF Fund	\$ (53,000)	\$ (53,000)	\$ (53,000)	\$ -
Grant Administration Fund	(137,500)	(167,500)	(13,045)	154,455
Debt Service Fund	(383,500)	(390,500)	(389,383)	1,117
Total operating transfers out	\$ (574,000)	\$ (611,000)	\$ (455,428)	\$ 155,572

CITY OF FREEPORT, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2011

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, 2011. 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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2011

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 138,137	\$ -	\$ 17,212	\$ -
Investments, at cost	4,159,849	111,867	631,438	101,288
Receivables:				
Property tax	1,321,609	237,607	-	-
Accounts	702,701	-	54,576	-
Prepaid expenses	3,750	-	-	-
Due from other funds	56,678	-	-	-
	<u>56,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,382,724</u>	<u>\$ 349,474</u>	<u>\$ 703,226</u>	<u>\$ 101,288</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 182,015	\$ -	\$ -	\$ -
Accrued payroll	16,082	-	-	-
Due to other funds	310,268	-	-	744
Deferred revenues	1,321,609	237,607	-	-
	<u>1,321,609</u>	<u>237,607</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,829,974</u>	<u>237,607</u>	<u>-</u>	<u>744</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	304,910	-	-	-
Fund balances, unreserved	4,247,840	111,867	703,226	100,544
	<u>4,247,840</u>	<u>111,867</u>	<u>703,226</u>	<u>100,544</u>
Total fund balances	<u>4,552,750</u>	<u>111,867</u>	<u>703,226</u>	<u>100,544</u>
Total liabilities and fund equity	<u>\$ 6,382,724</u>	<u>\$ 349,474</u>	<u>\$ 703,226</u>	<u>\$ 101,288</u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Grants Fund</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Drug Forfeiture</u>	<u>Fire Public Safety</u>
\$ 83,960	\$ -	\$ -	\$ -	\$ -	\$ 36,965	\$ -
-	3,783	-	48,308	2,911	-	7,948
-	-	-	-	-	-	-
-	-	382,616	-	-	-	-
-	-	-	-	-	-	-
-	-	49,813	-	-	-	-
<u>\$ 83,960</u>	<u>\$ 3,783</u>	<u>\$ 432,429</u>	<u>\$ 48,308</u>	<u>\$ 2,911</u>	<u>\$ 36,965</u>	<u>\$ 7,948</u>
\$ -	\$ -	\$ 129,770	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	302,659	-	-	-	-
-	-	-	-	-	-	-
-	-	432,429	-	-	-	-
-	-	-	-	-	-	-
<u>83,960</u>	<u>3,783</u>	<u>-</u>	<u>48,308</u>	<u>2,911</u>	<u>36,965</u>	<u>7,948</u>
<u>83,960</u>	<u>3,783</u>	<u>-</u>	<u>48,308</u>	<u>2,911</u>	<u>36,965</u>	<u>7,948</u>
<u>\$ 83,960</u>	<u>\$ 3,783</u>	<u>\$ 432,429</u>	<u>\$ 48,308</u>	<u>\$ 2,911</u>	<u>\$ 36,965</u>	<u>\$ 7,948</u>

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

April 30, 2011

	Special			
	Downtown T.I.F. District	Lamm Road T.I.F. District	West Ave. T.I.F. District	Burchard Hills T.I.F. District
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments, at cost	226,999	806,872	8,061	1,605
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	6,865	-	-
	<u>-</u>	<u>6,865</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 226,999</u>	<u>\$ 813,737</u>	<u>\$ 8,061</u>	<u>\$ 1,605</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,087	-	1,778	-
Deferred revenues	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,087</u>	<u>-</u>	<u>1,778</u>	<u>-</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	221,912	813,737	6,283	1,605
	<u>221,912</u>	<u>813,737</u>	<u>6,283</u>	<u>1,605</u>
Total fund balances	<u>221,912</u>	<u>813,737</u>	<u>6,283</u>	<u>1,605</u>
Total liabilities and fund equity	<u>\$ 226,999</u>	<u>\$ 813,737</u>	<u>\$ 8,061</u>	<u>\$ 1,605</u>

Revenue	Debt Service	Capital Projects			
Public Library	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
670,168	262,052	112,085	607,477	447,424	109,563
1,084,002	-	-	-	-	-
33,933	-	-	210,739	20,837	-
-	-	-	3,750	-	-
-	-	-	-	-	-
<u>\$ 1,788,103</u>	<u>\$ 262,052</u>	<u>\$ 112,085</u>	<u>\$ 821,966</u>	<u>\$ 468,261</u>	<u>\$ 109,563</u>
\$ 26,438	\$ -	\$ -	\$ 8,981	\$ 7,796	\$ 9,030
16,082	-	-	-	-	-
-	-	-	-	-	-
1,084,002	-	-	-	-	-
<u>1,126,522</u>	<u>-</u>	<u>-</u>	<u>8,981</u>	<u>7,796</u>	<u>9,030</u>
42,858	262,052	-	-	-	-
618,723	-	112,085	812,985	460,465	100,533
<u>661,581</u>	<u>262,052</u>	<u>112,085</u>	<u>812,985</u>	<u>460,465</u>	<u>100,533</u>
<u>\$ 1,788,103</u>	<u>\$ 262,052</u>	<u>\$ 112,085</u>	<u>\$ 821,966</u>	<u>\$ 468,261</u>	<u>\$ 109,563</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2011

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 2,462,470	\$ 212,937	\$ -	\$ -
Fees	521,782	-	-	-
Intergovernmental	2,284,647	-	668,961	-
Interest	324,441	278	291,910	5,540
Other	104,199	-	-	-
Total revenues	<u>5,697,539</u>	<u>213,215</u>	<u>960,871</u>	<u>5,540</u>
Expenditures:				
General government	1,442,698	249,795	-	-
Public safety	377,600	-	-	-
Public works	1,000,357	-	-	-
Culture and recreation	1,386,920	-	-	-
Debt service	671,843	-	-	-
Total expenditures	<u>4,879,418</u>	<u>249,795</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>818,121</u>	<u>(36,580)</u>	<u>960,871</u>	<u>5,540</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	1,011,238	53,000	-	-
Operating transfers out	<u>(763,525)</u>	<u>-</u>	<u>(399,368)</u>	<u>-</u>
Total other financing sources (uses)	<u>247,713</u>	<u>53,000</u>	<u>(399,368)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,065,834	16,420	561,503	5,540
Fund balance - May 1, 2010	<u>3,486,916</u>	<u>95,447</u>	<u>141,723</u>	<u>95,004</u>
Fund balance - April 30, 2011	<u>\$ 4,552,750</u>	<u>\$ 111,867</u>	<u>\$ 703,226</u>	<u>\$ 100,544</u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Grants Fund</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Drug Forfeiture</u>	<u>Fire Public Safety</u>
\$ 163,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	1,322,413	-	-	12,945	-
199	6	-	61	4	-	12
-	-	-	6,200	-	-	250
<u>163,357</u>	<u>6</u>	<u>1,322,413</u>	<u>6,261</u>	<u>4</u>	<u>12,945</u>	<u>262</u>
152,600	-	832,412	-	-	8,558	1,015
-	-	257,931	-	-	-	-
-	-	245,115	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>152,600</u>	<u>-</u>	<u>1,335,458</u>	<u>-</u>	<u>-</u>	<u>8,558</u>	<u>1,015</u>
<u>10,757</u>	<u>6</u>	<u>(13,045)</u>	<u>6,261</u>	<u>4</u>	<u>4,387</u>	<u>(753)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	13,045	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>13,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,757	6	-	6,261	4	4,387	(753)
<u>73,203</u>	<u>3,777</u>	<u>-</u>	<u>42,047</u>	<u>2,907</u>	<u>32,578</u>	<u>8,701</u>
<u>\$ 83,960</u>	<u>\$ 3,783</u>	<u>\$ -</u>	<u>\$ 48,308</u>	<u>\$ 2,911</u>	<u>\$ 36,965</u>	<u>\$ 7,948</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2011

	Special			
	Downtown T.I.F. District	Lamm Road T.I.F. District	West Ave. T.I.F. District	Burchard Hills T.I.F. District
Revenues:				
Taxes	\$ 246,828	\$ 651,631	\$ 11,953	\$ 2,137
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	363	1,326	12	2
Other	-	-	-	-
Total revenues	<u>247,191</u>	<u>652,957</u>	<u>11,965</u>	<u>2,139</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	83,513	345,565	3,904	534
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>83,513</u>	<u>345,565</u>	<u>3,904</u>	<u>534</u>
Excess of revenues over (under) expenditures	<u>163,678</u>	<u>307,392</u>	<u>8,061</u>	<u>1,605</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(68,031)	-	-	-
Total other financing sources (uses)	<u>(68,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	95,647	307,392	8,061	1,605
Fund balance - May 1, 2010	<u>126,265</u>	<u>506,345</u>	<u>(1,778)</u>	<u>-</u>
Fund balance - April 30, 2011	<u>\$ 221,912</u>	<u>\$ 813,737</u>	<u>\$ 6,283</u>	<u>\$ 1,605</u>

Revenue	Debt	Capital Projects			
	Service	Capital	Fire	Equipment	Street
Public	Debt	Improvements	Capital	Capital	Capital
Library	Service		Improvements	Projects	Projects
\$ 1,173,826	\$ -	\$ -	\$ -	\$ -	\$ -
24,618	-	-	497,164	-	-
39,560	-	-	-	240,768	-
10,345	598	-	1,427	12,208	150
11,016	-	155	86,578	-	-
<u>1,259,365</u>	<u>598</u>	<u>155</u>	<u>585,169</u>	<u>252,976</u>	<u>150</u>
-	-	87,672	-	110,646	-
-	-	-	119,669	-	-
-	-	-	-	-	321,726
1,386,920	-	-	-	-	-
-	671,843	-	-	-	-
<u>1,386,920</u>	<u>671,843</u>	<u>87,672</u>	<u>119,669</u>	<u>110,646</u>	<u>321,726</u>
<u>(127,555)</u>	<u>(671,245)</u>	<u>(87,517)</u>	<u>465,500</u>	<u>142,330</u>	<u>(321,576)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	545,825	86,672	-	-	312,696
<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(271,126)</u>	<u>-</u>	<u>-</u>
<u>(25,000)</u>	<u>545,825</u>	<u>86,672</u>	<u>(271,126)</u>	<u>-</u>	<u>312,696</u>
(152,555)	(125,420)	(845)	194,374	142,330	(8,880)
814,136	387,472	112,930	618,611	318,135	109,413
<u>\$ 661,581</u>	<u>\$ 262,052</u>	<u>\$ 112,085</u>	<u>\$ 812,985</u>	<u>\$ 460,465</u>	<u>\$ 100,533</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2011

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ 92,944	\$ -	\$ 92,944
Investments	30,268	30,268	-
Loans receivable	<u>321,414</u>	<u>-</u>	<u>321,414</u>
Total assets	<u>444,626</u>	<u>30,268</u>	<u>414,358</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>106</u>	<u>106</u>	<u>-</u>
Net assets	<u>\$ 444,520</u>	<u>\$ 30,162</u>	<u>\$ 414,358</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2011

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 25,462	\$ 25,462	\$ -
Interest	<u>10,860</u>	<u>30</u>	<u>10,830</u>
 Total additions	 <u>36,322</u>	 <u>25,492</u>	 <u>10,830</u>
 Deductions:			
Contractual services	2,191	2,191	-
Supplies	5,323	5,323	-
Capital outlay	<u>7,419</u>	<u>7,419</u>	<u>-</u>
 Total deductions	 <u>14,933</u>	 <u>14,933</u>	 <u>-</u>
 Net increase	 21,389	 10,559	 10,830
 Net assets held in trust for other purposes			
Net assets, May 1, 2010	<u>423,131</u>	<u>19,603</u>	<u>403,528</u>
 Net assets, April 30, 2011	 <u>\$ 444,520</u>	 <u>\$ 30,162</u>	 <u>\$ 414,358</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2011

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 819,953	\$ 365,348	\$ 454,605
Receivables:			
Accrued interest	<u>36,074</u>	<u>638</u>	<u>35,436</u>
Investments, at fair value			
U.S. government obligations	4,500,520	-	4,500,520
State and local obligations	277,923	-	277,923
Common stock	3,682,649	2,013,042	1,669,607
Mutual funds	<u>36,589,396</u>	<u>15,103,420</u>	<u>21,485,976</u>
Total investments	<u>45,050,488</u>	<u>17,116,462</u>	<u>27,934,026</u>
Total assets	<u>45,906,515</u>	<u>17,482,448</u>	<u>28,424,067</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 45,906,515</u>	<u>\$ 17,482,448</u>	<u>\$ 28,424,067</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2011

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 2,043,393	\$ 1,137,238	\$ 906,155
Contributions - employees	547,701	285,125	262,576
Other investment income	<u>5,096,041</u>	<u>1,843,998</u>	<u>3,252,043</u>
Total additions	<u>7,687,135</u>	<u>3,266,361</u>	<u>4,420,774</u>
Deductions:			
Benefits and refunds	3,382,361	1,541,915	1,840,446
Other charges and services	<u>193,899</u>	<u>85,331</u>	<u>108,568</u>
Total deductions	<u>3,576,260</u>	<u>1,627,246</u>	<u>1,949,014</u>
Net increase	4,110,875	1,639,115	2,471,760
Net assets held in trust for pension benefits			
Net assets, May 1, 2010	<u>41,795,640</u>	<u>15,843,333</u>	<u>25,952,307</u>
Net assets, April 30, 2011	<u>\$ 45,906,515</u>	<u>\$ 17,482,448</u>	<u>\$ 28,424,067</u>

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
April 30, 2011**

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>
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
2011	\$5.15/month	\$2.63	\$3,892,259

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

April 30, 2011

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 2006 and 2010 (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>
2010	\$265,099,149	3.408%
2009	\$256,361,207	(0.795)%
2008	\$258,416,227	1.398%
2007	\$254,852,880	3.430%
2006	\$246,401,399	3.659%

Per Capita EAV

\$10,041.63

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2011**

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2010 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$173,421,970	65.417%
Farm	152,469	0.058%
Commercial	75,986,894	28.664%
Industrial	15,062,001	5.682%
Railroad	<u>475,815</u>	<u>0.179%</u>
	<u>\$265,099,149</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2011 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$25,905,000</u>	<u>\$25,905,000</u>	<u>\$-0-</u>
Total	<u>\$25,905,000</u>	<u>\$25,905,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2010 EAV			-0%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$13,863,915	44%	\$ 6,100,123
School District #145	24,760,672	76%	18,818,111
Freeport Park District	2,746,295	99%	2,718,832
Community College District #519	<u>8,040,000</u>	18%	<u>1,447,200</u>
Total	<u>\$49,410,882</u>		<u>\$29,084,266</u>

Per capita net overlapping debt	\$1,101.68
Percent of net overlapping debt to 2010 EAV	10.97%

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

April 30, 2011

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 2006 through 2010 are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Corporate	0.19390	0.28179	0.38616	0.39155	0.38094
Police Pension	0.37123	0.35365	0.31928	0.29444	0.29097
Public Library	0.43368	0.43590	0.43561	0.42887	0.42984
Municipal Retirement	0.09506	0.08270	0.06502	0.06749	0.07306
Firefighter's Pension	<u>0.38253</u>	<u>0.28179</u>	<u>0.22154</u>	<u>0.22244</u>	<u>0.23982</u>
Total	<u>1.47640</u>	<u>1.43583</u>	<u>1.42761</u>	<u>1.40479</u>	<u>1.41463</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 2010 were as follows:

<u>Taxing Unit</u>	<u>2010 Tax Levy</u>
City of Freeport	1.47640
Stephenson County	1.17959
Freeport Township	.40381
Community College District #519	.48532
School District #145	5.98946
Freeport Park District	.96249
Freeport MOSQ Abate	.04323

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CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
 Year ended April 30, 2011

Year ended <u>April 30</u>	<u>2003</u> General Obligation Bonds		<u>2006</u> General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 580,000</u>	<u>\$ 106,911</u>	<u>\$ 1,885,000</u>	<u>\$ 912,535</u>

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2011

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>
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>\$ 395,000</u>	<u>\$ 21,132</u>	<u>\$ 1,305,000</u>	<u>\$ 241,108</u>

<u>2004</u> <u>General Obligation Bonds</u>		<u>2005</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>	<u>Principal</u>	<u>Interest</u>
\$ 70,000	\$ 347,292	\$ 30,000	\$ 252,012	\$ 38,000	\$ 322,215
490,000	344,842	30,000	250,992	38,000	320,745
510,000	322,792	30,000	249,912	38,000	321,268
530,000	299,843	30,000	248,786	42,000	317,035
555,000	275,992	35,000	247,646	43,000	314,913
575,000	253,793	35,000	246,158	131,000	312,514
600,000	230,792	35,000	244,672	320,000	308,151
625,000	206,793	35,000	243,184	332,000	296,130
645,000	181,792	40,000	241,696	347,000	283,280
675,000	155,993	40,000	239,996	364,000	269,858
700,000	128,318	40,000	238,296	374,000	255,356
735,000	98,918	45,000	236,546	391,000	240,469
760,000	67,680	45,000	234,578	405,000	224,920
800,000	35,000	50,000	232,608	423,000	208,827
-	-	915,000	230,422	439,000	191,985
-	-	960,000	189,246	457,000	174,532
-	-	1,000,000	146,046	478,000	156,389
-	-	1,045,000	99,796	495,000	136,722
-	-	1,095,000	51,466	510,000	116,377
-	-	-	-	535,000	95,340
-	-	-	-	555,000	72,870
-	-	-	-	575,000	49,560
-	-	-	-	605,000	25,410
<u>\$ 8,270,000</u>	<u>\$ 2,949,840</u>	<u>\$ 5,535,000</u>	<u>\$ 4,124,058</u>	<u>\$ 7,935,000</u>	<u>\$ 5,014,866</u>

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

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Freeport, Illinois for the year ended April 30, 2011, and have issued our report thereon dated November 7, 2011. 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 7, 2011