

CITY OF FREEPORT, ILLINOIS
Freeport, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2012

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, 2012, 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 opinions 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 opinions.

As described in Note K, the City adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective May 1, 2011.

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, 2012, 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 February 21, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress for the Illinois Municipal Retirement Fund and Retiree Health Plan on page 61, the Actuarial Valuations for the Police and Firefighter's Pension Systems on page 62, and the budgetary comparison information on pages 63 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Freeport, Illinois' financial statements as a whole. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wipfli LLP

Freeport, Illinois
February 21, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2012

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, 2012.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2012 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, 2012

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 seventeen 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 seventeen 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. All 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, 2012

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2012 and 2011

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current Assets	\$14,483,910	\$14,075,681	\$ 5,215,380	\$ 3,415,003	\$19,699,290	\$17,490,684
Non-current Assets	<u>15,364,995</u>	<u>15,544,003</u>	<u>52,320,519</u>	<u>51,608,018</u>	<u>67,685,514</u>	<u>67,152,021</u>
Total Assets	<u>29,848,905</u>	<u>29,619,684</u>	<u>57,535,899</u>	<u>55,023,021</u>	<u>87,384,804</u>	<u>84,642,705</u>
Liabilities:						
Current Liabilities	5,128,603	4,926,954	3,228,487	2,393,902	8,357,090	7,320,856
Non-current Liabilities	<u>16,840,411</u>	<u>15,131,588</u>	<u>28,140,561</u>	<u>26,847,477</u>	<u>44,980,972</u>	<u>41,979,065</u>
Total liabilities	<u>21,969,014</u>	<u>20,058,542</u>	<u>31,369,048</u>	<u>29,241,379</u>	<u>53,338,062</u>	<u>49,299,921</u>
Net Assets:						
Investments in capital assets, net of debt	11,489,699	11,639,944	24,171,071	24,618,059	35,660,770	36,258,003
Restricted	2,199,307	304,910	1,619,209	1,541,814	3,818,516	1,846,724
Unrestricted	<u>(5,809,115)</u>	<u>(2,383,712)</u>	<u>376,571</u>	<u>(378,231)</u>	<u>(5,432,544)</u>	<u>(2,761,943)</u>
Total net assets	<u>\$ 7,879,891</u>	<u>\$ 9,561,142</u>	<u>\$26,166,851</u>	<u>\$25,781,642</u>	<u>\$34,046,742</u>	<u>\$35,342,784</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, 2012

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, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program:						
Charges for services	\$ 1,545,025	\$ 1,461,463	\$8,860,577	\$8,706,747	\$10,405,602	\$10,168,210
Operating grants & contributions	2,717,060	1,556,564	-	-	2,717,060	1,556,564
General:						
Property & other taxes	18,840,980	18,376,484	-	-	18,840,980	18,376,484
Other	<u>673,851</u>	<u>1,664,930</u>	<u>20,494</u>	<u>745</u>	<u>694,345</u>	<u>1,665,675</u>
Total revenues	<u>23,776,916</u>	<u>23,059,441</u>	<u>8,881,071</u>	<u>8,707,492</u>	<u>32,657,987</u>	<u>31,766,933</u>
Expenses:						
General government	9,397,309	10,065,510	-	-	9,397,309	10,065,510
Public safety	9,137,970	7,419,110	-	-	9,137,970	7,419,110
Judiciary and legal	178,489	195,581	-	-	178,489	195,581
Public works	4,847,178	2,378,329	-	-	4,847,178	195,581
Health	79,189	95,228	-	-	79,189	2,378,329
Culture and recreation	1,655,416	1,533,876	-	-	1,655,416	1,533,876
Interest on long-term debt	162,616	188,657	-	-	162,616	1,533,876
Water	-	-	2,155,381	1,986,988	2,155,381	188,657
Sewer	-	-	3,981,567	3,601,312	3,981,567	1,986,988
Storm Sewer	-	-	698,642	659,394	698,642	3,601,312
Landfill Closure	-	-	259,915	200,278	259,915	659,394
Health and Environment	<u>-</u>	<u>-</u>	<u>1,400,357</u>	<u>1,368,569</u>	<u>1,400,357</u>	<u>200,278</u>
Total expenses	<u>25,458,167</u>	<u>21,876,291</u>	<u>8,495,862</u>	<u>7,816,541</u>	<u>33,954,029</u>	<u>29,692,832</u>
Change in net assets	<u>\$ (1,681,251)</u>	<u>\$ 1,183,150</u>	<u>\$ 385,209</u>	<u>\$ 890,951</u>	<u>\$(1,296,042)</u>	<u>\$ 2,074,101</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, 2012

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 \$34,046,742 as of April 30, 2012. This is a decrease of \$1,296,042 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, 2012 were \$5,689,831. This is an increase of \$490,665 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in June 2011. 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 \$574,191 more than budgeted. General Fund expenses were \$1,668,456 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$644,585 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in the fund balance of \$490,665.

Capital Assets/Long-Term Debt

During the fiscal year the City purchased 1 vehicle for the Sewer Department, 1 vehicle for the Animal Control Department, 4 vehicles for the Street Department and 4 police cars for the Police Department for a total expenditure of \$401,601. The City also contracted for the purchase of a new fire truck which will be delivered after May 1, 2012. (See Note C for further information on capital assets.)

The City incurred one new capital lease during the fiscal year ended April 30, 2012. The capital lease is for the purchase of a fire truck. (See Note D 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. 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, 2012

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, 524 W. Stephenson Street, Freeport, IL 61032.

BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,228,237	\$ 2,197,321	\$ 5,425,558
Investments	3,439,049	95,797	3,534,846
Receivables (net of allowances):			
Property taxes	3,730,879	-	3,730,879
Accounts	3,491,248	1,141,957	4,633,205
Interest	-	1,395	1,395
Inventories	-	152,601	152,601
Deposits	-	7,100	7,100
Prepaid expenses	594,497	-	594,497
Restricted cash accounts	-	1,619,209	1,619,209
Total current assets	<u>14,483,910</u>	<u>5,215,380</u>	<u>19,699,290</u>
Bond issuance costs	-	214,658	214,658
Deferred charges	-	11,067	11,067
Prepaid interest	351,811	2,856,845	3,208,656
Work in process	-	2,456,818	2,456,818
Capital Assets (net of accumulated depreciation):			
Buildings	7,951,859	16,076,646	24,028,505
Infrastructure	5,479,092	27,990,911	33,470,003
Equipment	203,200	2,713,574	2,916,774
Vehicles	1,379,033	-	1,379,033
Total noncurrent assets	<u>15,364,995</u>	<u>52,320,519</u>	<u>67,685,514</u>
Total assets	<u>29,848,905</u>	<u>57,535,899</u>	<u>87,384,804</u>

See Notes to Financial Statements.

LIABILITIES

Current liabilities:

Accounts payable	631,242	1,252,202	1,883,444
Accrued payroll	212,346	42,947	255,293
Deposits and escrow amounts	-	611,669	611,669
Unearned grant revenue	158,828	-	158,828
Deferred revenue	3,730,879	141,719	3,872,598
Accrued interest	38,679	376,705	415,384
Current portion long term debt	356,629	803,245	1,159,874
	<u>5,128,603</u>	<u>3,228,487</u>	<u>8,357,090</u>
Total current liabilities			

Noncurrent liabilities:

General obligation bonds payable	2,251,000	21,929,000	24,180,000
Market premium on bonds payable	-	24,050	24,050
Deferred gain	131,576	1,067,143	1,198,719
Notes payable	556,384	2,364,878	2,921,262
Capital leases	359,472	-	359,472
Net pension obligation	9,681,882	-	9,681,882
Net OPEB obligation	3,439,962	-	3,439,962
Accrued compensated absences	420,135	135,000	555,135
Landfill closure liability	-	2,620,490	2,620,490
	<u>16,840,411</u>	<u>28,140,561</u>	<u>44,980,972</u>
Total noncurrent liabilities			
	<u>21,969,014</u>	<u>31,369,048</u>	<u>53,338,062</u>
Total liabilities			

NET ASSETS

Invested in capital assets, net of related debt	11,489,699	24,171,071	35,660,770
Restricted	2,199,307	1,619,209	3,818,516
Unrestricted	(5,809,115)	376,571	(5,432,544)
	<u>(5,809,115)</u>	<u>376,571</u>	<u>(5,432,544)</u>
Total net assets	<u>\$ 7,879,891</u>	<u>\$ 26,166,851</u>	<u>\$ 34,046,742</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 9,397,309	\$ 165,241	\$ 1,506,625	\$ -
Public safety	9,137,970	937,748	381,765	-
Judiciary and legal	178,489	13,097	-	-
Public works	4,847,178	401,761	790,170	-
Social services	79,189	-	-	-
Culture and recreation	1,655,416	27,178	38,500	-
Interest	<u>162,616</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 25,458,167</u>	<u>\$ 1,545,025</u>	<u>\$ 2,717,060</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 2,155,381	\$ 2,949,950	\$ -	\$ -
Sewer	3,981,567	3,385,926	-	-
Storm Sewer	698,642	632,966	-	-
Landfill Closure	259,915	268,299	-	-
Health and Environment	<u>1,400,357</u>	<u>1,623,436</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 8,495,862</u>	<u>\$ 8,860,577</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

State taxes

Miscellaneous taxes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (7,725,443)	\$ -	\$ (7,725,443)
(7,818,457)	-	(7,818,457)
(165,392)	-	(165,392)
(3,655,247)	-	(3,655,247)
(79,189)	-	(79,189)
(1,589,738)	-	(1,589,738)
(162,616)	-	(162,616)
<u>(21,196,082)</u>	<u>-</u>	<u>(21,196,082)</u>
-	794,569	794,569
-	(595,641)	(595,641)
-	(65,676)	(65,676)
-	8,384	8,384
-	223,079	223,079
<u>-</u>	<u>364,715</u>	<u>364,715</u>
4,694,440	-	4,694,440
12,250,200	-	12,250,200
1,896,340	-	1,896,340
18,085	194	18,279
655,766	20,300	676,066
<u>19,514,831</u>	<u>20,494</u>	<u>19,535,325</u>
(1,681,251)	385,209	(1,296,042)
9,561,142	25,781,642	35,342,784
<u>\$ 7,879,891</u>	<u>\$ 26,166,851</u>	<u>\$ 34,046,742</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 171,295	\$ 611,965	\$ 783,260
Investments	2,582,276	3,237,885	5,820,161
Receivables, net of allowances			
Property tax	2,392,000	1,338,879	3,730,879
Other	670,879	978,049	1,648,928
Due from other governments	1,743,607	-	1,743,607
Due from other funds	507,786	21,743	529,529
Prepaid expenses	565,704	3,750	569,454
Total assets	<u>\$ 8,633,547</u>	<u>\$ 6,192,271</u>	<u>\$ 14,825,818</u>
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ 182,013	\$ 296,729	\$ 478,742
Accrued payroll	194,982	17,364	212,346
Due to other funds	15,893	478,515	494,408
Unearned grant revenue	158,828	-	158,828
Deferred revenue	2,392,000	1,338,879	3,730,879
Total liabilities	<u>2,943,716</u>	<u>2,131,487</u>	<u>5,075,203</u>
Fund balances:			
Nonspendable	565,704	3,750	569,454
Restricted	-	2,199,307	2,199,307
Committed	112,154	1,850,580	1,962,734
Assigned	-	7,147	7,147
Unassigned	5,011,973	-	5,011,973
Total fund balances	<u>5,689,831</u>	<u>4,060,784</u>	<u>9,750,615</u>
Total liabilities and fund balances	<u>\$ 8,633,547</u>	<u>\$ 6,192,271</u>	<u>\$ 14,825,818</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2012

Total fund balances - governmental funds	\$ 9,750,615
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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 \$28,996,716 and the accumulated depreciation is \$13,983,532.	15,013,184
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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.	351,811
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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.	-
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,235,719)</u>
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Total net assets - governmental activities	<u>\$ 7,879,891</u>
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CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 15,272,372	\$ 2,460,443	\$ 17,732,815
Fees	1,263,573	601,354	1,864,927
Intergovernmental	192,696	3,132,398	3,325,094
Interest	7,959	9,777	17,736
Other	102,579	197,006	299,585
Total revenues	<u>16,839,179</u>	<u>6,400,978</u>	<u>23,240,157</u>
EXPENDITURES			
Current:			
General government	6,992,398	1,855,089	8,847,487
Public safety	7,093,517	227,060	7,320,577
Judiciary and legal	178,489	-	178,489
Public works	1,511,623	2,675,008	4,186,631
Social services	79,189	-	79,189
Culture and recreation	158,932	1,354,412	1,513,344
Capital outlay	180,446	606,167	786,613
Debt service	-	655,708	655,708
Total expenses	<u>16,194,594</u>	<u>7,373,444</u>	<u>23,568,038</u>
Excess (deficiency) of revenues over expenses	<u>644,585</u>	<u>(972,466)</u>	<u>(327,881)</u>
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	-	359	359
Debt proceeds	-	445,000	445,000
Transfers in	255,325	705,585	960,910
Transfers out	(409,245)	(551,665)	(960,910)
Total other financing sources and uses	<u>(153,920)</u>	<u>599,279</u>	<u>445,359</u>
Net change in fund balances	490,665	(373,187)	117,478
Fund balances - beginning as restated	<u>5,199,166</u>	<u>4,433,971</u>	<u>9,633,137</u>
Fund balances - ending	<u>\$ 5,689,831</u>	<u>\$ 4,060,784</u>	<u>\$ 9,750,615</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, 2012

Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 117,478
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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 \$(786,613) exceeds capitalized fixed assets \$(633,698) in the period.	(152,915)
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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.	(7,159)
---	---------

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.	57,253
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Debt proceeds are reported in governmental funds as other financing sources. However, the amount is recorded as a liability in the statement of net assets. This is the amount of debt proceeds in the period.	(445,000)
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Debt payments are reported in governmental funds as expenditures. However, only the interest on debt is recorded in the statement of activities. This is the amount of debt payments in the period.	454,829
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The increase in the net pension and OPEB obligations recorded on the government- wide statements are not recorded in the governmental funds because it does not affect current expenditures. This is the increase in the period.	<u>(1,705,737)</u>
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Change in net assets of governmental activities	<u>\$ (1,681,251)</u>
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CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2012

<u>ASSETS</u>	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Health and Environment	Total	
Current assets:							
Cash	\$ 2,190,196	\$ 3,741	\$ 100	\$ 3,284	\$ -	\$ 2,197,321	\$ -
Investments	-	-	45,777	-	50,020	95,797	63,865
Receivables, net of allowance for uncollectible:							
Accounts	576,143	491,265	24,216	92,564	-	1,184,188	98,713
Interest	254	1,141	-	-	-	1,395	-
Due from other funds	1,365,000	-	-	-	335,339	1,700,339	-
Inventories	18,690	133,911	-	-	-	152,601	-
Deposits	6,740	360	-	-	-	7,100	-
Prepaid expenses	-	-	-	-	-	-	25,043
Restricted cash accounts:							
Revolving fund	-	1,663	-	-	-	1,663	-
Bond and interest	-	683,505	-	701,015	-	1,384,520	-
Capital improvements	139,789	93,237	-	-	-	233,026	-
Total current assets	<u>4,296,812</u>	<u>1,408,823</u>	<u>70,093</u>	<u>796,863</u>	<u>385,359</u>	<u>6,957,950</u>	<u>187,621</u>
Noncurrent assets:							
Bond issuance costs	-	126,939	-	87,719	-	214,658	-
Prepaid interest & market discount	-	2,002,685	-	854,160	-	2,856,845	-
Property, plant and equipment (net of accumulated depreciation)	13,127,291	27,500,682	-	8,609,976	-	49,237,949	-
Deferred charges	11,067	-	-	-	-	11,067	-
Total noncurrent assets	<u>13,138,358</u>	<u>29,630,306</u>	<u>-</u>	<u>9,551,855</u>	<u>-</u>	<u>52,320,519</u>	<u>-</u>
Total assets	<u>17,435,170</u>	<u>31,039,129</u>	<u>70,093</u>	<u>10,348,718</u>	<u>385,359</u>	<u>59,278,469</u>	<u>187,621</u>

See Notes to Financial Statements.

LIABILITIES**Current liabilities:**

Accounts payable	305,159	820,010	55,874	1,037	112,353	1,294,433	152,500
Accrued payroll	16,773	25,224	-	950	-	42,947	-
Due to other funds	335,339	905,000	-	460,000	-	1,700,339	35,121
Deposits and escrow amounts	610,144	1,525	-	-	-	611,669	-
Deferred revenue	-	83,175	38,507	20,037	-	141,719	-
Accrued interest payable	-	270,287	-	106,418	-	376,705	-
Current portion long term debt	-	536,668	30,245	236,332	-	803,245	-
Total current liabilities	<u>1,267,415</u>	<u>2,641,889</u>	<u>124,626</u>	<u>824,774</u>	<u>112,353</u>	<u>4,971,057</u>	<u>187,621</u>

Noncurrent liabilities:

Landfill closure liability	-	-	2,620,490	-	-	2,620,490	-
Deferred gain	-	550,346	-	516,797	-	1,067,143	-
Accrued compensated absences	45,696	86,519	-	2,785	-	135,000	-
Note payable	823,879	1,304,098	236,901	-	-	2,364,878	-
General obligation bonds payable	-	13,761,054	-	8,167,946	-	21,929,000	-
Market premium on bonds payable	-	14,544	-	9,506	-	24,050	-
Total noncurrent liabilities	<u>869,575</u>	<u>15,716,561</u>	<u>2,857,391</u>	<u>8,697,034</u>	<u>-</u>	<u>28,140,561</u>	<u>-</u>
Total liabilities	<u>2,136,990</u>	<u>18,358,450</u>	<u>2,982,017</u>	<u>9,521,808</u>	<u>112,353</u>	<u>33,111,618</u>	<u>187,621</u>

NET ASSETS

Restricted due to bond ordinance	139,789	778,405	-	701,015	-	1,619,209	-
Unrestricted	<u>15,158,391</u>	<u>11,902,274</u>	<u>(2,911,924)</u>	<u>125,895</u>	<u>273,006</u>	<u>24,547,642</u>	<u>-</u>
Total net assets	<u>\$ 15,298,180</u>	<u>\$ 12,680,679</u>	<u>\$ (2,911,924)</u>	<u>\$ 826,910</u>	<u>\$ 273,006</u>	<u>\$ 26,166,851</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, 2012

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Health and Environment	Total	
Operating revenues:							
Charges for services	\$ 2,949,950	\$ 3,385,926	\$ 268,299	\$ 632,966	\$ 1,623,436	\$ 8,860,577	\$ 3,330,423
Operating expenses:							
Operating	1,794,001	2,415,550	259,915	87,188	1,400,357	5,957,011	3,330,772
Depreciation	361,380	865,754	-	223,284	-	1,450,418	-
Total operating expenses	2,155,381	3,281,304	259,915	310,472	1,400,357	7,407,429	3,330,772
Operating income (loss)	794,569	104,622	8,384	322,494	223,079	1,453,148	(349)
Nonoperating revenues (expenses):							
Interest income	27	25	37	74	31	194	349
Interest and fiscal charges	-	(700,263)	-	(388,170)	-	(1,088,433)	-
Other revenue	-	20,300	-	-	-	20,300	-
Total nonoperating revenues	27	(679,938)	37	(388,096)	31	(1,067,939)	349
Net income (loss)	794,596	(575,316)	8,421	(65,602)	223,110	385,209	-
Net assets - May 1, 2011	14,503,584	13,255,995	(2,920,345)	892,512	49,896	25,781,642	-
Net assets - April 30, 2012	<u>\$ 15,298,180</u>	<u>\$ 12,680,679</u>	<u>\$ (2,911,924)</u>	<u>\$ 826,910</u>	<u>\$ 273,006</u>	<u>\$ 26,166,851</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended April 30, 2012

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	<u>Water Department</u>	<u>Sewer Department</u>	<u>Landfill Closure</u>	<u>Storm Sewer</u>	<u>Health and Environment</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 3,638,642	\$ 3,341,363	\$ 245,277	\$ 689,565	\$ 1,373,372	\$ 9,288,219	\$ 3,400,820
Payments to suppliers	(840,805)	(1,651,911)	(178,867)	(43,088)	(1,399,182)	(4,113,853)	(3,401,074)
Payments to employees	<u>(640,596)</u>	<u>(941,271)</u>	<u>-</u>	<u>(43,174)</u>	<u>-</u>	<u>(1,625,041)</u>	<u>-</u>
Net cash provided by (used in) operations	<u>2,157,241</u>	<u>748,181</u>	<u>66,410</u>	<u>603,303</u>	<u>(25,810)</u>	<u>3,549,325</u>	<u>(254)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	-	-	(19,123)	-	(1,817)	(20,940)	-
Sale of investments	170	(53,217)	(18,098)	(4,048)	27,596	(47,597)	(95)
Interest received	<u>27</u>	<u>27</u>	<u>37</u>	<u>74</u>	<u>31</u>	<u>196</u>	<u>349</u>
Net cash provided by (used in) investing activities	<u>197</u>	<u>(53,190)</u>	<u>(37,184)</u>	<u>(3,974)</u>	<u>25,810</u>	<u>(68,341)</u>	<u>254</u>

See Notes to Financial Statements.

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

Interest paid	-	(635,650)	-	(373,373)	-	(1,009,023)	-
Proceeds from long term debt	823,879	1,304,098	-	-	-	2,127,977	-
Principal payments on long term debt	-	(515,348)	(29,226)	(222,652)	-	(767,226)	-
Purchase of property and equipment	<u>(1,425,388)</u>	<u>(907,947)</u>	<u>-</u>	<u>(601)</u>	<u>-</u>	<u>(2,333,936)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(601,509)</u>	<u>(754,847)</u>	<u>(29,226)</u>	<u>(596,626)</u>	<u>-</u>	<u>(1,982,208)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,555,929	(59,856)	-	2,703	-	1,498,776	-
Beginning cash and cash equivalents	<u>634,267</u>	<u>63,597</u>	<u>100</u>	<u>581</u>	<u>-</u>	<u>698,545</u>	<u>-</u>
Ending cash and cash equivalents	<u>\$ 2,190,196</u>	<u>\$ 3,741</u>	<u>\$ 100</u>	<u>\$ 3,284</u>	<u>\$ -</u>	<u>\$ 2,197,321</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year ended April 30, 2012

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	<u>Water Department</u>	<u>Sewer Department</u>	<u>Landfill Closure</u>	<u>Storm Sewer</u>	<u>Health and Environment</u>	<u>Total</u>	
Reconciliation of operating income to net provided (used) by operating activities:							
Operating income (loss)	\$ 794,569	\$ 104,622	\$ 8,384	\$ 322,494	\$ 223,079	\$ 1,453,148	\$ (349)
Adjustments to reconcile operating income to net cash provided by (used in) operations:							
Depreciation	361,380	865,754	-	223,284	-	1,450,418	-
Changes in assets and liabilities:							
Accounts receivable	(223,936)	(63,538)	(24,216)	56,599	-	(255,091)	(96,363)
Inventory	94	-	-	-	-	94	-
Due from other funds	975,000	-	-	-	(250,064)	724,936	166,760
Deposits	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	(22,923)
Accounts payable	56,762	785,452	50,633	862	1,175	894,884	(82,500)
Accrued payroll	2,527	4,925	-	208	-	7,660	-
Accrued compensated absences	3,153	6,991	-	(144)	-	10,000	-
Deposits and escrow amounts	(62,372)	(1,200)	-	-	-	(63,572)	-
Deferred revenue	-	20,175	1,194	-	-	21,369	-
Other liabilities	-	-	30,415	-	-	30,415	-
Due to other funds	250,064	(975,000)	-	-	-	(724,936)	35,121
Net cash provided by (used in) operations	<u>\$ 2,157,241</u>	<u>\$ 748,181</u>	<u>\$ 66,410</u>	<u>\$ 603,303</u>	<u>\$ (25,810)</u>	<u>\$ 3,549,325</u>	<u>\$ (254)</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2012

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ 57,976	\$ 1,931,864
Investments	30,932	44,848,275
Receivables, net of allowance for uncollectible:		
Loan	367,380	-
Interest	<u>-</u>	<u>183,221</u>
 Total assets	 <u>456,288</u>	 <u>46,963,360</u>
 <u>LIABILITIES</u>		
 Accounts payable	 <u>5,765</u>	 <u>-</u>
 <u>NET ASSETS</u>		
 Held in trust for pension benefits and other purposes	 <u>\$ 450,523</u>	 <u>\$ 46,963,360</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2012

	Private- Purpose Trust Funds	Pension Trust Funds
Additions:		
Foreign fire insurance	\$ 26,681	\$ -
Contributions-employer taxes	-	2,386,708
Contributions-employee	-	547,945
Investment income	<u>11,017</u>	<u>1,922,886</u>
 Total additions	 <u>37,698</u>	 <u>4,857,539</u>
 Deductions:		
Benefits and refunds	-	3,617,291
Other charges and services	<u>31,695</u>	<u>183,403</u>
 Total deductions	 <u>31,695</u>	 <u>3,800,694</u>
 Net increase	 6,003	 1,056,845
 Net assets - beginning	 <u>444,520</u>	 <u>45,906,515</u>
 Net assets - ending	 <u><u>\$ 450,523</u></u>	 <u><u>\$ 46,963,360</u></u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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, 2012

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, 2012

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, 2012

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.

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

A. Summary of Significant Accounting Policies (Continued):

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

Enterprise Funds (Continued):

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.

Health and Environment Fund To account for the costs related to the operation of garbage in the City. Funding is provided by a fee charged to the homeowners.

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, 2012 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, 2012

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 2010 levy. Property taxes related to the 2011 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 2011, the City levied its 2011 taxes which will be recognized as revenue in 2013. The amounts of taxes levied are:

General Fund	\$2,416,161
Special Revenue Funds:	
IMRF	256,007
Library	<u>1,096,396</u>
	<u>\$3,768,564</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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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. Deposits and Investments:

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

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of April 30, 2012, 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 \$9,161,336 and the bank balance was \$10,225,295. Of the bank balance, the entire balance of \$10,225,295 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.

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, 2012, \$0 of the City's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The City has no foreign currency risk for deposits at year end.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

B. Deposits and Investments (Continued):

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

Investments. As of April 30, 2012, the City's investments were as follows:

	<u>Fair Value</u>
<i>Governmental Activities:</i>	
Investments in State Investment Pool	\$3,389,858
U.S. Government Obligations	<u>49,191</u>
Total	<u>\$3,439,049</u>
<i>Pension Trust Funds:</i>	
U.S. Government Obligations	\$11,852,005
Investments in State Investment Pool	9,362
State and Local Obligations	9,918,290
Equity Mutual Funds	20,023,721
Common Stock	<u>3,044,897</u>
Total	<u>\$44,848,275</u>

Interest Rate Risk:

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

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

B. Deposits and Investments (Continued):

	<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	\$3,389,858	\$ -	\$ -	\$3,389,858
U.S. Government Obligations	<u>-</u>	<u>-</u>	<u>49,191</u>	<u>49,191</u>
Total	<u>\$3,389,858</u>	<u>\$ -</u>	<u>\$ 49,191</u>	<u>\$3,439,049</u>
<i>Pension Trust Funds:</i>				
U.S. Government Obligations	\$105,393	\$5,962,431	\$5,784,181	\$11,852,005
Investments in State				
Investment Pool	9,362	-	-	9,362
State and Local Obligations	<u>144,461</u>	<u>3,333,069</u>	<u>6,440,760</u>	<u>9,918,290</u>
Total	<u>\$259,216</u>	<u>\$9,295,500</u>	<u>\$12,224,941</u>	<u>\$21,779,657</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.

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, 2012</u>	<u>AAA</u>	<u>Unrated</u>
<i>Governmental activities:</i>			
Investments in State			
Investment Pool	\$3,389,858	\$3,389,858	\$ -
U.S. Government Obligations	<u>49,191</u>	<u>-</u>	<u>49,191</u>
Total	<u>\$3,439,049</u>	<u>\$3,389,858</u>	<u>\$49,191</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

B. Deposits and Investments (Continued):

	<u>Total as of</u> <u>April 30, 2012</u>	<u>AAA</u>	<u>Unrated</u>
<i>Pension Trust Funds:</i>			
Investments in State			
Investment Pool	\$ 9,362	\$9,362	\$ -
State and Local Obligations	9,918,290 *	-	-
Equity Mutual Funds	20,023,721	-	20,023,721
Common Stock	3,044,897	-	3,044,897
U.S. Government Obligations	<u>11,852,005</u>	<u>-</u>	<u>11,852,005</u>
Total	<u>\$44,848,275</u>	<u>\$9,362</u>	<u>\$34,920,623</u>

* See Table 1 below

<i>Rating</i>	<i>Rating Agency</i>	
AA-	Standard & Poor's	\$ 471,876
A+	Standard & Poor's	455,771
A	Standard & Poor's	727,587
A-	Standard & Poor's	1,036,440
BBB+	Standard & Poor's	428,406
BBB	Standard & Poor's	305,418
BBB-	Standard & Poor's	142,627
Aaa	Moody's	222,255
Aa2	Moody's	87,859
Aa3	Moody's	564,332
A1	Moody's	958,771
A2	Moody's	1,411,672
A3	Moody's	1,369,231
Baa1	Moody's	678,174
Baa2	Moody's	630,651
Baa3	Moody's	326,141
Not Rated	Moody's	<u>101,079</u>
Total		<u>\$9,918,290</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

B. Deposits and Investments (Continued):

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, 2012 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.

C. 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, 2012

C. Property, Plant and Equipment (Continued):

The governmental activities capital asset activity for the year ended April 30, 2012 is as follows:

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2012</u>
Capital assets being depreciated:				
Buildings	\$12,059,522	\$ 213,313	\$ -	\$12,272,835
Infrastructure	9,069,495	-	-	9,069,495
Equipment	1,628,747	69,644	-	1,698,391
Vehicles	<u>5,711,267</u>	<u>350,741</u>	<u>106,013</u>	<u>5,955,995</u>
Total capital assets being depreciated	<u>28,469,031</u>	<u>633,698</u>	<u>106,013</u>	<u>28,996,716</u>
Less accumulated depreciation for:				
Buildings	4,112,138	208,838	-	4,320,976
Infrastructure	3,409,013	181,390	-	3,590,403
Equipment	1,441,916	53,275	-	1,495,191
Vehicles	<u>4,332,706</u>	<u>343,110</u>	<u>98,854</u>	<u>4,576,962</u>
Total accumulated depreciation	<u>13,295,773</u>	<u>786,613</u>	<u>98,854</u>	<u>13,983,532</u>
Governmental activities capital assets, net	<u>\$15,173,258</u>	<u>\$(152,915)</u>	<u>\$ 7,159</u>	<u>\$15,013,184</u>

The business-type activities capital asset activity for the year ended April 30, 2012 is as follows:

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2012</u>
Capital assets not being depreciated:				
Work in process	\$ 617,956	\$2,333,936	\$495,074	\$ 2,456,818
Capital assets being depreciated:				
Buildings	23,830,109	-	-	23,830,109
Infrastructure	40,246,009	495,074	-	40,741,083
Equipment	<u>5,756,170</u>	<u>-</u>	<u>-</u>	<u>5,756,170</u>
Total capital assets being depreciated	<u>69,832,288</u>	<u>495,074</u>	<u>-</u>	<u>70,327,362</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

C. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2012</u>
Less accumulated depreciation for:				
Buildings	7,195,086	558,377	-	7,753,463
Infrastructure	11,973,370	776,802	-	12,750,172
Equipment	<u>2,927,357</u>	<u>115,239</u>	<u>-</u>	<u>3,042,596</u>
 Total accumulated depreciation	 <u>22,095,813</u>	 <u>1,450,418</u>	 <u>-</u>	 <u>23,546,231</u>
 Business-type activities capital assets, net	 <u>47,736,475</u>	 <u>955,344</u>	 <u>-</u>	 <u>46,781,131</u>
 Business-type activities capital assets, net	 <u>\$48,354,431</u>	 <u>\$2,829,010</u>	 <u>\$495,074</u>	 <u>\$49,237,949</u>

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

Governmental activities:

General government	\$ 13,424
Public safety	180,187
Public works	450,930
Culture and recreation	<u>142,072</u>
Total depreciation expense, governmental activities	<u>\$786,613</u>

Business-type activities:

Water Department	\$ 350,613
Sewer Department	876,521
Storm Sewer Department	<u>223,284</u>
Total depreciation expense, business-type activities	<u>\$1,450,418</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. Long-Term Debt:

LEASE OBLIGATIONS

The City was 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. This lease was paid off during the year.

On March 30, 2012, the City entered into a capital lease for the purchase of a Fire Truck in the amount of \$445,000. The City agreed to pay 20 quarterly payments of \$23,422 at an interest rate of 1.975% with final payment on March 30, 2017.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 85,528	\$ 8,158
2014	87,230	6,456
2015	88,965	4,721
2016	90,736	2,950
2017	<u>92,541</u>	<u>1,145</u>
Total	<u>\$445,000</u>	<u>\$23,430</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	\$ 25,502	\$ -	\$ 25,502	\$ -

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. 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>
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	81,248	-	81,248	-
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	91,130	-	6,292	84,838
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	49,284	-	3,469	45,815
State Bank, payable annually with interest at 5.60%, due July 23, 2013	Debt Service	346,632	-	109,870	236,762
US Bank, payable monthly with interest at 2.77%, due April 28, 2020	General/ Landfill Closure	<u>686,251</u>	<u>-</u>	<u>66,035</u>	<u>620,216</u>
		<u>\$1,280,047</u>	<u>\$ -</u>	<u>\$292,416</u>	<u>\$987,631</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$194,346	\$ 41,798
2014	202,822	32,287
2015	84,880	22,346
2016	88,170	19,056
2017	91,597	15,630
2018 – 2022	<u>325,816</u>	<u>26,447</u>
Total	<u>\$987,631</u>	<u>\$157,564</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. Long-Term Debt (Continued):

IEPA LOAN PAYABLE

On November 15, 2011, the City entered into two separate agreements with the Illinois Environmental Protection Agency (IEPA). One agreement was for a loan up to \$9,873,218 where the proceeds would be expended on upgrades to the public water supply loan. The other agreement was for a loan up to \$9,059,782 where the proceeds would be expended on upgrades to the wastewater treatment plan. The City will request reimbursements over the construction period which ends October 17, 2013 for the public water loan and August 18, 2013 for the wastewater treatment loan. If all of the requirements are met for the project, 25% of the loans will be forgiven by the IEPA. The remaining loans will then be repaid in semi-annual payments over 20 years beginning February 18, 2014 and ending August 18, 2033 for the public water loan and December 17, 2013 and ending June 17, 2033 for the wastewater treatment loan. Both loans will be repaid with an interest rate of 1.25%. As of April 30, 2012, the City had borrowed \$823,879 against the public water loan and \$1,304,098 against the wastewater treatment loan.

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. This bond was paid off during the fiscal year.

2003 Issue

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

2004 Issue

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (CONTINUED)

2005 Issue

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

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:

<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, 2011.	Sewer	\$ 395,000	\$ -	\$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	580,000	-	90,000	490,000
\$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	1,305,000	-	205,000	1,100,000

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. 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>
\$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	8,270,000	-	70,000	8,200,000
\$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	5,535,000	-	30,000	5,505,000
\$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	<u>9,820,000</u>	<u>-</u>	<u>55,000</u>	<u>9,765,000</u>
		<u>\$25,905,000</u>	<u>\$ -</u>	<u>\$845,000</u>	<u>\$25,060,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 880,000	\$ 1,073,346
2014	910,000	1,034,673
2015	955,000	991,467
2016	1,000,000	946,069
2017	1,045,000	901,170
2018 – 2022	5,915,000	3,828,202
2023 – 2027	7,165,000	2,514,223
2028 – 2032	6,010,000	893,644
2033 – 2034	<u>1,180,000</u>	<u>74,970</u>
Total	<u>\$25,060,000</u>	<u>\$12,257,764</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

D. 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	\$ 1,280,047	\$2,127,977	\$ 292,416	\$ 3,115,608
Capitalized leases	84,639	445,000	84,639	445,000
General obligation bonds payable	<u>25,905,000</u>	<u>-</u>	<u>845,000</u>	<u>25,060,000</u>
Total	<u>\$27,269,686</u>	<u>\$2,572,977</u>	<u>\$1,222,055</u>	<u>\$28,620,608</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.

E. 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, 2012, 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, 2012

F. 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, 2012, there was \$7,560,000 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.

G. Interfund Assets/Liabilities:

At April 30, 2012, the following interfund receivables/payables existed:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General	\$ 507,786	\$ 15,893
Non-major governmental funds	21,743	478,515
Proprietary funds:		
Water	1,365,000	335,339
Sewer	-	905,000
Storm Sewer	-	460,000
Internal Service	-	35,121
Health and Environment	<u>335,339</u>	<u>-</u>
	<u>\$2,229,868</u>	<u>\$2,229,868</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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

H. Transfers:

Below are the interfund transfers as of April 30, 2012:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Governmental Funds:		
General	\$255,325	\$(409,245)
Non-Major Governmental Funds	<u>705,585</u>	<u>(551,665)</u>
 Total all funds	 <u>\$960,910</u>	 <u>\$(960,910)</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.

I. 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, 2012, the Government has incurred a liability of \$2,620,490 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, 2012, assets reported on the combined balance sheet which total \$45,877 are held for this purpose.

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

J. 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>\$(2,911,924)</u>

K. Fund Balance Reporting:

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the how these balances are reported.

1. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The City reports prepaid expenses as nonspendable fund balance within different funds for the following purposes:

Nonspendable for General Fund	\$565,704
Nonspendable for Fire Capital Improvements	\$3,750

2. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has several revenue sources received within different funds that are restricted for the following purposes:

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

K. Fund Balance Reporting (Continued):

2. Restricted Fund Balance (Continued)

Restricted for IMRF	\$ 125,402
Restricted for Streets	682,070
Restricted for Cemetery Care	105,734
Restricted for Tourism Promotion	114,211
Restricted for Grants	1
Restricted for Drug Forfeiture	25,946
Restricted for Downtown T.I.F. District	193,213
Restricted for Lamm Road T.I.F. District	93,938
Restricted for West Ave. T.I.F. District	22,283
Restricted for Burchard Hills T.I.F. District	3,259
Restricted for Public Library	451,882
Restricted for Street & Police Equipment	<u>381,368</u>
 Total Restricted	 <u><u>\$ 2,199,307</u></u>

3. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the City Council). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The City Council commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

The City has the amounts that are committed for the following purposes:

Committed for Future Capital Improvements	\$ 112,154
Committed for Parking Lot Repairs	54,541
Committed for Debt Service	320,532
Committed for Fire Dept. Equipment	<u>1,475,507</u>
 Total Committed	 <u><u>\$ 1,962,734</u></u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

K. Fund Balance Reporting (Continued):

4. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by (a) the City Council itself or (b) the finance committee when the City Council has delegated the authority to assign amounts to be used for specific purposes. The City has several revenue sources received within different funds that are restricted for the following purposes:

Assigned for Fire Related Safety Programs	<u>\$7,147</u>
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5. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

6. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

L. Restricted Net Assets:

The following restricted net assets existed as of April 30, 2012:

Business-type Activities/Enterprise:

Water Fund:	
Reserved due to bond ordinance	<u>\$139,789</u>
Sewer Fund:	
Reserved due to bond ordinance	<u>\$778,405</u>
Storm Sewer Fund:	
Reserved due to bond ordinance	<u>\$701,015</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

L. Restricted Net Assets (Continued):

Governmental Activities:

Restricted for IMRF	\$ 125,402
Restricted for Streets	682,070
Restricted for Cemetery Care	105,734
Restricted for Tourism Promotion	114,211
Restricted for Grants	1
Restricted for Drug Forfeiture	25,946
Restricted for Downtown T.I.F. District	193,213
Restricted for Lamm Road T.I.F. District	93,938
Restricted for West Ave. T.I.F. District	22,283
Restricted for Burchard Hills T.I.F. District	3,259
Restricted for Public Library	451,882
Restricted for Street & Police Equipment	<u>381,368</u>

Total Restricted	<u><u>\$ 2,199,307</u></u>
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Fiduciary:

Private-Purpose Trust Funds	
Reserved for revolving loan	\$ 425,356
Reserved for foreign fire insurance	<u>25,167</u>

Total Private-Purpose Trust Funds	<u><u>\$ 450,523</u></u>
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Pension Trust Funds	
Reserved for Police Pension	\$ 17,780,052
Reserved for Fire Pension	<u>29,183,308</u>

Total Pension Trust Funds	<u><u>\$ 46,963,360</u></u>
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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, 2012

M. 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, 2012 was \$500 for “normal” claims and \$25,000 for catastrophes. Settled claims from these risks have not exceeded commercial insurance coverage for the past five 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 \$90,000 for each health claim. The City purchases commercial insurance for claims in excess of the coverages provided by the Fund. During fiscal year 2012, the City’s claims did not exceed its stop loss limits. Settled claims in each of the prior four 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>2012</u>
Unpaid claims - beginning	\$ 235,000
Incurred claims including IBNR, net of claims in excess of stop loss	3,027,248
Claim payments	<u>3,109,748</u>
Unpaid claims - ending	<u>\$ 152,500</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

N. 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	\$1,623,436	\$2,949,950	\$3,385,926	\$632,966	\$ 268,299
Depreciation and amortization expense	\$ -	\$361,380	\$865,754	\$223,284	\$ -
Operating income (loss)	\$1,453,148	\$794,569	\$104,622	\$322,494	\$8,384
Net income (loss)	\$385,209	\$794,596	\$(575,316)	\$(65,602)	\$8,421
Plant, property, and equipment:					
Additions	\$ -	\$1,356,801	\$ 977,135	\$ -	\$ -
Deletions	\$ -	\$ -	\$ -	\$ -	\$ -
Allowance for uncollectible accounts	\$ -	\$(72,121)	\$(54,964)	\$(13,232)	\$ -
Total assets	\$385,359	\$17,435,170	\$31,039,129	\$10,348,718	\$70,093
Net working capital	\$273,006	\$3,029,397	\$(1,233,066)	\$(27,911)	\$(54,533)
Bonds and other long- term liabilities:					
Payable from operating revenues	\$ -	\$869,575	\$15,716,561	\$8,697,034	\$2,857,391

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

O. 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 2011 used by the employer was 9.36 percent of annual covered payroll. The City annual required contribution rate for calendar year 2011 was 11.15. 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, 2011, the City's actual contributions for pension cost for the Regular were \$419,624. Its required contribution for calendar year 2011 was \$499,873.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/11	\$499,873	84%	\$179,569
12/31/10	474,234	79%	99,589
12/31/09	317,234	100%	-0-

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

O. Pension Plan (Continued):

ANNUAL PENSION COST (CONTINUED)

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009 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, 2009 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, 2011, the most recent actuarial valuation date, the Regular plan was 76.90 percent funded. The actuarial accrued liability for benefits was \$13,654,023 and the actuarial value of assets was \$10,500,214, resulting in an underfunded actuarial accrued liability (UAAL) of \$3,153,809. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$4,483,167 and the ratio of the UAAL to the covered payroll was 70 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, 2012

O. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

At April 30, 2012, 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, 2012

O. 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, 2012

O. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

At April 30, 2012, 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, 2012

O. 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, 2012 was as follows:

Annual required contribution	\$ 417,148
Interest adjustment	357,084
Adjustment to amortize unfunded liability	<u>965,049</u>
Annual pension cost	1,739,281
Contributions made	<u>1,108,745</u>
Increase (decrease) in net pension obligation	630,536
Net pension obligation, beginning	<u>5,101,209</u>
Net pension obligation, ending	<u>\$5,731,745</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

O. 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, 2011, was 22 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>
4/30/11	\$1,739,282	63.75%	\$5,731,745
4/30/10	1,654,982	61.98%	5,101,209
4/30/09	1,448,869	64.74%	4,472,037

As of April 30, 2011, the most recent actuarial valuation date, the Police Pension plan was 49.6 percent funded. The actuarial accrued liability for benefits was \$35,254,806 and the actuarial value of assets was \$17,482,448 resulting in an underfunded actuarial accrued liability (UAAL) of \$17,772,358. The covered payroll (annual payroll of active employees covered by the plan) was \$2,983,941 and the ratio of the UAAL to the covered payroll was 595.6 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, 2012

O. 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, 2012 was as follows:

Annual required contribution	\$ 609,352
Interest adjustment	231,994
Adjustment to amortize unfunded liability	<u>521,183</u>
Annual pension cost	1,362,529
Contributions made	<u>906,155</u>
Increase (decrease) in net pension obligation	456,374
Net pension obligation, beginning	<u>3,314,194</u>
Net pension obligation, ending	<u>\$3,770,568</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, 2011, was 22 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>
4/30/11	\$1,362,529	66.51%	\$3,770,568
4/30/10	1,289,506	55.58%	3,314,194
4/30/09	1,353,979	52.33%	2,741,410

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

O. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Firefighters' Pension (Continued)

As of April 30, 2011, the most recent actuarial valuation date, the Fire Pension plan was 78.0 percent funded. The actuarial accrued liability for benefits was \$36,419,859 and the actuarial value of assets was \$28,424,068 resulting in an underfunded actuarial accrued liability (UAAL) of \$7,995,791. The covered payroll (annual payroll of active employees covered by the plan) was \$2,862,891 and the ratio of the UAAL to the covered payroll was 279.3 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.

P. 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, 2012, 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, 2012

P. 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, 2012, 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 2012 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, 2012	\$ 618,068	\$304,595	49.3%	\$3,439,962
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

The net OPEB obligation as of April 30, 2012, was calculated as follows:

Annual required contribution	\$ 571,442
Interest of net OPEB obligation	139,878
Adjustment to annual required contribution	<u>(93,252)</u>
Annual OPEB cost	618,068
Contributions made	<u>(304,595)</u>
Increase (decrease) in net OPEB obligation	313,473
Net OPEB obligation beginning of year	<u>3,126,489</u>
Net OPEB obligation end of year	<u><u>\$3,439,962</u></u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

P. Other Post-Employment Benefits (Continued):

Funded Status and Funding in Process. The funded status of the plan as of April 30, 2012, 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, 2012, 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, 2012, was 30 years.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

Q. 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.

R. Restatement:

Fund balance has been restated due to the implementation of GASB Statement No. 54. The Economic Development, Insurance Reserve and Capital Improvement funds previously reported as special revenue and capital project funds have been combined with the General Fund for financial reporting purposes under the new fund-type definitions described under GASB Statement No. 54.

	<u>General Fund</u>	<u>Economic Development</u>	<u>Insurance Reserve</u>	<u>Capital Improvements</u>
Fund balance as previously reported, April 30, 2011	\$5,080,387	\$3,783	\$2,911	\$112,085
Adjustment to include Economic Development Fund balance as of April 30, 2011	3,783	(3,783)	-	-
Adjustment to include Insurance Reserve Fund balance as of April 30, 2011	2,911	-	(2,911)	-
Adjustment to include Capital Improvements Fund balance as of April 30, 2011	<u>112,085</u>	<u>-</u>	<u>-</u>	<u>(112,085)</u>
Fund balance as restated, April 30, 2011	<u>\$5,199,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

S. Pending Accounting Pronouncements:

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 61 "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." The City is required to implement this standard for the fiscal year ending April 30, 2014.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

S. Pending Accounting Pronouncements (Continued):

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The City is required to implement this standard for the fiscal year ending April 30, 2013.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The City is required to implement this standard for the fiscal year ending April 30, 2013.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 “Items Previously Reported as Assets and Liabilities” The City is required to implement this standard for the fiscal year ending April 30, 2014.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” The City is required to implement this standard for the fiscal year ending April 30, 2015.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2012

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
12/31/11	\$10,500,214	\$13,654,023	\$3,153,809	76.90%	\$4,483,167	70.35%
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%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$9,842,375. On a market basis, the funded ratio would be 72.08%.

**Retiree Health Plan
Schedule of Funding Progress**

Actuarial Valuation Date April 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
4/30/12	\$0	\$ 8,919,997	\$ 8,919,997	0.0%	\$10,126,575	88.09%
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%

CITY OF FREEPORT, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2012

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2012.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
2011	\$17,482,448	\$35,254,806	49.6%	\$17,772,358	\$2,983,941	595.6%
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%

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2012.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
2011	\$28,424,068	\$36,419,859	78.0%	\$7,995,791	\$2,862,891	279.3%
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%

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$ 2,392,618	\$ 2,392,618	\$ 2,402,514	\$ 9,896
Property transfer tax	120,000	120,000	116,183	(3,817)
Retailers occupation tax	7,300,000	7,300,000	7,441,944	141,944
Income tax	2,000,000	2,000,000	2,172,207	172,207
Replacement tax	405,000	405,000	408,092	3,092
Food, drink tax	600,000	600,000	588,257	(11,743)
Utility tax	450,000	450,000	442,728	(7,272)
Special use tax	310,000	310,000	373,922	63,922
Natural gas tax	325,000	325,000	272,143	(52,857)
Telephone utility tax	775,000	775,000	807,589	32,589
Water and sewer payment	245,000	245,000	246,793	1,793
Total taxes	14,922,618	14,922,618	15,272,372	349,754
Fees:				
Cable TV franchise fees	300,000	300,000	308,512	8,512
Circuit clerk fines and fees	315,000	315,000	338,393	23,393
Building fees and permits	195,100	195,100	268,588	73,488
Airport hangar rent	100,000	100,000	101,543	1,543
911 dispatching fees	86,000	86,000	74,533	(11,467)
Miscellaneous other charges for services	135,000	135,000	172,004	37,004
Total fees	1,131,100	1,131,100	1,263,573	132,473
Intergovernmental:				
Grant administration reimbursements	30,000	30,000	61,063	31,063
IDOT reimbursement	55,000	55,000	55,955	955
Federal grant for SLANT officer	36,000	36,000	50,366	14,366
Fire training reimbursement	10,000	10,000	-	(10,000)
Police training reimbursement	10,000	10,000	19,181	9,181
Traffic signal maintenance reimbursement	15,000	15,000	6,131	(8,869)
Total intergovernmental	156,000	156,000	192,696	36,696

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues (Continued):				
Interest	<u>10,270</u>	<u>10,270</u>	<u>7,959</u>	<u>(2,311)</u>
Other:				
Miscellaneous local sources	<u>45,000</u>	<u>45,000</u>	<u>102,579</u>	<u>57,579</u>
Total revenues	<u><u>\$ 16,264,988</u></u>	<u><u>\$ 16,264,988</u></u>	<u><u>\$ 16,839,179</u></u>	<u><u>\$ 574,191</u></u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	9,500	9,500	6,118	(3,382)
Total city council	<u>39,900</u>	<u>39,900</u>	<u>36,517</u>	<u>(3,383)</u>
Commissions:				
Commissions stipends	4,325	4,325	4,300	(25)
Education, training and travel	11,500	11,500	9,951	(1,549)
Books, periodicals, and memberships	3,000	3,000	375	(2,625)
Total commissions	<u>18,825</u>	<u>18,825</u>	<u>14,626</u>	<u>(4,199)</u>
City Clerk:				
Elected officials	55,097	55,097	53,977	(1,120)
Printing	500	500	726	226
Publication expense	9,000	9,000	6,489	(2,511)
Education, training and travel	1,500	1,500	142	(1,358)
Insurance other than employee benefits	100	100	-	(100)
Books, periodicals and memberships	500	500	345	(155)
Office supplies	1,500	1,500	1,072	(428)
Equipment, furniture and fixtures	1,850	1,850	1,138	(712)
Total city clerk	<u>70,047</u>	<u>70,047</u>	<u>63,889</u>	<u>(6,158)</u>
Mayor:				
Non-bargaining	42,393	42,393	41,927	(466)
Elected officials	84,420	84,420	84,420	-
Contracted vehicle repair and maintenance	300	300	274	(26)
Contracted equip. repair and maintenance	200	200	-	(200)
Telephone and communications	2,500	2,500	2,256	(244)
Printing	200	200	-	(200)
Education, training and travel	4,500	5,000	5,441	441

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Other supply expense	1,700	1,700	1,694	(6)
Books, periodicals and memberships	500	500	715	215
Office supplies	1,000	1,000	413	(587)
Gasoline	4,000	3,500	2,903	(597)
Total mayor	<u>141,713</u>	<u>141,713</u>	<u>140,043</u>	<u>(1,670)</u>
Office of Management and Budget:				
Non-bargaining	186,677	186,677	177,191	(9,486)
Bank service charges	150	150	125	(25)
Telephone	375	375	391	16
Printing	1,200	1,200	1,108	(92)
Education, training and travel	500	500	304	(196)
Books, periodicals and memberships	250	250	-	(250)
Office supplies	1,500	1,500	891	(609)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total Office of Management and Budget	<u>192,152</u>	<u>192,152</u>	<u>180,010</u>	<u>(12,142)</u>
Treasurer:				
Elected officials	53,820	53,820	53,820	-
Printing	100	100	34	(66)
Seminar, training and travel	1,850	1,850	1,080	(770)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	700	700	447	(253)
Books, periodicals and memberships	125	125	90	(35)
Office supplies	1,400	1,400	481	(919)
Total Treasurer	<u>58,420</u>	<u>58,420</u>	<u>56,318</u>	<u>(2,102)</u>
Hearings Administration:				
Other professional services	5,000	5,000	3,254	(1,746)
Other technical services	200	200	-	(200)
Emergency expenses	100	100	-	(100)
Total hearings administration	<u>5,300</u>	<u>5,300</u>	<u>3,254</u>	<u>(2,046)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
General Government Building:				
Custodial	21,000	21,000	9,095	(11,905)
Contracted building repair and maintenanc	15,000	85,000	79,037	(5,963)
Contracted equipment repair and maintena	10,000	10,000	9,958	(42)
Other supply expense	250	250	515	265
Building supplies	500	500	1,157	657
Building rental	-	-	9,318	9,318
Equipment and janitorial supplies	3,500	3,500	1,344	(2,156)
Natural gas	15,000	15,000	3,554	(11,446)
Electricity	-	-	186	186
Water and sewer	2,500	2,500	3,358	858
Total general government building	<u>67,750</u>	<u>137,750</u>	<u>117,522</u>	<u>(20,228)</u>
Management information systems:				
Computer and network consulting	1,000	1,000	247	(753)
Contracted equipment repairs	7,500	7,500	2,129	(5,371)
Books, periodicals and memberships	5,500	5,500	4,368	(1,132)
Hardware	15,000	15,000	231	(14,769)
Total management information systems	<u>29,000</u>	<u>29,000</u>	<u>6,975</u>	<u>(22,025)</u>
Community development:				
Salaries, non-bargaining	152,835	150,335	139,311	(11,024)
Other professional services	4,500	4,500	1,038	(3,462)
Other technical services	4,500	4,500	1,665	(2,835)
Emergency expenses	25,000	3,000	3,632	632
Telephone and communications	1,800	1,800	1,345	(455)
Printing	100	100	432	332
Legal advertising	800	800	346	(454)
Education, training, and travel	3,000	3,000	2,042	(958)
Economic development	15,000	100,000	100,000	-
Books, periodicals, and memberships	1,000	2,500	2,227	(273)
Office supplies	1,800	2,800	2,665	(135)
Machinery	3,000	3,000	21	(2,979)
Total community development	<u>213,335</u>	<u>276,335</u>	<u>254,724</u>	<u>(21,611)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Human resources:				
Non-bargaining	42,555	42,555	42,089	(466)
Medical and veterinary services	4,000	4,000	3,863	(137)
Recruitment advertising	7,500	7,500	7,245	(255)
Education, training and travel	850	850	808	(42)
Books, periodicals and memberships	1,000	1,000	440	(560)
Office and maintenance supplies	1,000	1,000	512	(488)
Other technical services	-	-	89	89
Equipment	2,000	2,000	1,605	(395)
Total human resources	58,905	58,905	56,651	(2,254)
Interdepartmental expenses:				
Social security contribution	190,000	190,000	175,000	(15,000)
Contribution to Fire Pension Fund	1,207,258	1,207,258	1,211,245	3,987
Contribution to Police Pension Fund	1,171,590	1,171,590	1,141,963	(29,627)
Medicare contribution	127,000	127,000	108,589	(18,411)
Group health insurance	2,600,000	2,579,000	2,354,890	(224,110)
PEHP contributions	165,000	160,000	87,244	(72,756)
Unemployment insurance	30,000	30,000	61,473	31,473
Worker compensation	560,500	560,500	372,901	(187,599)
Auditing city records	35,900	35,900	35,900	-
Computer and network consulting	-	-	975	975
Other consulting services	35,000	35,000	17,777	(17,223)
Equipment rental	7,500	7,500	4,956	(2,544)
Contracted equipment repair and maintenance	50,000	50,000	50,829	829
Telephone and communications	20,000	20,000	15,396	(4,604)
Printing	1,000	1,000	25	(975)
Legal advertising	-	-	467	467
Postage	14,000	14,000	9,143	(4,857)
Insurance	242,500	242,500	257,346	14,846
Fuel for resale	108,000	113,000	117,702	4,702
Books, periodical and memberships	4,000	4,000	1,962	(2,038)
Other supply expense	12,500	12,500	13,029	529
Office supplies	5,000	5,000	2,815	(2,185)
Property taxes	1,500	1,500	-	(1,500)
Capital outlay	130,000	130,000	-	(130,000)
Machinery	-	21,000	20,242	(758)
Total interdepartmental expenses	6,718,248	6,718,248	6,061,869	(656,379)
Total general government	7,613,595	7,746,595	6,992,398	(754,197)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	735,661	735,661	748,561	12,900
Salaries, AFSCME	698,945	698,945	654,643	(44,302)
Police salaries	2,284,025	2,277,025	2,066,545	(210,480)
Overtime, non-bargaining	16,500	16,500	11,703	(4,797)
Overtime, AFSCME	74,000	74,000	39,744	(34,256)
Overtime, police	135,000	135,000	73,158	(61,842)
Clothing allowance	66,500	66,500	49,826	(16,674)
Medical and veterinary services	4,000	4,000	554	(3,446)
Other prof/admin services consulting	2,000	2,000	1,286	(714)
Custodial services	11,000	11,000	9,616	(1,384)
Laundry and cleaning	150	150	44	(106)
Contracted building repairs	35,000	35,000	10,373	(24,627)
Contracted vehicle repair and maintenance	23,000	23,000	16,138	(6,862)
Contracted equipment repair and maintenance	51,000	51,000	8,564	(42,436)
Rental of equipment	4,300	4,300	2,103	(2,197)
Telephone and communications	40,400	40,400	23,410	(16,990)
Printing	6,500	6,500	6,206	(294)
Publication expense	1,000	1,000	175	(825)
Education, training and travel	50,000	50,000	44,589	(5,411)
Postage	600	600	217	(383)
Books, periodicals and memberships	3,600	3,600	5,042	1,442
Other supply expense	1,000	1,000	1,752	752
Office supplies	8,200	8,200	6,834	(1,366)
Educational supplies	7,500	7,500	1,178	(6,322)
Extinguisher supplies	800	800	38	(762)
Departmental gear and clothing	9,000	9,000	7,709	(1,291)
Vehicle supplies	21,000	21,000	25,457	4,457
Building supplies	1,100	1,100	754	(346)
Ammunition	6,000	6,000	4,919	(1,081)
Equipment supplies	2,000	2,000	-	(2,000)
Investigation and patrol supplies	5,500	5,500	5,601	101

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	3,300	3,300	3,981	681
Gasoline	90,000	90,000	91,160	1,160
Water/sewer	1,000	1,000	1,369	369
Equipment, furniture and fixtures	2,000	2,000	-	(2,000)
Machinery	1,500	1,500	-	(1,500)
Computer hardware	15,000	15,000	6,198	(8,802)
Total police department	4,418,081	4,411,081	3,929,447	(481,634)
Fire department:				
Non-bargaining	608,988	608,988	617,338	8,350
Fire	2,318,501	2,314,501	2,246,180	(68,321)
Overtime, non-bargaining	3,500	3,500	2,213	(1,287)
Overtime, fire	36,500	36,500	20,268	(16,232)
Clothing allowance	22,500	22,500	17,640	(4,860)
Medical services	10,000	10,000	2,870	(7,130)
Laundry and cleaning	7,500	7,500	4,618	(2,882)
Contracted building repairs	7,500	7,500	2,162	(5,338)
Contracted vehicle repair and maintenance	20,000	20,000	12,451	(7,549)
Contracted equipment repair and maintenance	15,000	15,000	6,156	(8,844)
Telephone and communications	10,000	10,000	6,989	(3,011)
Printing	500	500	72	(428)
Publication expense	500	500	-	(500)
Education, training and travel	15,000	15,000	4,975	(10,025)
Postage and freight	500	500	114	(386)
Books, periodicals and memberships	4,000	4,000	3,704	(296)
Other supply expense	500	500	212	(288)
Office supplies	1,500	1,500	1,894	394
Ambulance supplies	8,000	8,000	6,910	(1,090)
Educational supplies	1,000	1,000	68	(932)
Extinguisher supplies	1,000	1,000	392	(608)
Department clothing gear supplies	10,000	10,000	4,355	(5,645)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	20,000	20,000	13,286	(6,714)
Building supplies	5,000	5,000	2,463	(2,537)
Equipment supplies	7,500	7,500	4,141	(3,359)
Investigation and patrol supplies	1,000	1,000	660	(340)
Maintenance and janitorial supplies	6,000	6,000	3,769	(2,231)
Gasoline	4,000	4,000	6,478	2,478
Diesel fuel	12,500	12,500	17,353	4,853
Water/sewer	2,250	2,250	1,897	(353)
Total fire department	<u>3,160,739</u>	<u>3,156,739</u>	<u>3,011,628</u>	<u>(145,111)</u>
Buildings:				
Non-bargaining	83,299	83,299	77,011	(6,288)
Title searches and recording fees	3,000	3,000	6,058	3,058
Court report, witness and service fees	-	-	-	-
Other technical services	1,200	1,200	4,004	2,804
Lawn care	12,500	12,500	9,131	(3,369)
Contracted vehicle repairs	3,500	3,500	194	(3,306)
Contracted equip repairs	800	800	68	(732)
Demolition	35,000	65,000	47,300	(17,700)
Telephone and communications	1,700	1,700	1,970	270
Printing	300	300	42	(258)
Publication expense	400	400	153	(247)
Education, training and travel	2,000	2,000	-	(2,000)
Other supply expense	33,100	33,100	1,391	(31,709)
Books, periodicals and memberships	2,200	2,200	142	(2,058)
Office and maintenance supplies	800	800	110	(690)
Investigation and patrol supplies	600	600	876	276
Gasoline	4,500	4,500	3,992	(508)
Total buildings	<u>184,899</u>	<u>214,899</u>	<u>152,442</u>	<u>(62,457)</u>
Total public safety	<u>7,763,719</u>	<u>7,782,719</u>	<u>7,093,517</u>	<u>(689,202)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Judiciary and legal:				
Legal:				
Non-bargaining	138,744	138,744	137,098	(1,646)
Title searches and recording fees	750	750	338	(412)
Outside legal	45,000	45,000	2,699	(42,301)
Outside legal - prosecutorial	40,000	40,000	27,310	(12,690)
Court report, witness and service fees	4,000	4,000	3,030	(970)
Printing	450	450	174	(276)
Education	2,000	2,000	920	(1,080)
Books, periodicals and memberships	5,750	5,750	5,148	(602)
Office supplies	550	550	455	(95)
Equipment, furniture and fixtures	1,500	1,500	1,317	(183)
Total judiciary and legal	<u>238,744</u>	<u>238,744</u>	<u>178,489</u>	<u>(60,255)</u>
 Public works:				
Department of Public Works:				
Non-bargaining	46,842	46,842	45,775	(1,067)
Engineering	41,500	41,500	36,834	(4,666)
Other technical services	100	100	-	(100)
Title searches	100	100	-	(100)
Telephone and communications	500	500	1,022	522
Printing	100	100	82	(18)
Publication expense	200	200	278	78
Education, training and travel	500	500	-	(500)
Other supplies	100	100	475	375
Books, periodicals and memberships	500	500	-	(500)
Postage and freight	100	100	-	(100)
Office supplies	250	250	280	30
Equipment supplies	100	100	-	(100)
Equipment rental	1,000	21,000	17,531	(3,469)
Total department of public works	<u>91,892</u>	<u>111,892</u>	<u>102,277</u>	<u>(9,615)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public works (continued):				
Street department:				
Non-bargaining	36,246	36,246	35,952	(294)
Salaries, AFSCME	585,510	585,510	568,042	(17,468)
Temporary, non-bargaining	-	-	5,631	5,631
Overtime, AFSCME	50,000	20,000	19,311	(689)
Medical services	2,000	2,000	1,008	(992)
Contracted building repairs and maintenance	20,000	20,000	19,262	(738)
Contracted vehicles repairs and maintenance	17,000	17,000	6,950	(10,050)
Contracted equipment repairs and maintenance	25,000	5,000	1,543	(3,457)
Contracted infrastructure repairs and maintenance	65,000	65,000	48,665	(16,335)
Equipment rental	5,500	5,500	186	(5,314)
Telephone and communications	4,000	4,000	2,589	(1,411)
Printing	300	300	155	(145)
Education, training, and travel	500	500	430	(70)
Postage and freight	500	500	-	(500)
Other supplies	4,000	4,000	4,516	516
Books, periodicals, and memberships	500	500	-	(500)
Office supplies	1,200	1,200	1,765	565
Departmental gear and clothing	4,000	4,000	1,625	(2,375)
Vehicle supplies	35,000	35,000	17,675	(17,325)
Rock and road	35,000	35,000	38,482	3,482
Street marking supplies	40,000	40,000	39,969	(31)
Snow removal supplies	150,000	150,000	139,818	(10,182)
Building supplies	10,000	10,000	15,873	5,873
Equipment supplies	40,000	40,000	43,444	3,444
Maintenance and janitorial supplies	3,000	3,000	13,592	10,592
Gasoline	45,000	45,000	65,757	20,757
Diesel fuel	80,000	60,000	44,533	(15,467)
Equipment, furniture, and fixtures	5,500	5,500	728	(4,772)
Computer hardware	1,000	1,000	-	(1,000)
Total highways and streets/transportation	1,265,756	1,195,756	1,137,501	(58,255)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Public works (continued):				
Traffic engineering:				
Contracted equipment repairs	7,500	29,500	27,252	(2,248)
Telephone and communications	1,000	1,000	871	(129)
Equipment supplies	12,500	12,500	5,747	(6,753)
Total traffic engineering	<u>21,000</u>	<u>43,000</u>	<u>33,870</u>	<u>(9,130)</u>
Street lights:				
Contracted equipment repairs	7,500	7,500	4,117	(3,383)
Equipment supplies	2,000	2,000	4,532	2,532
Electricity	290,000	270,000	233,862	(36,138)
Total street lights	<u>299,500</u>	<u>279,500</u>	<u>242,511</u>	<u>(36,989)</u>
Airport authority:				
Engineering authority	12,000	12,000	6,191	(5,809)
Airport management	65,000	65,000	57,738	(7,262)
Disposal and recycling services	1,000	1,000	957	(43)
Contracted building repairs and maintenance	4,500	4,500	5,172	672
Contracted vehicle repair and maintenance	900	900	-	(900)
Contracted equipment repair and maintenance	8,000	8,000	609	(7,391)
Contracted infrastructure repair and maintenance	17,000	17,000	29,119	12,119
Telephone and communications	5,000	5,000	4,935	(65)
Equipment rental	1,700	1,700	2,752	1,052
Other supply expense	700	700	959	259
Office supplies	200	200	150	(50)
Vehicle supplies	300	300	-	(300)
Other technical services	5,100	5,100	3,654	(1,446)
Postage and freight	100	100	-	(100)
Insurance other than employee benefits	4,500	4,500	3,707	(793)
Building supplies	1,500	1,500	701	(799)
Equipment supplies	2,000	2,000	345	(1,655)
Maintenance and janitorial supplies	150	150	-	(150)
Natural gas	9,000	9,000	3,017	(5,983)
Electricity	15,000	15,000	17,744	2,744
Gasoline	1,500	1,500	2,222	722
Diesel fuel	3,000	3,000	3,113	113
Machinery	15,000	15,000	3,500	(11,500)
Property taxes	40,000	40,000	29,325	(10,675)
Total airport authority	<u>213,150</u>	<u>213,150</u>	<u>175,910</u>	<u>(37,240)</u>
Total public works	<u>1,891,298</u>	<u>1,843,298</u>	<u>1,692,069</u>	<u>(151,229)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Social services:				
Dog pound:				
Salaries, AFSCME	37,837	37,837	36,928	(909)
Overtime, AFSCME	6,200	10,200	9,401	(799)
Medical and veterinary services	7,500	7,500	5,627	(1,873)
Cleaning kennels	400	400	151	(249)
Contractual equipment	700	700	186	(514)
Education	400	400	92	(308)
Departmental gear and clothing	300	300	723	423
Office and maintenance	50	50	64	14
Animal supplies	1,600	1,600	806	(794)
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	500	500	319	(181)
Telephone and communications	480	480	1,058	578
Gasoline	2,000	2,000	1,993	(7)
Equipment, furniture and fixtures <1000	15,300	22,300	21,816	(484)
Total social services	73,317	84,317	79,189	(5,128)
Culture and recreation:				
City Cemetery:				
Salaries, AFSCME	44,265	42,765	43,125	360
Overtime, AFSCME	1,500	1,500	1,169	(331)
Contracted equipment repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	500	500	497	(3)
Other supply expense	800	800	225	(575)
Equipment rental	500	500	2,925	2,425
Equipment supplies	1,700	3,200	2,189	(1,011)
Building supplies	500	500	-	(500)
Equipment, furniture, and fixtures	2,000	2,000	665	(1,335)
Computer hardware & software	1,000	1,000	-	(1,000)
Total city cemetery	53,765	53,765	50,795	(2,970)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Culture and recreation (continued):				
Forestry:				
Salaries, AFSCME	94,562	94,562	92,157	(2,405)
Overtime, AFSCME	2,500	2,500	1,373	(1,127)
Other technical services	1,000	7,000	7,800	800
Contracted vehicle repairs and maintenance	1,500	1,500	1,391	(109)
Contracted equip. repairs and maintenance	1,000	1,000	-	(1,000)
Postage	50	50	-	(50)
Other supplies	2,500	2,500	184	(2,316)
Vehicle supplies	500	500	9	(491)
Equipment supplies	3,500	3,500	5,223	1,723
Equipment, furniture and fixtures	500	500	-	(500)
Total forestry	<u>107,612</u>	<u>113,612</u>	<u>108,137</u>	<u>(5,475)</u>
Total culture and recreation	<u>161,377</u>	<u>167,377</u>	<u>158,932</u>	<u>(8,445)</u>
 Total expenditures	 <u>\$17,742,050</u>	 <u>\$17,863,050</u>	 <u>\$16,194,594</u>	 <u>\$ (1,668,456)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other financing sources (uses):				
Operating transfers in:				
Insurance Reserve	\$ 200,000	\$ 200,000	\$ 192,701	\$ (7,299)
Library Fund	25,000	25,000	25,000	-
Motor Fuel Tax Fund	<u>100,000</u>	<u>100,000</u>	<u>37,624</u>	<u>(62,376)</u>
Total operating transfers in	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 255,325</u>	<u>\$ (69,675)</u>
Operating transfers out:				
IMRF Fund	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ -
Grant Administration Fund	(67,500)	(61,500)	(31,651)	(29,849)
Debt Service Fund	<u>(451,500)</u>	<u>(451,500)</u>	<u>(317,594)</u>	<u>(133,906)</u>
Total operating transfers out	<u>\$ (579,000)</u>	<u>\$ (573,000)</u>	<u>\$ (409,245)</u>	<u>\$ (163,755)</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2012

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, 2012. 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 April 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, 2012

	Total Nonmajor Governmental Funds	Illinois Municipal Retirement	Special Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 611,965	\$ -	\$ 22,952	\$ -
Investments, at cost	3,237,885	119,601	618,375	106,205
Receivables:				
Property tax	1,338,879	253,447	-	-
Accounts	978,049	-	49,773	-
Prepaid expenses	3,750	-	-	-
Due from other funds	21,743	5,801	-	-
Total assets	<u>\$ 6,192,271</u>	<u>\$ 378,849</u>	<u>\$ 691,100</u>	<u>\$ 106,205</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 296,729	\$ -	\$ 9,030	\$ -
Accrued payroll	17,364	-	-	-
Due to other funds	478,515	-	-	471
Deferred revenues	1,338,879	253,447	-	-
Total liabilities	<u>2,131,487</u>	<u>253,447</u>	<u>9,030</u>	<u>471</u>
<u>FUND BALANCE</u>				
Nonspendable	3,750	-	-	-
Restricted	2,199,307	125,402	682,070	105,734
Committed	1,850,580	-	-	-
Assigned	7,147	-	-	-
Total fund balances	<u>4,060,784</u>	<u>125,402</u>	<u>682,070</u>	<u>105,734</u>
Total liabilities and fund equity	<u>\$ 6,192,271</u>	<u>\$ 378,849</u>	<u>\$ 691,100</u>	<u>\$ 106,205</u>

Revenue				
<u>Tourism Promotion</u>	<u>Grant Fund</u>	<u>Motor Vehicle</u>	<u>Drug Forfeiture</u>	<u>Fire Public Safety</u>
\$ 114,211	\$ 3,338	\$ -	\$ 25,946	\$ -
-	-	54,541	-	7,147
-	-	-	-	-
-	640,355	-	-	-
-	-	-	-	-
-	5,874	-	-	-
<u>\$ 114,211</u>	<u>\$ 649,567</u>	<u>\$ 54,541</u>	<u>\$ 25,946</u>	<u>\$ 7,147</u>
\$ -	\$ 177,372	\$ -	\$ -	\$ -
-	-	-	-	-
-	472,194	-	-	-
-	-	-	-	-
<u>-</u>	<u>649,566</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
114,211	1	-	25,946	-
-	-	54,541	-	-
-	-	-	-	7,147
<u>114,211</u>	<u>1</u>	<u>54,541</u>	<u>25,946</u>	<u>7,147</u>
<u>\$ 114,211</u>	<u>\$ 649,567</u>	<u>\$ 54,541</u>	<u>\$ 25,946</u>	<u>\$ 7,147</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2012

	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	199,978	124,619	22,283	3,259
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 199,978</u>	<u>\$ 124,619</u>	<u>\$ 22,283</u>	<u>\$ 3,259</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 6,765	\$ 30,681	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>6,765</u>	<u>30,681</u>	<u>-</u>	<u>-</u>
<u>FUND EQUITY</u>				
Nonspendable	-	-	-	-
Restricted	193,213	93,938	22,283	3,259
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>193,213</u>	<u>93,938</u>	<u>22,283</u>	<u>3,259</u>
Total liabilities and fund equity	<u>\$ 199,978</u>	<u>\$ 124,619</u>	<u>\$ 22,283</u>	<u>\$ 3,259</u>

Revenue	Debt Service	Capital Projects	
Public Library	Debt Service	Fire Capital Improvements	Equipment Capital Projects
\$ 518	\$ -	\$ 445,000	\$ -
512,308	326,333	777,616	365,620
1,085,432	-	-	-
6,727	-	257,139	24,055
-	-	3,750	-
10,068	-	-	-
<u>\$ 1,615,053</u>	<u>\$ 326,333</u>	<u>\$ 1,483,505</u>	<u>\$ 389,675</u>
\$ 60,375	\$ -	\$ 4,199	\$ 8,307
17,364	-	-	-
-	5,801	49	-
1,085,432	-	-	-
<u>1,163,171</u>	<u>5,801</u>	<u>4,248</u>	<u>8,307</u>
-	-	3,750	-
451,882	-	-	381,368
-	320,532	1,475,507	-
-	-	-	-
<u>451,882</u>	<u>320,532</u>	<u>1,479,257</u>	<u>381,368</u>
<u>\$ 1,615,053</u>	<u>\$ 326,333</u>	<u>\$ 1,483,505</u>	<u>\$ 389,675</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2012

	Total Nonmajor Governmental Funds	Illinois Municipal Retirement	Special Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 2,460,443	\$ 240,996	\$ -	\$ -
Fees	601,354	-	-	5,190
Intergovernmental	3,132,398	-	750,924	-
Interest	9,777	165	511	-
Other	197,006	-	-	-
Total revenues	<u>6,400,978</u>	<u>241,161</u>	<u>751,435</u>	<u>5,190</u>
Expenditures:				
General government	1,855,089	287,626	-	-
Public safety	227,060	-	-	-
Public works	2,675,008	-	835,500	-
Culture and recreation	1,354,412	-	-	-
Debt service	606,167	-	-	-
Capital outlay	655,708	-	-	-
Total expenditures	<u>7,373,444</u>	<u>287,626</u>	<u>835,500</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(972,466)</u>	<u>(46,465)</u>	<u>(84,065)</u>	<u>5,190</u>
Other financing sources (uses):				
Sale of fixed assets	359	-	-	-
Debt proceeds	445,000	-	-	-
Operating transfers in	705,585	60,000	-	-
Operating transfers out	(551,665)	-	(37,624)	-
Total other financing sources (uses)	<u>599,279</u>	<u>60,000</u>	<u>(37,624)</u>	<u>-</u>
Excess of revenues (under) expenditures and other uses	<u>(373,187)</u>	<u>13,535</u>	<u>(121,689)</u>	<u>5,190</u>
Fund balance - May 1, 2011	<u>4,433,971</u>	<u>111,867</u>	<u>803,759</u>	<u>100,544</u>
Fund balance - April 30, 2012	<u>\$ 4,060,784</u>	<u>\$ 125,402</u>	<u>\$ 682,070</u>	<u>\$ 105,734</u>

Revenue				
<u>Tourism Promotion</u>	<u>Grants Fund</u>	<u>Motor Vehicle</u>	<u>Drug Forfeiture</u>	<u>Fire Public Safety</u>
\$ 168,517	\$ -	\$ -	\$ -	\$ -
-	-	6,200	-	-
-	2,042,715	-	4,737	-
334	-	33	-	4
-	-	-	-	235
<u>168,851</u>	<u>2,042,715</u>	<u>6,233</u>	<u>4,737</u>	<u>239</u>
138,600	1,428,863	-	-	-
-	210,264	-	15,756	1,040
-	363,150	-	-	-
-	-	-	-	-
-	-	-	-	-
-	213,313	-	-	-
<u>138,600</u>	<u>2,215,590</u>	<u>-</u>	<u>15,756</u>	<u>1,040</u>
<u>30,251</u>	<u>(172,875)</u>	<u>6,233</u>	<u>(11,019)</u>	<u>(801)</u>
-	-	-	-	-
-	-	-	-	-
-	172,876	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>172,876</u>	<u>-</u>	<u>-</u>	<u>-</u>
30,251	1	6,233	(11,019)	(801)
83,960	-	48,308	36,965	7,948
<u>\$ 114,211</u>	<u>\$ 1</u>	<u>\$ 54,541</u>	<u>\$ 25,946</u>	<u>\$ 7,147</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2012

	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	\$ 256,013	\$ 671,733	\$ 21,309	\$ 2,203
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	282	658	18	2
Other	-	-	-	-
Total revenues	<u>256,295</u>	<u>672,391</u>	<u>21,327</u>	<u>2,205</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	78,290	1,392,190	5,327	551
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>78,290</u>	<u>1,392,190</u>	<u>5,327</u>	<u>551</u>
Excess of revenues over (under) expenditures	<u>178,005</u>	<u>(719,799)</u>	<u>16,000</u>	<u>1,654</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(206,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(206,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues (under) expenditures and other uses	<u>(28,699)</u>	<u>(719,799)</u>	<u>16,000</u>	<u>1,654</u>
Fund balance - May 1, 2011	<u>221,912</u>	<u>813,737</u>	<u>6,283</u>	<u>1,605</u>
Fund balance - April 30, 2012	<u>\$ 193,213</u>	<u>\$ 93,938</u>	<u>\$ 22,283</u>	<u>\$ 3,259</u>

Revenue	Debt Service	Capital Projects	
Public Library	Debt Service	Fire Capital Improvements	Equipment Capital Projects
\$ 1,099,672	\$ -	\$ -	\$ -
27,178	-	549,689	13,097
83,844	-	-	250,178
4,367	319	2,814	270
5,152	191,619	-	-
<u>1,220,213</u>	<u>191,938</u>	<u>552,503</u>	<u>263,545</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,354,412	-	-	-
-	606,167	-	-
50,500	-	49,253	342,642
<u>1,404,912</u>	<u>606,167</u>	<u>49,253</u>	<u>342,642</u>
<u>(184,699)</u>	<u>(414,229)</u>	<u>503,250</u>	<u>(79,097)</u>
-	-	359	-
-	-	445,000	-
-	472,709	-	-
<u>(25,000)</u>	<u>-</u>	<u>(282,337)</u>	<u>-</u>
<u>(25,000)</u>	<u>472,709</u>	<u>163,022</u>	<u>-</u>
(209,699)	58,480	666,272	(79,097)
<u>661,581</u>	<u>262,052</u>	<u>812,985</u>	<u>460,465</u>
<u>\$ 451,882</u>	<u>\$ 320,532</u>	<u>\$ 1,479,257</u>	<u>\$ 381,368</u>

CITY OF FREEPORT, ILLINOIS
FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
April 30, 2012

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ 57,976	\$ -	\$ 57,976
Investments	30,932	30,932	-
Loans receivable	<u>367,380</u>	<u>-</u>	<u>367,380</u>
Total assets	<u>456,288</u>	<u>30,932</u>	<u>425,356</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>5,765</u>	<u>5,765</u>	<u>-</u>
Net assets	<u><u>\$ 450,523</u></u>	<u><u>\$ 25,167</u></u>	<u><u>\$ 425,356</u></u>

CITY OF FREEPORT, ILLINOIS
FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING SCHEDULE OF CHANGES IN NET ASSETS
Year ended April 30, 2012

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 26,681	\$ 26,681	\$ -
Interest	<u>11,017</u>	<u>19</u>	<u>10,998</u>
Total additions	<u>37,698</u>	<u>26,700</u>	<u>10,998</u>
Deductions:			
Contractual services	4,216	4,216	-
Supplies	25,950	25,950	-
Capital outlay	<u>1,529</u>	<u>1,529</u>	<u>-</u>
Total deductions	<u>31,695</u>	<u>31,695</u>	<u>-</u>
Net increase (decrease)	6,003	(4,995)	10,998
Net assets held in trust for other purposes			
Net assets, May 1, 2011	<u>444,520</u>	<u>30,162</u>	<u>414,358</u>
Net assets, April 30, 2012	<u><u>\$ 450,523</u></u>	<u><u>\$ 25,167</u></u>	<u><u>\$ 425,356</u></u>

CITY OF FREEPORT, ILLINOIS
FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
April 30, 2012

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 1,931,864	\$ 904,528	\$ 1,027,336
Receivables:			
Accrued interest	<u>183,221</u>	<u>64,611</u>	<u>118,610</u>
Investments, at fair value			
State investment pool	9,362	9,362	-
U.S. government obligations	11,852,005	4,545,440	7,306,565
State and local obligations	9,918,290	3,568,118	6,350,172
Common stock	3,044,897	1,719,941	1,324,956
Mutual funds	<u>20,023,721</u>	<u>6,968,052</u>	<u>13,055,669</u>
Total investments	<u>44,848,275</u>	<u>16,810,913</u>	<u>28,037,362</u>
Total assets	<u>46,963,360</u>	<u>17,780,052</u>	<u>29,183,308</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 46,963,360</u>	<u>\$ 17,780,052</u>	<u>\$ 29,183,308</u>

CITY OF FREEPORT, ILLINOIS
FIDUCIARY FUNDS
PENSION TRUST FUNDS
COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
Year ended April 30, 2012

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 2,386,708	\$ 1,175,463	\$ 1,211,245
Contributions - employees	547,945	280,373	267,572
Other investment income	<u>1,922,886</u>	<u>609,305</u>	<u>1,313,581</u>
Total additions	<u>4,857,539</u>	<u>2,065,141</u>	<u>2,792,398</u>
Deductions:			
Benefits and refunds	3,617,291	1,681,268	1,936,023
Other charges and services	<u>183,403</u>	<u>86,269</u>	<u>97,134</u>
Total deductions	<u>3,800,694</u>	<u>1,767,537</u>	<u>2,033,157</u>
Net increase	1,056,845	297,604	759,241
Net assets held in trust for pension benefits			
Net assets, May 1, 2011	<u>45,906,515</u>	<u>17,482,448</u>	<u>28,424,067</u>
Net assets, April 30, 2012	<u><u>\$ 46,963,360</u></u>	<u><u>\$ 17,780,052</u></u>	<u><u>\$ 29,183,308</u></u>

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
April 30, 2012**

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 Aprilor 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>
2003	\$4.90/month	\$1.59	\$2,706,980
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
2012	\$5.15/month	\$2.63	\$3,385,926

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2012**

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 Council 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 \$4,970,695 or approximately 1.913% between 2007 and 2011 (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>
2011	\$259,823,575	(2.030)%
2010	\$265,099,149	3.408%
2009	\$256,361,207	(0.795)%
2008	\$258,416,227	1.398%
2007	\$254,852,880	3.430%
Per Capita EAV		<u>\$9,841.80</u>

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2012**

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2011 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$169,168,937	65.108%
Farm	162,454	0.063%
Commercial	75,379,253	29.013%
Industrial	14,680,841	5.650%
Railroad	<u>432,090</u>	<u>0.166%</u>
	<u>\$259,823,575</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2012 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$25,060,000</u>	<u>\$25,060,000</u>	<u>\$-0-</u>
Total	<u>\$25,060,000</u>	<u>\$25,060,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2011 EAV			-0-%
<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$12,854,369	38%	\$ 4,884,660
School District #145	23,788,658	73%	17,365,720
Freeport Park District	2,512,543	99%	2,487,418
Community College District #519	<u>7,005,000</u>	14%	<u>980,700</u>
Total	<u>\$46,160,570</u>		<u>\$25,718,498</u>
Per capita net overlapping debt			\$974.19
Percent of net overlapping debt to 2011 EAV			10.30%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2012**

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 2007 through 2011 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Corporate	0.18601	0.19390	0.28179	0.38616	0.39155
Police Pension	0.42992	0.37123	0.35365	0.31928	0.29444
Public Library	0.43906	0.43368	0.43590	0.43561	0.42887
Municipal Retirement	0.10252	0.09506	0.08270	0.06502	0.06749
Firefighter's Pension	<u>0.35164</u>	<u>0.38253</u>	<u>0.28179</u>	<u>0.22154</u>	<u>0.22244</u>
Total	<u>1.50915</u>	<u>1.47640</u>	<u>1.43583</u>	<u>1.42761</u>	<u>1.40479</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 2011 were as follows:

<u>Taxing Unit</u>	<u>2011 Tax Levy</u>
City of Freeport	1.50915
Stephenson County	1.20950
Freeport Township	.40077
Community College District #519	.49356
School District #145	6.23798
Freeport Park District	.97664
Freeport MOSQ Abate	.04500

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
Year ended April 30, 2012

Year ended <u>April 30</u>	2003		2006	
	General Obligation Bonds		General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 490,000</u>	<u>\$ 78,331</u>	<u>\$ 1,868,000</u>	<u>\$ 837,450</u>

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
Year ended April 30, 2012

Year ended April 30	2003		2004	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 215,000	\$ 57,606	\$ 490,000	\$ 344,842
2014	225,000	46,122	510,000	322,792
2015	235,000	36,444	530,000	299,843
2016	250,000	23,858	555,000	275,992
2017	175,000	10,708	575,000	253,793
2018	-	-	600,000	230,792
2019	-	-	625,000	206,793
2020	-	-	645,000	181,792
2021	-	-	675,000	155,993
2022	-	-	700,000	128,318
2023	-	-	735,000	98,918
2024	-	-	760,000	67,680
2025	-	-	800,000	35,000
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
	<u>\$ 1,100,000</u>	<u>\$ 174,738</u>	<u>\$ 8,200,000</u>	<u>\$ 2,602,548</u>

2005		2006	
General Obligation Bonds		General Obligation Bonds	
Principal	Interest	Principal	Interest
\$ 30,000	\$ 250,992	\$ 38,000	\$ 320,745
30,000	249,912	38,000	321,268
30,000	248,786	42,000	317,035
35,000	247,646	43,000	314,913
35,000	246,158	131,000	312,514
35,000	244,672	320,000	308,151
35,000	243,184	332,000	296,130
40,000	241,696	347,000	283,280
40,000	239,996	364,000	269,858
40,000	238,296	374,000	255,356
45,000	236,546	391,000	240,469
45,000	234,578	405,000	224,920
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>\$ 5,505,000</u>	<u>\$ 3,872,046</u>	<u>\$ 7,897,000</u>	<u>\$ 4,692,651</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, 2012, and have issued our report thereon dated February 21, 2013. 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, Lamm Road TIF District, West Ave. TIF District, and Burchard Hills 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
February 21, 2013