

**CITY OF FREEPORT, ILLINOIS**

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**ANNUAL FINANCIAL REPORT**

**April 30, 2007**

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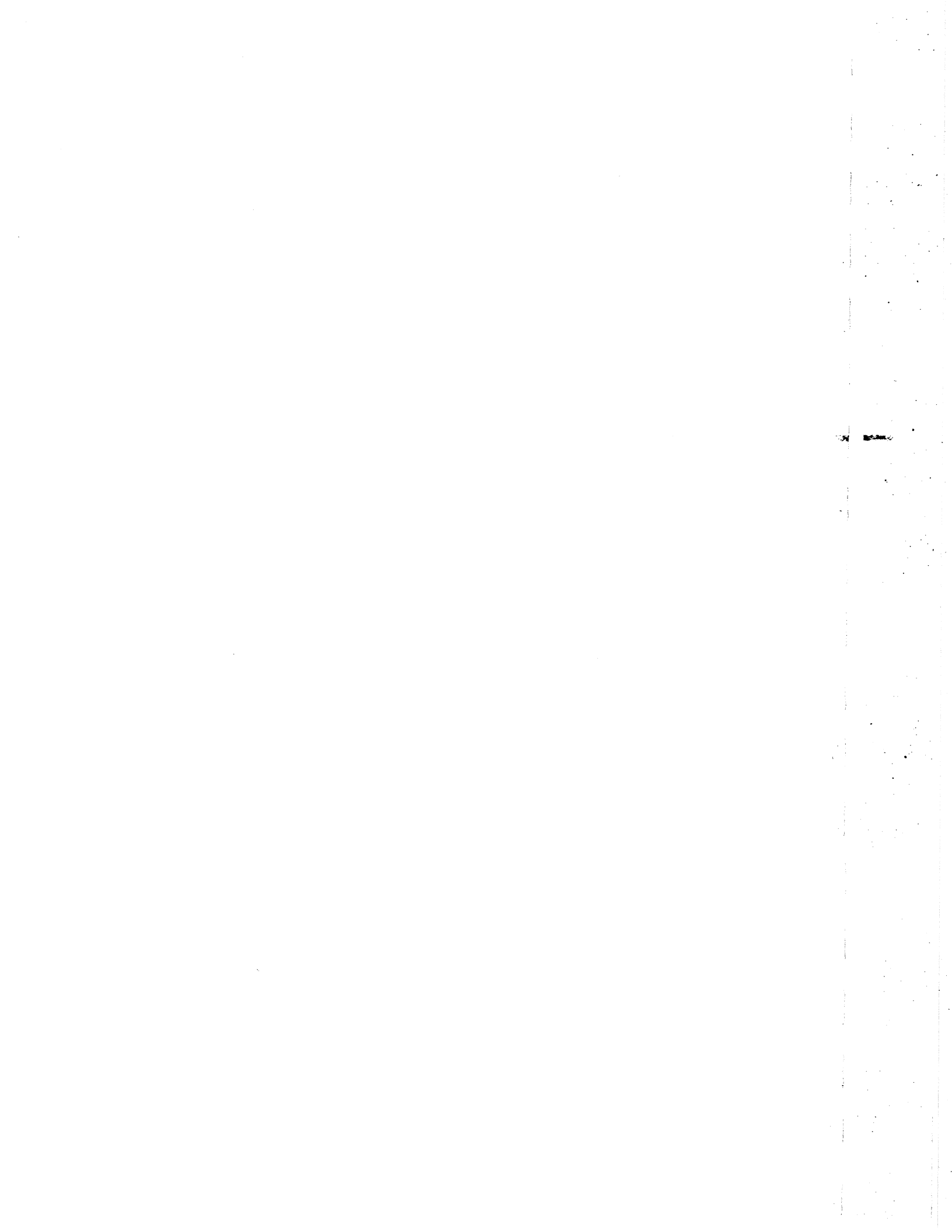
CITY OF FREEPORT, ILLINOIS

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TABLE OF CONTENTS

---

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



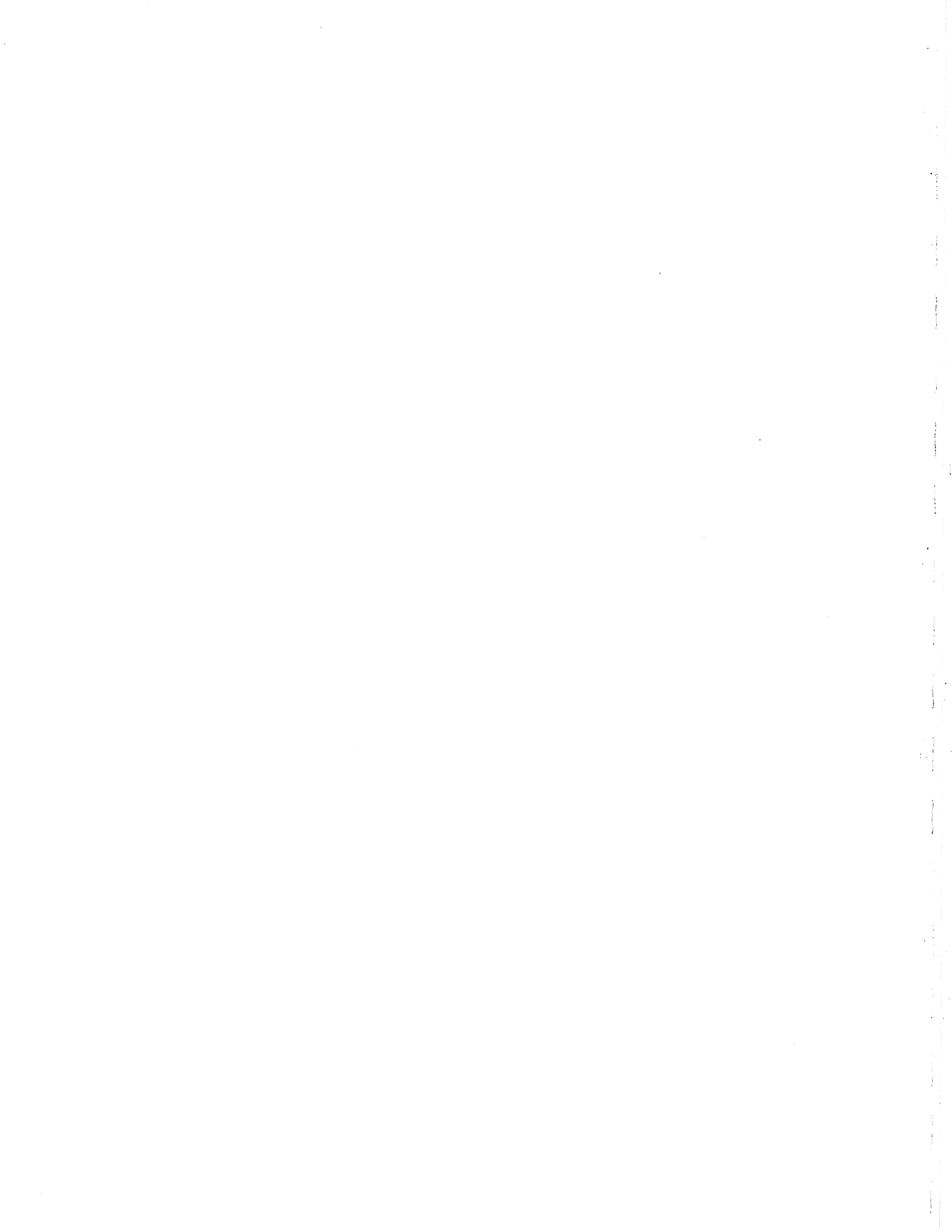
CITY OF FREEPORT, ILLINOIS

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TABLE OF CONTENTS

---

	<u>Page Numbers</u>
<b>BASIC FINANCIAL STATEMENTS (CONTINUED)</b>	
Statement of Net Assets - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21 - 22
Statement of Fiduciary Net Assets - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	24
Notes to Financial Statements	25 - 55
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	56
Actuarial Valuations for Police and Firefighter's Pension Systems	57 - 58
Annual Financial Information	59 - 63
<b>General Fund:</b>	
Schedule of Revenues Compared with Budget	64 - 65
Schedule of Expenditures Compared with Budget	66 - 77
Schedule of Other Financing Sources Compared with Budget	78
<b>Water Department Fund:</b>	
Schedule of Revenues and Expenses Compared with Budget	79
<b>Sewer Department Fund:</b>	
Schedule of Revenues and Expenses Compared with Budget	80



CITY OF FREEPORT, ILLINOIS

---

TABLE OF CONTENTS

---

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Landfill Closure Fund: Schedule of Revenues and Expenses Compared with Budget	81
Storm Sewer Fund: Schedule of Revenue and Expenses Compared with Budget	82
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	83 - 84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	85 - 86
Fiduciary Fund Types:	
Private-Purpose Trust Funds - Combining Statement of Net Assets	87
Private-Purpose Trust Funds - Combining Schedule of Changes in Net Assets	88
Pension Trust Funds - Combining Statement of Plan Net Assets	89
Pension Trust Funds - Combining Schedule of Changes in Plan Net Assets	90
Schedule of Bonds Payable - Governmental Funds	91
Schedule of Bonds Payable - Proprietary Funds	92
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	93
Schedule of Findings and Questioned Costs	94 - 95
Summary Schedule of Prior Audit Findings	96
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ILLINOIS PUBLIC ACT 85-1142	
	97







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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Illinois as of and for the year ended April 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Freeport, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Illinois as of April 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with Government Auditing Standards, we have also issued a report dated October 22, 2007 on our consideration of City of Freeport, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis that precedes the basic financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund on page 56, the Actuarial Valuations for the Police and Firefighter's Pension Systems on pages 57 and 58, the Annual Financial Information on pages 59 through 63 and the Schedule of Revenues and Expenditures Compared with Budget on pages 64 through 82, all of which are listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of City of Freeport, Illinois taken as a whole. The schedules listed in the table of contents as "Other Supplementary Information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

*Smidgen, Callahan, Von Boehm & Co., Ltd.*

Freeport, Illinois  
October 22, 2007





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

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

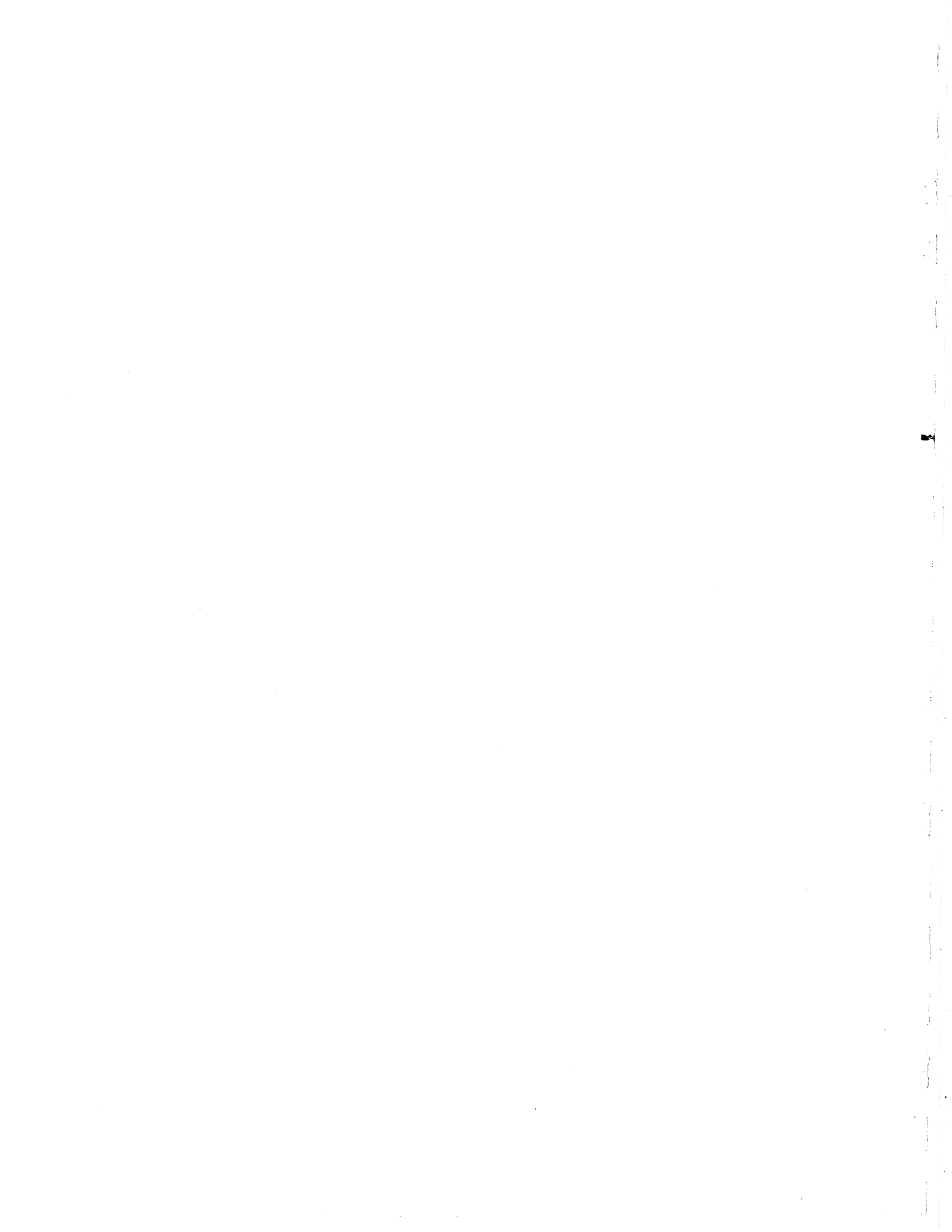
We have audited the financial statements of the City of Freeport, Illinois as of and for the year ended April 30, 2007, and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Freeport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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



### Segregation of Duties

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

It would not be practical to set up procedures to detect all instances of noncompliance with controls that do exist, nor is it always practical to establish complete segregation of duties. As a result, however, many controls that are required for any given application could be circumvented without detection.

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

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

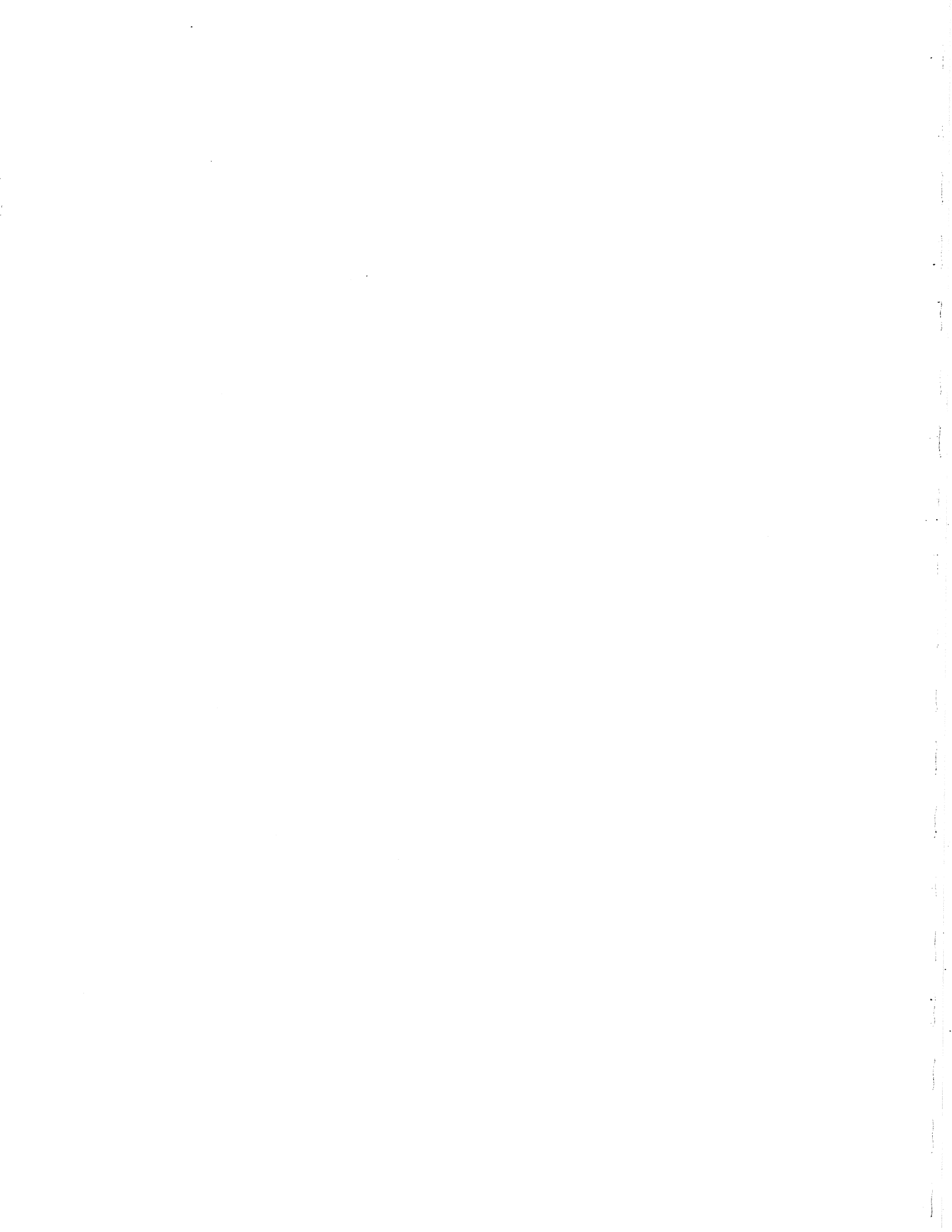
### Compliance and Other Matters

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

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

*Snyder, Callihan, Von Osdol & Co., P.C.*

Freeport, Illinois  
October 22, 2007







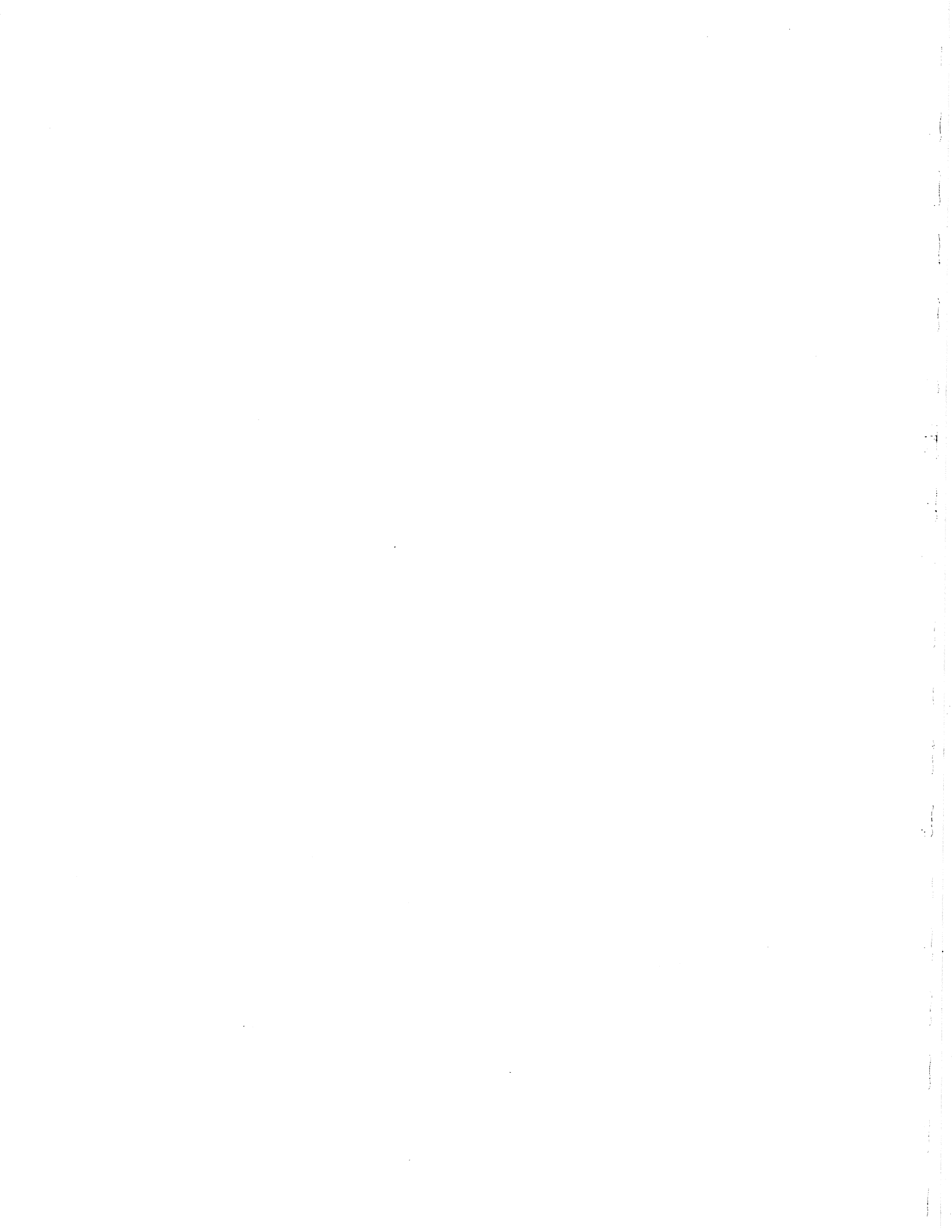
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of City of Freeport, Illinois with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended April 30, 2007. City of Freeport Illinois' major federal programs are identified in the schedule of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Freeport, Illinois' management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Freeport, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Freeport, Illinois' compliance with those requirements.



In our opinion, City of Freeport, Illinois complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2007.

### **Internal Control Over Compliance**

The management of City of Freeport, Illinois is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Freeport, Illinois' internal control over compliance with requirements that could have a direct and material effect on a federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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

*Stephen Callihan, Vice President, Co., Ltd.*

Freeport, Illinois  
October 22, 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS**

CITY OF FREEPORT, ILLINOIS  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2007

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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, 2007.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2007 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, 2007

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**Fund Financial Statements**

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

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

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

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

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

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

CITY OF FREEPORT, ILLINOIS  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2007

**Condensed Financial Information**

Net assets are summarized in the table below.

**Condensed Statement of Net Assets as of April 30, 2007 and 2006**

	<b><u>Governmental</u></b>		<b><u>Business-type</u></b>		<b><u>Total</u></b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Assets:</b>						
Current Assets	\$12,253,753	\$11,500,335	\$ 5,220,002	\$ 5,758,469	\$17,473,755	\$17,258,804
Non-current Assets	<u>10,003,783</u>	<u>10,041,292</u>	<u>55,798,585</u>	<u>55,341,153</u>	<u>65,802,368</u>	<u>65,382,445</u>
Total Assets	<u>22,257,536</u>	<u>21,541,627</u>	<u>61,018,587</u>	<u>61,099,622</u>	<u>83,276,123</u>	<u>82,641,249</u>
<b>Liabilities:</b>						
Current Liabilities	5,078,682	5,138,092	3,200,093	3,064,218	8,278,775	8,202,310
Non-current Liabilities	<u>4,613,495</u>	<u>4,431,849</u>	<u>32,710,744</u>	<u>32,292,104</u>	<u>37,324,239</u>	<u>36,723,953</u>
Total liabilities	<u>9,692,177</u>	<u>9,569,941</u>	<u>35,910,837</u>	<u>35,356,322</u>	<u>45,603,014</u>	<u>44,926,263</u>
<b>Net Assets:</b>						
Investments in capital assets, net of debt	4,917,228	5,120,820	25,456,072	25,806,780	30,373,300	30,927,600
Restricted	429,477	425,170	-	-	429,477	425,170
Unrestricted	<u>7,218,654</u>	<u>6,425,696</u>	<u>(348,322)</u>	<u>(63,480)</u>	<u>6,870,332</u>	<u>6,362,216</u>
Total net assets	<u>\$12,565,359</u>	<u>\$11,971,686</u>	<u>\$25,107,750</u>	<u>\$25,743,300</u>	<u>\$37,673,109</u>	<u>\$37,714,986</u>

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

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

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

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

CITY OF FREEPORT, ILLINOIS  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2007

**Condensed Financial Information (Continued)**

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

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

**Condensed Statement of Activities  
For Fiscal Years Ending April 30, 2007 and 2006**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>						
<b>Program:</b>						
Charges for services	\$ 1,299,631	\$ 1,335,902	\$7,388,443	\$ 7,198,917	\$ 8,688,074	\$ 8,534,819
Operating grants & contributions	1,479,580	787,010	-	-	1,479,580	787,010
<b>General:</b>						
Property & other taxes	15,254,960	14,806,375	-	-	15,254,960	14,806,375
Other	<u>3,260,185</u>	<u>3,247,659</u>	<u>149,482</u>	<u>123,362</u>	<u>3,409,667</u>	<u>3,371,021</u>
Total revenue received	<u>21,294,356</u>	<u>20,176,946</u>	<u>7,537,925</u>	<u>7,322,279</u>	<u>28,832,281</u>	<u>27,499,225</u>
<b>Expenses:</b>						
General government	9,885,241	9,059,385	-	-	9,885,241	9,059,385
Public safety	7,222,934	7,108,582	-	-	7,222,934	7,108,582
Public works	1,903,876	1,980,402	-	-	1,903,876	1,980,402
Health	35,992	48,738	-	-	35,992	48,738
Culture and recreation	1,525,341	1,364,473	-	-	1,525,341	1,364,473
Interest on long-term debt	127,299	168,796	-	-	127,299	168,796
Water	-	-	1,870,166	1,814,299	1,870,166	1,814,299
Sewer	-	-	3,966,287	3,917,029	3,966,287	3,917,029
Storm Sewer	-	-	677,054	698,614	677,054	698,614
Landfill Closure	-	-	431,259	1,823,653	431,259	1,823,653
Health and Environment	<u>-</u>	<u>-</u>	<u>1,228,709</u>	<u>1,087,255</u>	<u>1,228,709</u>	<u>1,087,255</u>
Total expenditures disbursed	<u>20,700,683</u>	<u>19,730,376</u>	<u>8,173,475</u>	<u>9,340,850</u>	<u>28,874,158</u>	<u>29,071,226</u>
Change in net assets	<u>\$ 593,673</u>	<u>\$ 446,570</u>	<u>\$ (635,550)</u>	<u>\$(2,018,571)</u>	<u>\$ (41,877)</u>	<u>\$(1,572,001)</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, 2007

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**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 \$37,673,109 as of April 30, 2007. This is a decrease of \$41,877 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, 2007 were \$3,634,629. Of this total, \$2,433,796 was cash and investments available for future spending. This is an increase of \$54,961 from the previous year.

**General Fund Budgetary Comparison**

The City adopted the budget in March 2006. 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 \$113,731 less than budgeted. General Fund expenses were \$102,299 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$624,460 for the fiscal year. Including Inter-Fund Transfers the General Fund had an increase in the fund balance of \$7,100.

**Capital Assets/Long term Debt**

During the Fiscal Year ending April 30, 2007 the City refinanced a portion of the 2003 general obligation bonds by issuing \$10,000,000 of new bonds in December 2006. This refunding will result in a savings to the City of \$1,400,000 over the remaining life of the bonds.

**Factors or Conditions Impacting Future Periods**

A shopping center which will include two major chain retailers is being developed in Freeport and is expected to be open in the fall of 2007. Another developer has expressed interest in developing a retail complex north of town along the Route 20 bypass and another retail complex is being developed along Route 26 south of town. These developments will create jobs and generate a substantial increase in sales tax revenue for the community.

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

CITY OF FREEPORT, ILLINOIS  
MANAGEMENT DISCUSSION AND ANALYSIS  
April 30, 2007

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**Contacting the City's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF NET ASSETS  
April 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,593,807	\$ 915,562	\$ 2,509,369
Investments	4,828,552	1,974,077	6,802,629
Receivables (net of allowances):			
Property taxes	3,451,137	-	3,451,137
Accounts	2,040,166	555,306	2,595,472
Interest	-	2,750	2,750
Inventories	-	192,651	192,651
Deposits	-	10,850	10,850
Prepaid expenses	340,091	-	340,091
Restricted cash accounts	-	1,568,806	1,568,806
<b>Total current assets</b>	<u>12,253,753</u>	<u>5,220,002</u>	<u>17,473,755</u>
Bond issuance costs	-	324,407	324,407
Deferred charges	-	11,067	11,067
Prepaid interest	447,905	3,609,330	4,057,235
<b>Capital Assets (net of accumulated depreciation):</b>			
Buildings	7,942,518	21,508,784	29,451,302
Transmission lines	-	27,303,009	27,303,009
Equipment	407,861	2,547,010	2,954,871
Vehicles	1,205,499	-	1,205,499
Work in process	-	494,978	494,978
<b>Total noncurrent assets</b>	<u>10,003,783</u>	<u>55,798,585</u>	<u>65,802,368</u>
<b>Total assets</b>	<u>22,257,536</u>	<u>61,018,587</u>	<u>83,276,123</u>

## LIABILITIES

Current liabilities:			
Accounts payable	583,629	1,468,980	2,052,609
Accrued payroll	396,650	187,416	584,066
Deposits and escrow amounts	-	365,433	365,433
Unearned grant revenue	27,262	-	27,262
Deferred revenue	3,451,137	-	3,451,137
Claims payable	74,958	-	74,958
Accrued interest	39,133	433,857	472,990
Current portion long term debt	505,913	744,407	1,250,320
Total current liabilities	5,078,682	3,200,093	8,278,775
Noncurrent liabilities:			
General obligation bonds payable	2,742,000	25,458,000	28,200,000
Market premium on bonds payable	-	120,611	120,611
Deferred gain	162,905	1,335,633	1,498,538
Notes payable	1,073,238	195,302	1,268,540
Leases payable	317,499	-	317,499
Accrued compensated absences	317,853	-	317,853
Landfill closure liability	-	5,601,198	5,601,198
Total noncurrent liabilities	4,613,495	32,710,744	37,324,239
Total liabilities	9,692,177	35,910,837	45,603,014
NET ASSETS			
Invested in capital assets, net of related debt	4,917,228	25,456,072	30,373,300
Restricted by tax levies	47,136	-	47,136
Restricted for debt service	382,341	-	382,341
Unrestricted	7,218,654	(348,322)	6,870,332
Total net assets	\$ 12,565,359	\$ 25,107,750	\$ 37,673,109

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF ACTIVITIES  
Year ended April 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenue		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 9,885,241	\$ 258,359	\$ 1,244,690	\$ -
Public safety	7,222,934	640,474	173,537	-
Public works	1,903,876	153,503	-	-
Health	35,992	209,615	-	-
Culture and recreation	1,525,341	37,680	61,353	-
Interest	<u>127,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>\$ 20,700,683</u></b>	<b><u>\$ 1,299,631</u></b>	<b><u>\$ 1,479,580</u></b>	<b><u>\$ -</u></b>
<b>Business-type activities:</b>				
Water	\$ 1,870,166	\$ 2,255,740	\$ -	\$ -
Sewer	3,966,287	3,249,700	-	-
Storm Sewer	677,054	672,593	-	-
Landfill Closure	431,259	-	-	-
Health and Environment	<u>1,228,709</u>	<u>1,210,410</u>	<u>-</u>	<u>-</u>
<b>Total business-type activities</b>	<b><u>\$ 8,173,475</u></b>	<b><u>\$ 7,388,443</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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
\$ (8,382,192)	\$ -	\$ (8,382,192)
(6,408,923)	-	(6,408,923)
(1,750,373)	-	(1,750,373)
173,623	-	173,623
(1,426,308)	-	(1,426,308)
(127,299)	-	(127,299)
<u>(17,921,472)</u>	<u>-</u>	<u>(17,921,472)</u>
-	385,574	385,574
-	(716,587)	(716,587)
-	(4,461)	(4,461)
-	(431,259)	(431,259)
-	(18,299)	(18,299)
<u>-</u>	<u>(785,032)</u>	<u>(785,032)</u>
3,606,421	-	3,606,421
9,401,730	-	9,401,730
2,246,809	-	2,246,809
299,415	149,482	448,897
<u>2,960,770</u>	<u>-</u>	<u>2,960,770</u>
<u>18,515,145</u>	<u>149,482</u>	<u>18,664,627</u>
593,673	(635,550)	(41,877)
<u>11,971,686</u>	<u>25,743,300</u>	<u>37,714,986</u>
<u>\$ 12,565,359</u>	<u>\$ 25,107,750</u>	<u>\$ 37,673,109</u>

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
April 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,290	\$ 138,623	\$ 189,913
Investments	2,382,506	3,704,902	6,087,408
Receivables, net of allowances			
Property tax	2,224,050	1,227,087	3,451,137
Accounts		549,332	549,332
Other	481,296	-	481,296
Due from other governments	1,000,294	-	1,000,294
Due from other funds	142,109	7,349	149,458
Prepaid expenses	314,957	-	314,957
Total assets	\$ 6,596,502	\$ 5,627,293	\$ 12,223,795
<b>LIABILITIES AND FUND BALANCES</b>			
Current liabilities			
Accounts payable	\$ 345,050	\$ 238,578	\$ 583,628
Accrued payroll	352,994	43,656	396,650
Due to other funds	12,517	142,109	154,626
Unearned grant revenue	27,262	-	27,262
Deferred revenue	2,224,050	1,227,087	3,451,137
Total liabilities	2,961,873	1,651,430	4,613,303
Fund balances:			
Reserved for debt service	-	382,341	382,341
Reserved for restricted tax levies	-	47,136	47,136
Unreserved, reported in:			
General funds	3,634,629	-	3,634,629
Special revenue funds	-	2,648,934	2,648,934
Capital projects funds	-	897,452	897,452
Total fund balances	3,634,629	3,975,863	7,610,492
Total liabilities and fund balances	\$ 6,596,502	\$ 5,627,293	\$ 12,223,795

See Notes to Financial Statements.



CITY OF FREEPORT, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
April 30, 2007

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Total fund balances - governmental funds \$ 7,610,492

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$17,431,234 and the accumulated depreciation is \$7,875,356 9,555,878

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. 447,905

Internal services funds are used to charge the costs in insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 109,625

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. (5,158,541)

Total net assets - governmental activities \$ 12,565,359

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended April 30, 2007

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 12,485,359	\$ 1,649,974	\$ 14,135,333
Fees	1,027,007	303,334	1,330,341
Intergovernmental	206,660	2,537,146	2,743,806
Interest	136,368	297,234	433,602
Other	185,813	103,294	289,107
Total revenues	14,041,207	4,890,982	18,932,189
<b>EXPENSES</b>			
General government	5,560,262	2,314,889	7,875,151
Public safety	6,732,687	17,249	6,749,936
Public works	1,000,201	725,881	1,726,082
Health	35,992	-	35,992
Culture and recreation	87,605	1,304,056	1,391,661
Debt service	-	2,250,383	2,250,383
Total expenses	13,416,747	6,612,458	20,029,205
Excess (deficiency) of revenues over expenses	624,460	(1,721,476)	(1,097,016)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of fixed assets	-	7,015	7,015
Debt proceeds	-	1,650,000	1,650,000
Transfers in	40,610	3,276,055	3,316,665
Transfers out	(657,970)	(2,658,695)	(3,316,665)
Total other financing sources and uses	(617,360)	2,274,375	1,657,015
Net change in fund balances	7,100	552,899	559,999
Fund balances - beginning	3,627,529	3,422,964	7,050,493
Fund balances - ending	\$ 3,634,629	\$ 3,975,863	\$ 7,610,492

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, 2007

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Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 559,999
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 \$(524,986) exceeds capitalized fixed assets \$(89,132) in the period.	(435,854)
Debt proceeds are reported in governmental funds as other financing sources. However, the proceeds are not recorded in the statement of activities. This is the amount of debt proceeds in the period.	(1,650,000)
Debt payments are reported in governmental funds as expenditures. However, only the interest on debt is recorded in the statement of activities. This is the amount of debt payments in the period.	2,119,526
Internal services funds are used to charge the costs in insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>2</u>
Change in net assets of governmental activities	<u>\$ 593,673</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
April 30, 2007

Business-type Activities-Enterprise Funds

	<u>Business-type Activities-Enterprise Funds</u>					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash	\$ 915,421	\$ 103	-	\$ 38	-	\$ -
Investments	-	-	1,927,266	-	46,811	145,037
Receivables, net of allowance for uncollectible:						
Accounts	243,597	278,442	-	33,267	-	9,244
Interest	548	2,202	-	-	-	-
Due from other funds	1,467,000	88,875	-	-	143,910	5,168
Inventories	49,503	143,148	-	-	-	-
Deposits	10,490	360	-	-	-	-
Restricted cash accounts:						
Revolving fund	-	1,559	-	-	-	25,134
Bond and interest	-	560,062	-	779,543	-	-
Capital improvements	131,809	95,833	-	-	-	-
Total current assets	<u>2,818,368</u>	<u>1,170,584</u>	<u>1,927,266</u>	<u>812,848</u>	<u>190,721</u>	<u>184,583</u>
Bond issuance costs	-	197,856	-	126,551	-	-
Prepaid interest & market discount	-	2,560,498	-	1,048,832	-	-
Property, plant and equipment (net of accumulated depreciation)	13,089,893	29,835,629	-	8,928,259	-	51,853,781
Deferred charges	11,067	-	-	-	-	11,067
Total noncurrent assets	<u>13,100,960</u>	<u>32,593,983</u>	<u>-</u>	<u>10,103,642</u>	<u>-</u>	<u>55,798,585</u>
Total assets	<u>15,919,328</u>	<u>33,764,567</u>	<u>1,927,266</u>	<u>10,916,490</u>	<u>190,721</u>	<u>62,718,372</u>

## LIABILITIES

### Current liabilities:

Accounts payable	1,102,451	248,462	14,097	4,457	99,513	1,468,980	74,958
Accrued payroll	72,931	111,639	-	2,846	-	187,416	-
Due to other funds	143,910	1,212,000	-	343,875	-	1,699,785	-
Deposits and escrow amounts	365,348	85	-	-	-	365,433	-
Accrued interest payable	-	302,768	-	131,089	-	433,857	-
Current portion long term debt	-	551,044	-	193,363	-	744,407	-
Total current liabilities	<u>1,684,640</u>	<u>2,425,998</u>	<u>14,097</u>	<u>675,630</u>	<u>99,513</u>	<u>4,899,878</u>	<u>74,958</u>

### Noncurrent liabilities:

Landfill closure liability	-	-	5,601,198	-	-	5,601,198	-
Deferred gain	-	701,381	-	634,252	-	1,335,633	-
Note payable	-	195,302	-	-	-	195,302	-
General obligation bonds payable	-	16,198,051	-	9,259,949	-	25,458,000	-
Market premium on bonds payable	-	86,733	-	33,878	-	120,611	-
Total noncurrent liabilities	<u>-</u>	<u>17,181,467</u>	<u>5,601,198</u>	<u>9,928,079</u>	<u>-</u>	<u>32,710,744</u>	<u>-</u>
Total liabilities	<u>1,684,640</u>	<u>19,607,465</u>	<u>5,615,295</u>	<u>10,603,709</u>	<u>99,513</u>	<u>37,610,622</u>	<u>74,958</u>

## NET ASSETS

Restricted due to bond ordinance	131,809	657,454	-	-	-	789,263	25,134
Unrestricted	14,102,879	13,499,648	(3,688,029)	312,781	91,208	24,318,487	84,491
Total net assets	<u>\$ 14,234,688</u>	<u>\$ 14,157,102</u>	<u>\$ (3,688,029)</u>	<u>\$ 312,781</u>	<u>\$ 91,208</u>	<u>\$ 25,107,750</u>	<u>\$ 109,625</u>

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 Year ended April 30, 2007

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
<b>Operating revenues:</b>							
Charges for services	\$ 2,255,740	\$ 3,249,700	\$ -	\$ 672,593	\$ 1,210,410	\$ 7,388,443	\$ 2,347,962
<b>Operating expenses:</b>							
Operating	1,481,728	2,108,110	431,259	83,153	1,228,709	5,332,959	2,355,150
Depreciation	352,175	927,212	-	149,394	-	1,428,781	-
Total operating expenses	1,833,903	3,035,322	431,259	232,547	1,228,709	6,761,740	2,355,150
Operating income (loss)	421,837	214,378	(431,259)	440,046	(18,299)	626,703	(7,188)
<b>Nonoperating revenues (expenses):</b>							
Interest income	7,207	27,753	103,949	10,070	503	149,482	7,190
Interest and fiscal charges	(36,263)	(930,965)	-	(444,507)	-	(1,411,735)	-
Total nonoperating revenues	(29,056)	(903,212)	103,949	(434,437)	503	(1,262,253)	7,190
Net income (loss)	392,781	(688,834)	(327,310)	5,609	(17,796)	(635,550)	2
Net assets - May 1, 2006	13,841,907	14,845,936	(3,360,719)	307,172	109,004	25,743,300	109,623
Net assets - April 30, 2007	\$ 14,234,688	\$ 14,157,102	\$ (3,688,029)	\$ 312,781	\$ 91,208	\$ 25,107,750	\$ 109,625

See Notes to Financial Statements.

STATE OF ILLINOIS  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended April 30, 2007

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Receipts from customers and users	\$ 2,222,751	\$ 3,303,570	-	\$ 673,544	\$ 1,197,713	\$ 7,397,578	\$ 2,473,344
Payments to suppliers	(874,873)	(1,227,300)	(307,384)	(50,863)	(1,225,894)	(3,686,314)	(2,449,070)
Payments to employees	(579,661)	(739,336)	-	(20,987)	-	(1,339,984)	-
Net cash provided by (used in) operations	<u>768,217</u>	<u>1,336,934</u>	<u>(307,384)</u>	<u>601,694</u>	<u>(28,181)</u>	<u>2,371,280</u>	<u>24,274</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(6,232)	-	-	-	-	(6,232)	-
Sale of investments	-	431,086	203,435	-	27,678	662,199	(31,464)
Interest received	<u>7,129</u>	<u>27,781</u>	<u>103,949</u>	<u>10,070</u>	<u>503</u>	<u>149,432</u>	<u>7,190</u>
Net cash provided by (used in) investing activities	<u>897</u>	<u>458,867</u>	<u>307,384</u>	<u>10,070</u>	<u>28,181</u>	<u>805,399</u>	<u>(24,274)</u>



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

Interest paid	(36,263)	(903,093)	-	(554,247)	-	(1,493,603)
Principal payments on general obligation bonds	-	(1,389,886)	-	(6,793,126)	-	(8,183,012)
Proceeds from sale of general obligation bonds	-	531,308	-	7,533,692	-	8,065,000
Purchase of property and equipment	(127,129)	(34,670)	-	(798,262)	-	(960,061)
Net cash provided by (used in) capital and related financing activities	(163,392)	(1,796,341)	-	(611,943)	-	(2,571,676)
Net increase (decrease) in cash and cash equivalents	605,722	(540)	-	(179)	-	605,003
Beginning cash and cash equivalents	309,699	643	-	217	-	310,559
Ending cash and cash equivalents	\$ 915,421	\$ 103	\$ -	\$ 38	\$ -	\$ 915,562

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 Year ended April 30, 2007

	Business-type Activities-Enterprise Funds							Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total		
<b>Reconciliation of operating income to net provided (used) by operating activities:</b>								
Operating income (loss)	\$ 421,837	\$ 214,378	\$ (431,259)	\$ 440,046	\$ (18,299)	\$ 626,703	\$ (7,188)	
Adjustments to reconcile operating income to net cash provided by (used in) operations:								
Depreciation	352,175	927,212	-	149,394	-	1,428,781	-	
Changes in assets and liabilities:								
Accounts receivable	(1,899)	53,870	-	951	-	52,922	13,936	
Inventory	5,089	(6,287)	-	-	-	(1,198)	-	
Due from other funds	(56,000)	-	-	-	(12,697)	(68,697)	111,446	
Other assets	-	-	-	-	-	-	-	
Deposits	-	-	-	-	-	-	-	
Accounts payable	2,849	86,487	(23,382)	4,457	2,815	73,226	(93,920)	
Accrued payroll	6,559	9,274	-	2,846	-	18,679	-	
Deposits and escrow amounts	24,910	-	-	-	-	24,910	-	
Other liabilities	-	-	147,257	-	-	147,257	-	
Deferred charges	-	-	-	-	-	-	-	
Due to other funds	12,697	52,000	-	4,000	-	68,697	-	
Net cash provided by (used in) operations	\$ 768,217	\$ 1,336,934	\$ (307,384)	\$ 601,694	\$ (28,181)	\$ 2,371,280	\$ 24,274	

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
April 30, 2007

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<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ -	\$ 2,359,990
Investments	27,019	39,217,525
Due from City	-	3,403
Receivables, net of allowance for uncollectible:		
Loan	365,078	-
Interest	-	202,989
	392,097	41,783,907
Total assets		
	392,097	41,783,907
<u>LIABILITIES</u>		
Accounts payable	469	-
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$ 391,628	\$ 41,783,907

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended April 30, 2007

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	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
<b>Additions:</b>		
Foreign fire insurance	\$ 18,631	\$ -
Contributions-employer taxes	-	1,519,052
Contributions-employee	-	508,613
Investment income	<u>13,168</u>	<u>3,566,690</u>
Total additions	<u>31,799</u>	<u>5,594,355</u>
<b>Deductions:</b>		
Benefits and refunds	-	2,541,254
Other charges and services	<u>54,971</u>	<u>201,785</u>
Total deductions	<u>54,971</u>	<u>2,743,039</u>
Net increase	(23,172)	2,851,316
Net assets - beginning	<u>414,800</u>	<u>38,932,591</u>
Net assets - ending	<u>\$ 391,628</u>	<u>\$ 41,783,907</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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A. Summary of Significant Accounting Policies:

**REPORTING ENTITY**

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

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

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

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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A. Summary of Significant Accounting Policies (Continued):

**REPORTING ENTITY (CONTINUED)**

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

**GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING**

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

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

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

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

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

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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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, 2007

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A. Summary of Significant Accounting Policies (Continued):

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

**Proprietary Fund (Continued)**

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service funds are charges to employees for insurance coverage. Operating expenses for internal service funds include the administrative expenses and insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major funds:

**Governmental Funds:**

**General Fund**

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



CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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A. Summary of Significant Accounting Policies:

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

**Enterprise Funds:**

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

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

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

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

**BUDGETS**

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2007. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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A. Summary of Significant Accounting Policies (Continued):

**CASH AND INVESTMENTS**

Cash consists of demand deposits and savings accounts, both being easily accessible and with short-term duration. Investments as of April 30, 2007 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created Under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts.

**PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> 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 1<sup>st</sup>. 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 2005 levy. Property taxes related to the 2006 levy are collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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A. Summary of Significant Accounting Policies (Continued):

**PROPERTY TAXES (CONTINUED)**

Effective in December 2006, the City levied its 2006 taxes which will be recognized as revenue in 2008. The amounts of taxes levied are:

General Fund	\$2,246,515
Special Revenue Funds:	
IMRF	180,021
Library	<u>1,059,460</u>
	<u>\$3,485,996</u>

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

**INVENTORY**

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

**FUND EQUITY**

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

**COMPENSATED ABSENCES**

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

**ESTIMATES**

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

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

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B. Legal Compliance and Accountability:

**BUDGETS**

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

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

The budget may be amended by the governing body.

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

**DEFICIT FUND BALANCES/RETAINED EARNINGS OF INDIVIDUALS FUNDS**

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

<u>Fund</u>	<u>Deficit Balance</u>
Enterprise:	
Landfill Closure Fund	<u>\$(3,688,029)</u>

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

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

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>
Enterprise:		
Sewer Department Fund	<u>\$2,093,160</u>	<u>\$2,108,110</u>

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

C. Deposits and Investments:

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

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of April 30, 2007, there were no funds that had an overdraft.

**Deposits.** At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$5,994,378 and the bank balance was \$6,014,798. Of the bank balance, \$5,956,997 was covered by Federal Depository Insurance or by collateral held by pledging bank's trust department or by its agent in the City's name and \$57,801 was uninsured.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. As of April 30, 2007, \$57,801 of the City's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The City has no foreign currency risk for deposits at year end.

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

**Investments.** As of April 30, 2007, the City's investments were as follows:

	<u>Fair Value</u>
Investment in State Investment Pool	\$ 7,456,632
U.S. Government Obligations	21,102,285
State and Local Obligations	76,699
Equity Mutual Funds	13,856,359
Common Stock	<u>3,997,761</u>
Total	<u>\$46,489,736</u>

Pension Funds own all the investments in U.S. Government Obligations, Equity Mutual Funds and Common Stock.

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

C. Deposits and Investments (Continued):

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no specific policy on the interest rate risk at year-end.

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

	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months</u>	<u>13-60</u>	<u>60+</u>	<u>Total</u>
	<u>or Less</u>	<u>Months</u>	<u>Months</u>	
External investment pool	\$7,456,632	\$ -	\$ -	\$ 7,456,632
State and Local Obligations	-	-	76,699	76,699
U.S. Government Obligations	<u>1,503,600</u>	<u>6,101,217</u>	<u>13,497,468</u>	<u>21,102,285</u>
Total	<u>\$8,960,232</u>	<u>\$6,101,217</u>	<u>\$13,574,167</u>	<u>\$28,635,616</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</u>		
	<u>April 30, 2007</u>	<u>AAAm</u>	<u>Unrated</u>
External investment pool	<u>\$7,456,632</u>	<u>\$7,456,632</u>	<u>\$ -</u>

Concentration of Credit Risk:

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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C. Deposits and Investments (Continued):

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, 2007 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.

D. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2007:

**Special Revenue:**

Library Fund:

Reserved for restricted tax levies \$47,136

**Enterprise:**

Water Fund:

Reserved due to bond ordinance \$131,809

Sewer Fund:

Reserved due to bond ordinance \$657,454

**Fiduciary:**

Non Expendable Trust Fund:

Revolving Loan Fund:

Reserved for revolving loan \$374,322

**Pension Trust Funds:**

Police Pension Fund:

Reserved for employees retirement system \$15,424,851

Firefighters Pension Fund:

Reserved for employees retirement system \$26,359,056

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, 2007

E. Property, Plant and Equipment:

Capital assets, which include buildings, land improvements, construction in progress and equipment are reported in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 to \$100,000 depending on the asset type, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. For those assets for which historical cost is not available, the City has estimated historical cost by using current costs and adjusting for inflation. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except construction in progress, are being depreciated using the straight line method over the following useful lives:

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

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

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

The governmental activities capital asset activity for the year ended April 30, 2007 is as follows:

	<u>Balance</u> <u>May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Cost:</b>				
Buildings	\$11,254,007	\$ 78,323	\$41,000	\$11,291,330
Equipment	1,597,439	-	-	1,597,439
Vehicles	<u>4,514,436</u>	<u>28,029</u>	-	<u>4,542,465</u>
	<u>\$17,365,882</u>	<u>\$106,352</u>	<u>\$41,000</u>	<u>\$17,431,234</u>



CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Accumulated Depreciation:</b>				
Buildings	\$3,182,551	\$ 190,041	\$23,780	\$3,348,812
Equipment	1,126,334	63,244	-	1,189,578
Vehicles	<u>3,065,265</u>	<u>271,701</u>	<u>-</u>	<u>3,336,966</u>
	<u>\$7,374,150</u>	<u>\$524,986</u>	<u>\$23,780</u>	<u>\$7,875,356</u>
<b>Total Capital Assets, Net:</b>				
Buildings	\$8,071,456	\$ (128,938)	\$ -	\$7,942,518
Equipment	471,105	(63,244)	-	407,861
Vehicles	<u>1,449,171</u>	<u>(243,672)</u>	<u>-</u>	<u>1,205,499</u>
	<u>\$9,991,732</u>	<u>\$(435,854)</u>	<u>\$ -</u>	<u>\$9,555,878</u>

The business-type activities capital asset activity for the year ended April 30, 2007 is as follows:

	<u>Balance</u> <u>May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Cost:</b>				
Buildings	\$27,004,589	\$279,972	\$ -	\$27,284,561
Transmission lines	36,764,874	634,215	-	37,399,089
Equipment	6,328,505	45,501	-	6,374,006
Work in process	<u>494,605</u>	<u>373</u>	<u>-</u>	<u>494,978</u>
	<u>\$70,592,573</u>	<u>\$960,061</u>	<u>\$ -</u>	<u>\$71,552,634</u>
<b>Accumulated Depreciation:</b>				
Buildings	\$ 5,213,091	\$ 562,686	\$ -	\$ 5,775,777
Transmission lines	9,739,562	356,518	-	10,096,080
Equipment	<u>3,317,419</u>	<u>509,577</u>	<u>-</u>	<u>3,826,996</u>
	<u>\$18,270,072</u>	<u>\$1,428,781</u>	<u>\$ -</u>	<u>\$19,698,853</u>

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2007</u>
<b>Total Capital Assets, Net:</b>				
Buildings	\$21,791,498	\$(282,714)	\$ -	\$21,508,784
Transmission lines	27,025,312	277,697	-	27,303,009
Equipment	3,011,086	(464,076)	-	2,547,010
Work in process	<u>494,605</u>	<u>373</u>	<u>-</u>	<u>494,978</u>
	<u>\$52,322,501</u>	<u>\$(468,720)</u>	<u>\$ -</u>	<u>\$51,853,781</u>

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

**Governmental activities:**

General government	\$ 75,644
Public safety	167,814
Public works	147,848
Culture and recreation	<u>133,680</u>
Total depreciation expense, governmental activities	<u>\$ 524,986</u>

**Business-type activities:**

Water Department	\$ 352,175
Sewer Department	927,212
Storm Sewer Department	<u>149,394</u>
Total depreciation expense, business-type activities	<u>\$1,428,781</u>

F. Risk Management:

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

The deductible in effect through these policies as of April 30, 2007 was \$10,000. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

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F. Risk Management (Continued):

The City is exposed to various risks of loss related to illness of employees. The City is self-insured for health insurance risks and has established a risk financing fund, Health Care Fund (the Fund), for these risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the Fund provides coverage up to a maximum of \$75,000 for each health claim. The City purchases commercial insurance for claims in excess of the coverages provided by the Fund. During fiscal year 2007, the City's claims did not exceed its stop loss limits. Settled claims in each of the prior three fiscal years did not exceed commercial coverage.

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

	<u>Fiscal Year Ended</u> April 30, <u>2007</u>
Unpaid claims - beginning	\$ 168,878
Incurred claims including IBNR, net of claims in excess of stop loss	1,971,311
Claim payments	<u>2,065,231</u>
Unpaid claims - ending	<u>\$ 74,958</u>

G. Long-Term Debt:

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

**LEASE OBLIGATIONS**

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

G. Long-Term Debt (Continued):

**LEASE OBLIGATIONS (CONTINUED)**

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of April 30, 2007.

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 71,093	\$17,318
2009	74,261	14,150
2010	77,571	10,840
2011	81,028	7,383
2012	<u>84,639</u>	<u>3,772</u>
Total	<u>\$388,592</u>	<u>\$53,463</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	\$ 158,858	\$ -	\$ 24,168	\$ 134,690
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	725,924	-	119,301	606,623
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	117,704	-	4,722	112,982
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	64,085	-	2,649	61,436

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

G. Long-Term Debt (Continued):

**INSTALLMENT CONTRACTS/NOTES PAYABLE (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
Amcore Bank, payable monthly with interest at 4.68% due December 22, 2006	Debt Service	462,262	-	462,262	-
Amcore Bank, payable monthly with interest at 5.31% due December 22, 2009	Debt Service	-	409,290	42,356	366,934
Amcore Bank, payable annually with interest at 3.88%, due July 12, 2008	Debt Service	140,266	-	45,076	95,190
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	73,438	-	21,235	52,203
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	<u>455,721</u>	<u>-</u>	<u>128,020</u>	<u>327,701</u>
		<u>\$2,198,258</u>	<u>\$409,290</u>	<u>\$849,789</u>	<u>\$1,757,759</u>

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 489,219	\$ 68,291
2009	510,134	47,297
2010	333,217	26,650
2011	177,734	16,624
2012	116,769	9,416
2013 – 2017	58,031	29,390
2018 – 2022	<u>72,655</u>	<u>10,451</u>
Total	<u>\$1,757,759</u>	<u>\$208,119</u>

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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G. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS**

2000 Issue

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

2003 Issue

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

2004 Issue

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

2005 Issue

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

2006 Issue

On December 21, 2006 the City passed an ordinance for the issuance of \$10,000,000 Bond Series of 2006. The purpose of the bonds is to refund a portion of the 2003 Issue and realize interest savings due to lower interest rates.

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

G. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
\$16,000,000 General Obligation Bond Series 2000, dated April 1, 2000 due in annual installments of \$240,000 to \$490,000 plus interest at 4.55% to 6.00% through December 1, 2015. \$2,900,000 5.9% term bonds due December 1, 2020. \$7,890,000 6.00% term bonds due December 1, 2029	Sewer	\$ 2,085,000	\$ -	\$ 305,000	\$ 1,780,000
\$2,080,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$55,000 to \$150,000 plus interest at 2.00% to 5.50% through January 1, 2029.	Library	2,080,000	-	1,195,000	885,000
\$570,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$20,000 to \$45,000 plus interest at 2.00% to 5.50% through January 1, 2024.	TIF	530,000	-	530,000	-
\$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	9,720,000	-	7,665,000	2,055,000
\$8,665,000 General Obligation Bond Series 2004, dated December 15, 2004 due in annual installments of \$60,000 to \$800,000 plus interest at 2.50% to 4.375% through December 1, 2024	Sewer	8,590,000	-	60,000	8,530,000

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

G. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
\$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	5,665,000	-	25,000	5,640,000
\$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>10,000,000</u>	-	<u>10,000,000</u>
		<u>\$28,670,000</u>	<u>\$10,000,000</u>	<u>\$9,780,000</u>	<u>\$28,890,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 690,000	\$ 1,254,540
2009	725,000	1,214,814
2010	765,000	1,183,864
2011	805,000	1,149,547
2012	845,000	1,112,686
2013 - 2017	4,790,000	4,946,725
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>\$28,890,000</u>	<u>\$18,173,215</u>



CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

G. Long-Term Debt (Continued):

**CHANGES IN LONG-TERM LIABILITIES**

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

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>
Installment notes	\$ 2,198,258	\$ 409,290	\$ 849,789	\$ 1,757,759
Capitalized leases	456,652	-	68,060	388,592
General obligation bonds Payable	28,670,000	10,000,000	9,780,000	28,890,000
Compensated absences	<u>314,295</u>	<u>3,558</u>	<u>-</u>	<u>317,853</u>
Total	<u>\$31,639,205</u>	<u>\$10,412,848</u>	<u>\$10,697,849</u>	<u>\$31,354,204</u>

**LEGAL DEBT MARGIN**

The City is a home rule municipality.

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

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

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

H. Debt Defeasance:

In a prior year, the City defeased a portion of the 2000 General Obligation bond issue 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, 2007, the amount of defeased debt from the 2000 issue outstanding but removed from the City’s financial statements amounted to \$12,595,000.

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

H. Debt Defeasance (Continued):

In the current year, the City defeased a portion of the 2003 General Obligation bond issue by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by \$1,655,681 and resulted in an economic gain of \$841,887. As of April 30, 2007, the amount of defeased debt from the 2003 issue outstanding but removed from the City's financial statements amounted to \$7,495,000.

I. Interfund Assets/Liabilities:

**DUE FROM/TO OTHER FUNDS**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental:</b>		
General	Non-major funds	\$ 142,109
Non-major funds	General	<u>12,517</u>
		<u>154,626</u>
<b>Proprietary:</b>		
Non-major funds	Water	143,910
Water	Sewer	1,212,000
	Storm Sewer	255,000
Sewer	Storm Sewer	<u>88,875</u>
		<u>1,699,785</u>
Total		<u>\$1,854,411</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, 2007

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J. Solid Waste Landfill Closure and Postclosure Care Costs:

The City owns and operated a landfill site that was closed in 2003. State and federal laws require the City to close the landfill and to monitor and maintain the site for thirty subsequent years. The City recognized a portion of the closure and postclosure care costs in each operating period even though actual payouts will occur as the landfill is capped and monitored. As of April 30, 2007, the Government has incurred a liability of \$5,601,198 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, 2007, assets reported on the combined balance sheet which total \$1,927,266 are held for this purpose.

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

K. Segment Information-Enterprise Funds:

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

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
Operating revenues	\$1,210,410	\$ 2,255,740	\$ 3,249,700	\$ 672,593	\$ -
Depreciation and amortization expense	-	352,175	927,212	149,394	-
Operating income (loss)	(18,299)	421,837	214,378	440,046	(431,259)
Net income (loss)	(17,796)	392,781	(688,834)	5,609	(327,310)

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

K. Segment Information-Enterprise Funds (Continued):

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
<b>Plant, property, and equipment:</b>					
Additions	-	116,509	45,290	798,262	-
Deletions	-	-	-	-	-
Allowance for uncollectible accounts	-	(4,000)	(5,000)	-	-
Total assets	190,721	15,919,328	33,764,567	10,916,490	1,927,266
Net working capital	91,208	1,133,728	(1,057,558)	1,186,050	1,913,169
<b>Bonds and other long- Term liabilities:</b>					
Payable from operating revenues	-	-	17,181,467	9,928,079	5,601,198

L. Employee Retirement Systems:

**PLAN DESCRIPTIONS AND PROVISIONS**

**Illinois Municipal Retirement**

The City of Freeport's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

L. Employee Retirement Systems (Continued):

**PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)**

**Illinois Municipal Retirement (Continued)**

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The City rate for calendar year 2006 was 9.08% of payroll. The City contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2006 was 26 years.

For December 31, 2006, the City's **annual pension cost** of \$357,507 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2006 actuarial valuation were based on the 2002 - 2004 experience study.

**TREND INFORMATION**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/06	\$357,507	100%	\$-0-
12/31/05	299,579	100%	-0-
12/31/04	302,083	100%	-0-
12/31/03	412,377	100%	-0-
12/31/02	431,319	100%	-0-
12/31/01	463,754	100%	-0-
12/31/00	458,237	100%	-0-
12/31/99	346,950	100%	-0-
12/31/98	368,710	100%	-0-
12/31/97	353,903	100%	-0-

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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L. Employee Retirement Systems (Continued):

**PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)**

**Police Pension**

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2007, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	39
Current employees	
Vested	33
Nonvested	<u>22</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. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent of the amount of pension payable at the time of the increase annually thereafter.

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

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

L. Employee Retirement Systems (Continued):

**PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)**

**Police Pension (Continued)**

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

**Firefighter's Pension**

Fire sworn personnel are covered by the Firefighter's Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40-Article 5/4) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2007, 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	50
Current employees	
Vested	36
Nonvested	<u>12</u>
Total	<u>98</u>

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

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

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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L. Employee Retirement Systems (Continued):

**PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)**

**Firefighter's Pension (Continued)**

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

Covered employees are required to contribute 9.455 percent of the salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the past service cost for the Firefighter's Pension Plan is fully funded by the year 2034.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

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

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

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

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

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



CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

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L. Employee Retirement Systems (Continued):

**FUNDING STATUS AND ANNUAL PENSION COST**

**Police Pension**

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

Annual required contribution	\$ 937,985
Adjustments to annual required contribution	<u>          -</u>
Annual pension cost	937,985
Contributions made	<u>825,582</u>
Increase (decrease) in net pension obligation	112,403
Net pension obligation, beginning	<u>5,927,089</u>
Net pension obligation, ending	<u>\$6,039,492</u>

The annual required contribution for the current year was determined as part of the April 30, 2006 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, 2007, was 27 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>
4/30/07	\$937,985	88.02%	\$6,039,492
4/30/06	896,175	89.58%	5,927,089
4/30/05	821,566	88.18%	5,833,680

CITY OF FREEPORT, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2007

L. Employee Retirement Systems (Continued):

**FUNDING STATUS AND ANNUAL PENSION COST (CONTINUED)**

**Firefighters' Pension**

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

Annual required contribution	\$ 708,591
Adjustments to annual required contribution	<u>                  -</u>
Annual pension cost	708,591
Contributions made	<u>695,674</u>
Increase (decrease) in net pension obligation	12,917
Net pension obligation, beginning	<u>2,364,164</u>
Net pension obligation, ending	<u>\$2,377,081</u>

The annual required contribution for the current year was determined as part of the April 30, 2006, 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, 2007, was 27 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>
4/30/07	\$708,591	98.18%	\$2,377,081
4/30/06	738,626	95.88%	2,364,164
4/30/05	692,283	89.43%	2,333,752

CITY OF FREEPORT, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 April 30, 2007

M. Transfers:

Below are the interfund transfers as of April 30, 2007:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
<b>General Fund:</b>		
Non-Major Governmental Funds	\$ 40,610	\$ (657,970)
<b>Non-Major Governmental Funds:</b>		
Non-Major Governmental Funds	2,618,085	(2,618,085)
General Fund	<u>657,970</u>	<u>(40,610)</u>
Total all funds	<u>\$3,316,665</u>	<u>\$(3,316,665)</u>

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

N. Pending GASB Statements:

Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" will be effective for the fiscal year ending April 30, 2008. Statement 48 establishes uniform financial reporting standards for sales and pledges of receivables and future revenues. Management has not yet completed their assessment of this statement and its impact on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 April 30, 2007

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

(1) Actuarial Valuation Date <u>December 31</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio (1)/(2)	(4) Unfunded Accrued Liability (2)-(1)	(5) Annual Covered <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	\$12,407,319	\$11,591,984	107.03%	\$(815,335)	\$3,937,304	0.00%
2005	11,458,611	11,176,816	102.52%	(281,795)	3,910,953	0.00%
2004	10,953,301	11,146,777	98.26%	193,476	3,877,834	4.99%
2003	10,204,510	9,625,774	106.01%	(578,736)	3,759,131	0.00%
2002	9,823,757	10,208,983	96.23%	385,226	3,718,266	10.36%
2001	8,744,746	9,190,824	95.15%	446,078	3,654,486	12.21%
2000	7,500,930	8,567,687	87.55%	1,066,757	3,538,507	30.15%
1999	6,060,298	7,952,143	76.21%	1,891,845	3,304,293	57.25%
1998	4,818,834	7,059,460	58.09%	2,958,496	3,309,787	89.39%
1997	5,830,091	7,331,883	79.52%	1,501,792	3,198,717	46.95%

On a market value basis, the actuarial value of assets as of December 31, 2006 is \$13,486,846. On a market basis, the funded ratio would be 116.35%.

**Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002 - 2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For Regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.5% to 7.5% effective June 1, 2006.

CITY OF FREEPORT, ILLINOIS  
 Required Supplementary Information  
 April 30, 2007

**ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS**

The required supplementary information does not include required disclosures relating to the Employee Retirement Systems for 1997 – 1998 since this information, which would have been provided by actuarial valuations, wasn't provided to the Government from the State of Illinois Department of Insurance. This information was expected, but the State has been unable to produce the actuarial valuations due to computer reporting problems.

**Police Pension Fund**

Analysis of funding progress for the year ended April 30, 2007.

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 (1)/(2)	(4) Unfunded Actuarial Liability (2)-(1)	(5) Annual Covered <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2006	\$14,881,332	\$27,125,601	54.9%	\$12,244,269	\$2,742,792	446.4%
2005	13,380,026	25,286,329	52.9%	11,906,303	2,640,390	450.9%
2004	12,670,887	23,604,453	53.7%	10,933,566	2,503,876	436.7%
2003	11,668,468	22,361,295	52.2%	10,692,827	2,482,238	430.8%
2002	11,820,833	20,635,526	57.3%	8,814,693	2,585,165	341.0%
2001	11,667,198	19,408,254	60.1%	7,741,056	2,376,351	325.7%
2000	10,999,272	17,448,865	63.0%	6,449,593	2,160,790	298.5%
1999	10,567,706	16,127,359	65.5%	5,559,653	2,171,208	256.1%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF FREEPORT, ILLINOIS  
 Required Supplementary Information  
 April 30, 2007

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

**Fire Pension Fund**

Analysis of funding progress for the year ended April 30, 2007.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
2006	\$24,528,748	\$28,028,435	87.5%	\$3,499,687	\$2,493,336	140.4%
2005	22,217,155	26,671,984	83.3%	4,454,829	2,457,127	181.3%
2004	21,427,558	25,571,834	83.8%	4,144,276	2,335,930	177.4%
2003	19,277,607	24,379,255	79.1%	5,101,648	2,247,783	227.0%
2002	19,644,428	23,275,734	84.4%	3,631,306	2,198,576	165.2%
2001	18,678,451	22,425,896	83.2%	3,747,445	2,094,900	178.8%
2000	18,623,950	20,984,189	88.8%	2,360,239	1,979,235	119.3%
1999	17,951,332	19,621,967	91.5%	1,670,635	1,991,641	83.9%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	N/A	N/A	N/A	N/A	N/A	N/A

**CITY OF FREEPORT, ILLINOIS**  
**ANNUAL FINANCIAL INFORMATION**  
**April 30, 2007**

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**Police Pension Fund**  
**Employer Contributions**

<u>Year Ending</u> <u>April 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2007	\$825,582	\$937,985	88.02%
2006	802,766	896,175	89.58%
2005	724,418	821,566	88.18%
2004	647,489	797,626	81.18%
2003	551,171	726,590	75.86%
2002	534,124	647,181	82.53%
2001	453,096	552,312	82.04%
2000	426,493	512,660	83.19%
1999	N/A	N/A	N/A
1998	N/A	N/A	N/A

**Firefighter's Pension Fund**  
**Employer Contributions**

<u>Year Ending</u> <u>April 30</u>	<u>Employer</u> <u>Contributions</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2007	\$695,674	\$708,591	98.18%
2006	708,214	738,626	95.88%
2005	619,120	692,283	89.43%
2004	613,462	707,463	86.71%
2003	529,901	620,978	83.33%
2002	484,602	613,170	79.03%
2001	437,344	531,005	82.36%
2000	441,904	507,135	87.14%
1999	N/A	N/A	N/A
1998	N/A	N/A	N/A



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

April 30, 2007

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**Freeport Sewer System**

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

**Freeport Water and Sewer Commission**

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

**Sewer Rates and Collections**

<u>Fiscal Year</u>	<u>Sewer Rates Debt Service</u>	<u>Sewer Rates Per 100 Cu Ft</u>	<u>Sewer Revenues</u>
1997	\$4.15/month	\$1.24	\$2,595,458
1998	\$4.40/month	\$1.37	\$2,509,689
1999	\$4.70/month	\$1.42	\$2,599,550
2000	\$4.90/month	\$1.47	\$2,653,924
2001	\$4.90/month	\$1.47	\$2,631,086
2002	\$4.90/month	\$1.47	\$2,552,064
2003	\$4.90/month	\$1.59	\$2,702,980
2005	\$4.90/month	\$1.68	\$2,799,819
2006	\$4.90/month	\$1.68	\$3,072,732
2007	\$4.90/month	\$1.68	\$3,249,700

**CITY OF FREEPORT**  
**ANNUAL FINANCIAL INFORMATION**  
**PROPERTY ASSESSMENT AND TAX INFORMATION**  
 April 30, 2007

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**Assessment of Property**

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

**Equalized Assessed Valuation**

The City’s EAV has increased \$8,965,133 or approximately 3.8% between 2002 and 2006 (see table following). The EAV is net of Senior Citizen’s Homestead and General Homestead exemptions. The Senior Citizen’s Homestead, effective for tax years 1983 and following, has reduced the EAV of real property owned and occupied by a person 65 years of age or older. The General Homestead Exemption is valuable to owner-occupied residential property; the amount of the exemption is the increase in the current year’s equalized assessed valuation above the 1977 tax year equalized assessed valuation, with a maximum of \$1,500 in 1978, \$3,000 between 1979 and 1982 and \$3,500 thereafter.

**City of Freeport**  
**Equalized Assessed Valuation**  
**Five Year History**

<u>Tax Levy</u> <u>Year</u>	<u>Equalized</u> <u>Assessed Valuation</u>	<u>Percent Increase</u> <u>Over Prior Year</u>
2006	\$246,401,399	3.659%
2005	\$237,703,078	2.964%
2004	\$230,861,415	-4.669%
2003	\$242,167,890	1.993%
2002	\$237,436,266	1.354%
Per Capita EAV		<u>\$8,927.59</u>

**CITY OF FREEPORT**  
**ANNUAL FINANCIAL INFORMATION**  
**PROPERTY ASSESSMENT AND TAX INFORMATION**  
April 30, 2007

**Equalized Assessed Valuation (Continued)**

Components of the EAV for the 2006 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$170,768,110	69.305%
Farm	95,094	0.039%
Commercial	63,341,547	25.707%
Industrial	11,983,557	4.863%
Railroad	<u>213,091</u>	<u>0.086%</u>
	<u>\$246,401,399</u>	<u>100.000%</u>

**Overlapping Debt**

The following table reflects the City's direct and overlapping debt as of April 30, 2007 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$28,890,000</u>	<u>\$28,890,000</u>	<u>\$-0-</u>
Total	<u>\$28,890,000</u>	<u>\$28,890,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2006 EAV			-0%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$ 8,338,546	44%	\$ 3,668,960
School District #145	21,424,869	76%	16,282,900
Freeport Park District	3,117,335	99%	3,086,162
Community College District #519	<u>2,830,000</u>	18%	<u>509,400</u>
Total	<u>\$35,710,750</u>		<u>\$23,547,422</u>

Per capita net overlapping debt \$853.16  
Percent of net overlapping debt to 2006 EAV 9.56%

**CITY OF FREEPORT  
ANNUAL FINANCIAL INFORMATION  
PROPERTY ASSESSMENT AND TAX INFORMATION  
April 30, 2007**

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**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 2002 through 2006 are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Corporate	0.38094	0.39529	0.40701	0.41258	0.42810
Police Pension	0.29097	0.27651	0.27640	0.24003	0.21806
Public Library	0.42984	0.43095	0.43186	0.42689	0.43319
Municipal Retirement	0.07306	0.08246	0.05891	0.06607	0.06739
Firefighter's Pension	<u>0.23982</u>	<u>0.23300</u>	<u>0.24516</u>	<u>0.20514</u>	<u>0.20660</u>
<b>Total</b>	<u><b>1.41463</b></u>	<u><b>1.41821</b></u>	<u><b>1.41934</b></u>	<u><b>1.35071</b></u>	<u><b>1.35334</b></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 2006 were as follows:

<u>Taxing Unit</u>	<u>2006 Tax Levy</u>
City of Freeport	1.41463
Stephenson County	1.13686
Freeport Township	.39199
Community College District #519	.46678
School District #145	5.57396
Freeport Park District	.93378
Freeport MOSQ Abate	.04499

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>				
Property taxes	\$ 2,150,688	\$ 2,150,688	\$ 2,159,902	\$ 9,214
Property transfer tax	230,000	230,000	292,545	62,545
Retailers occupation tax	4,380,000	4,380,000	4,362,637	(17,363)
Income tax	2,150,000	2,150,000	2,280,720	130,720
Replacement tax	418,500	418,500	467,478	48,978
Food, drink tax	825,000	825,000	810,659	(14,341)
Utility tax	455,000	455,000	443,057	(11,943)
Special use tax	315,000	315,000	339,544	24,544
Natural gas tax	400,000	400,000	313,706	(86,294)
Telephone utility tax	900,000	900,000	830,111	(69,889)
Water and sewer payment	185,000	185,000	185,000	-
	12,409,188	12,409,188	12,485,359	76,171
<b>Fees:</b>				
Cable TV franchise fees	235,000	235,000	235,329	329
Circuit clerk fines and fees	342,500	342,500	270,600	(71,900)
Building fees and permits	235,000	235,000	207,527	(27,473)
Transfer station rent	225,000	225,000	209,615	(15,385)
911 dispatching fees	101,250	101,250	103,936	2,686
	1,138,750	1,138,750	1,027,007	(111,743)
<b>Intergovernmental:</b>				
Grant administration reimbursements	20,000	20,000	23,533	3,533
IDOT reimbursement	45,000	45,000	47,413	2,413
Federal grant for SLANT officer	70,000	70,000	16,705	(53,295)
Airport hangar rent	110,000	110,000	98,295	(11,705)
Fire training reimbursement	2,000	2,000	-	(2,000)
Police training reimbursement	10,000	10,000	16,090	6,090
Traffic signal maintenance reimbursement	10,000	10,000	4,624	(5,376)
	267,000	267,000	206,660	(60,340)

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF REVENUES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues (Continued):</b>				
Interest	<u>140,000</u>	<u>140,000</u>	<u>136,368</u>	<u>(3,632)</u>
<b>Other:</b>				
Miscellaneous local sources	40,000	85,000	99,595	14,595
Miscellaneous other charges for services	<u>115,000</u>	<u>115,000</u>	<u>86,218</u>	<u>(28,782)</u>
<b>Total other revenues</b>	<u>155,000</u>	<u>200,000</u>	<u>185,813</u>	<u>(14,187)</u>
<b>Total revenues</b>	<u>\$14,109,938</u>	<u>\$14,154,938</u>	<u>\$14,041,207</u>	<u>\$ (113,731)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures:</b>				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	5,500	5,500	506	(4,994)
Education, training and travel	3,000	3,000	143	(2,857)
Total city council	38,900	38,900	31,048	(7,852)
Commissions:				
Commissions stipends	4,325	4,325	4,208	(117)
Legal advertising	2,000	2,000	1,616	(384)
Education, training and travel	7,500	7,500	7,572	72
Books, periodicals, and memberships	450	450	375	(75)
Total commissions	14,275	14,275	13,771	(504)
City Clerk:				
Non-bargaining	-	-	-	-
Elected officials	49,687	49,687	49,687	-
Title searches and recording fees	150	150	-	(150)
Contracted equipment repairs	500	500	-	(500)
Printing	500	500	102	(398)
Publication expense	6,000	6,000	6,134	134
Education, training and travel	1,500	1,500	1,646	146
Insurance other than employee benefits	100	100	100	-
Books, periodicals and memberships	750	750	231	(519)
Office supplies	1,000	1,000	828	(172)
Equipment, furniture and fixtures	4,000	4,000	2,416	(1,584)
Total city clerk	64,187	64,187	61,144	(3,043)
Mayor:				
Non-bargaining	37,621	37,621	37,751	130
Elected officials	80,323	80,323	80,323	-
Overtime, non-bargaining	-	-	-	-

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
General government (Continued):				
Mayor (Continued):				
Contracted vehicle repair and maintenance	200	200	60	(140)
Contracted equip. repair and maintenance	200	200	-	(200)
Telephone and communications	2,500	2,500	1,344	(1,156)
Printing	200	200	422	222
Education, training and travel	3,000	3,000	3,680	680
Other supply expense	1,700	1,700	140	(1,560)
Books, periodicals and memberships	1,000	1,000	185	(815)
Office supplies	1,250	1,250	1,150	(100)
Gasoline	400	400	1,329	929
<b>Total mayor</b>	<b>128,394</b>	<b>128,394</b>	<b>126,384</b>	<b>(2,010)</b>
Office of Management and Budget:				
Non-bargaining	165,997	168,497	168,321	(176)
Bank service charges	150	150	134	(16)
Printing	1,500	1,250	1,139	(111)
Education, training and travel	500	250	39	(211)
Books, periodicals and memberships	750	750	343	(407)
Office supplies	1,500	1,000	864	(136)
Equipment, furniture and fixtures	1,500	-	-	-
<b>Total Office of Management and Budget</b>	<b>171,897</b>	<b>171,897</b>	<b>170,840</b>	<b>(1,057)</b>
Treasurer:				
Elected officials	48,539	48,539	48,539	-
Contracted equipment repairs	100	100	-	(100)
Printing	100	100	74	(26)
Seminar, training and travel	2,000	2,000	1,336	(664)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	200	200	402	202
Books, periodicals and memberships	300	300	90	(210)
Office supplies	2,000	2,000	833	(1,167)
<b>Total Treasurer</b>	<b>53,664</b>	<b>53,664</b>	<b>51,640</b>	<b>(2,024)</b>



CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
General government (Continued):				
Legal:				
Non-bargaining	116,522	116,522	101,657	(14,865)
Overtime, non-bargaining	300	300	-	(300)
Title searches and recording fees	1,000	1,000	957	(43)
Outside legal	45,000	45,000	39,538	(5,462)
Outside legal - prosecutorial	30,000	30,000	30,833	833
Court report, witness and service fees	5,000	5,000	4,037	(963)
Other technical services	1,500	1,500	-	(1,500)
Contracted equipment repair	600	600	-	(600)
Printing	250	250	138	(112)
Education	500	500	518	18
Books, periodicals and memberships	4,700	4,700	4,962	262
Office supplies	500	500	353	(147)
Equipment, furniture and fixtures	1,500	1,500	24	(1,476)
Total legal	<u>207,372</u>	<u>207,372</u>	<u>183,017</u>	<u>(24,355)</u>
Department of Public Works:				
Non-bargaining	74,943	74,943	74,724	(219)
Engineering	6,500	6,500	-	(6,500)
Other technical services	1,500	1,500	31	(1,469)
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	700	700	43	(657)
Telephone and communications	750	750	447	(303)
Printing	200	200	-	(200)
Publication expense	500	500	263	(237)
Education, training and travel	500	500	-	(500)
Other supplies	100	100	-	(100)
Books, periodicals and memberships	500	500	345	(155)
Postage and freight	200	200	35	(165)
Office supplies	500	500	-	(500)
Gasoline	500	500	466	(34)
Equipment supplies	100	100	-	(100)
Computer hardware	1,500	1,500	-	(1,500)
Total department of public works	<u>89,093</u>	<u>89,093</u>	<u>76,354</u>	<u>(12,739)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	5,000	5,000	2,998	(2,002)
Telephone and communications	3,000	3,000	2,425	(575)
Equipment supplies	15,000	15,000	214	(14,786)
Total traffic engineering	<u>23,000</u>	<u>23,000</u>	<u>5,637</u>	<u>(17,363)</u>
Street lights:				
Contracted equipment repairs	5,000	5,000	3,223	(1,777)
Equipment supplies	2,000	2,000	3,638	1,638
Electricity	195,000	195,000	208,972	13,972
Machinery and equipment	5,000	5,000	-	(5,000)
Total street lights	<u>207,000</u>	<u>207,000</u>	<u>215,833</u>	<u>8,833</u>
General Government Building:				
Custodial	15,500	15,500	15,558	58
Contracted building repair and maintenance	10,000	10,000	3,763	(6,237)
Contracted equipment repair and maintenance	5,000	5,000	4,358	(642)
Other supply expense	400	400	251	(149)
Building supplies	1,000	1,000	1,076	76
Equipment and janitorial supplies	4,300	4,300	2,842	(1,458)
Natural gas	8,500	8,500	234	(8,266)
Water and sewer	2,500	2,500	1,643	(857)
Total general government building	<u>47,200</u>	<u>47,200</u>	<u>29,725</u>	<u>(17,475)</u>
City Cemetery:				
Salaries, AFSCME	35,679	35,679	36,056	377
Overtime, AFSCME	1,500	1,500	703	(797)
Contracted equipment repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	600	600	477	(123)
Education	500	500	92	(408)
Other supply expense	800	800	558	(242)
Equipment rental	500	500	-	(500)
Equipment supplies	2,000	2,000	496	(1,504)
Building supplies	450	450	192	(258)
Equipment, furniture, and fixtures	2,000	2,000	440	(1,560)
Computer hardware & software	2,000	2,000	-	(2,000)
Total city cemetery	<u>47,029</u>	<u>47,029</u>	<u>39,014</u>	<u>(8,015)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
General government (Continued):				
Hearings Administration:				
Other professional services	1,500	1,500	2,009	509
Other technical services	1,000	1,000	-	(1,000)
Emergency expenses	200	200	-	(200)
Total hearings administration	<u>2,700</u>	<u>2,700</u>	<u>2,009</u>	<u>(691)</u>
Management information systems:				
Computer and network consulting	3,500	3,500	38	(3,462)
Contracted equipment repairs	5,000	5,000	5,775	775
Books, periodicals and memberships	4,000	4,000	4,068	68
Office supplies	500	500	10	(490)
Hardware	5,000	5,000	-	(5,000)
Software	1,000	1,000	-	(1,000)
Total management information systems	<u>19,000</u>	<u>19,000</u>	<u>9,891</u>	<u>(9,109)</u>
Community development:				
Salaries, non-bargaining	114,759	113,259	115,360	2,101
Other professional services	4,000	4,000	3,182	(818)
Other technical services	2,000	2,000	1,358	(642)
Emergency expenses	-	-	-	-
Telephone and communications	-	-	1,460	1,460
Printing	1,200	1,200	350	(850)
Legal advertising	1,200	1,200	554	(646)
Education, training, and travel	4,000	4,000	3,955	(45)
Economic Development Foundation	75,000	75,000	75,000	-
Books, periodicals, and memberships	800	800	534	(266)
Office supplies	700	2,200	1,460	(740)
Machinery	3,000	18,000	3,438	(14,562)
Total community development	<u>206,659</u>	<u>221,659</u>	<u>206,651</u>	<u>(15,008)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures (Continued):</b>				
General government (Continued):				
Airport authority:				
Engineering authority	11,000	11,000	11,645	645
Airport management	56,200	56,200	58,748	2,548
Lawn care	500	500	-	(500)
Disposal and recycling services	800	800	788	(12)
Contracted building repairs and maintenance	6,500	6,500	3,485	(3,015)
Contracted vehicle repair and maintenance	800	800	1,160	360
Contracted equipment repair and maintenance	23,000	23,000	1,830	(21,170)
Contracted infrastructure repair and maintenance	26,900	26,900	16,686	(10,214)
Telephone and communications	5,100	5,100	4,657	(443)
Equipment rental	1,700	1,700	3,513	1,813
Other supply expense	750	750	440	(310)
Office supplies	200	200	-	(200)
Vehicle supplies	400	400	-	(400)
Other technical services	2,200	2,200	1,760	(440)
Postage and freight	200	200	82	(118)
Insurance other than employee benefits	5,500	5,500	5,140	(360)
Building supplies	400	400	1,473	1,073
Equipment supplies	1,400	1,400	2,822	1,422
Maintenance and janitorial supplies	300	300	-	(300)
Natural gas	10,000	10,000	5,256	(4,744)
Electricity	16,000	16,000	20,319	4,319
Gasoline	700	700	1,079	379
Diesel fuel	2,100	2,100	2,383	283
Improvements	-	-	-	-
Property taxes	9,000	9,000	10,245	1,245
Total airport authority	<u>181,650</u>	<u>181,650</u>	<u>153,511</u>	<u>(28,139)</u>
Human resources:				
Non-bargaining	33,786	35,786	35,631	(155)
Medical and veterinary services	1,500	4,800	4,673	(127)
Other professional and admin	-	100	50	(50)
Printing	700	700	-	(700)
Legal advertising	500	500	381	(119)
Recruitment advertising	5,000	5,300	5,180	(120)
Education, training and travel	-	300	249	(51)
Books, periodicals and memberships	250	250	-	(250)
Office and maintenance supplies	500	500	592	92
Equipment	1,500	1,500	89	(1,411)
Total human resources	<u>43,736</u>	<u>49,736</u>	<u>46,845</u>	<u>(2,891)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	-	-	-	-
Social security contribution	138,000	138,000	135,644	(2,356)
Contribution to Fire Pension Fund	692,283	692,283	695,674	3,391
Contribution to Police Pension Fund	-	-	825,582	825,582
Medicare contribution	90,500	90,500	91,087	587
Group health insurance	1,889,000	1,683,000	1,615,230	(67,770)
PEHP contributions	140,000	140,000	135,563	(4,437)
Unemployment insurance	25,000	25,000	21,306	(3,694)
Worker compensation	182,000	182,000	195,323	13,323
Auditing city records	32,100	32,100	32,050	(50)
Other consulting services	-	-	10	10
Other consulting services	40,000	240,000	90,862	(149,138)
Equipment rental	6,000	6,000	7,200	1,200
Contracted equipment repair and maintenance	48,000	48,000	47,659	(341)
Telephone and communications	21,000	21,000	19,977	(1,023)
Printing	1,500	1,500	131	(1,369)
Legal advertising	1,000	1,000	214	(786)
Training	-	-	75	75
Postage	10,000	10,000	9,662	(338)
Insurance	215,000	215,000	150,096	(64,904)
Celebrate summer	-	-	-	-
Fuel for resale	83,000	83,000	51,980	(31,020)
Books, periodical and memberships	4,000	4,000	2,387	(1,613)
Other supply expense	1,000	1,000	847	(153)
Office supplies	5,000	5,000	2,560	(2,440)
Property taxes	-	-	-	-
Annexation payments	6,000	6,000	5,829	(171)
Total interdepartmental expenses	<u>3,630,383</u>	<u>3,624,383</u>	<u>4,136,948</u>	<u>512,565</u>
 Total general government	 <u>5,176,139</u>	 <u>5,191,139</u>	 <u>5,560,262</u>	 <u>369,123</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public safety:				
Police department:				
Non-bargaining	727,013	727,013	704,903	(22,110)
Salaries, AFSCME	600,171	600,171	591,737	(8,434)
Police salaries	2,117,140	2,117,140	2,032,812	(84,328)
Overtime, non-bargaining	10,600	10,600	11,030	430
Overtime, AFSCME	70,400	70,400	50,167	(20,233)
Overtime, police	100,000	100,000	65,374	(34,626)
Clothing allowance	49,025	49,025	46,963	(2,062)
Medical and veterinary services	3,680	3,680	107	(3,573)
Other prof/admin services consulting	1,500	1,500	653	(847)
Custodial services	12,240	12,240	9,960	(2,280)
Laundry and cleaning	150	150	68	(82)
Lawn care	-	-	-	-
Contracted building repairs	19,000	19,000	26,209	7,209
Contracted vehicle repair and maintenance	20,000	20,000	13,947	(6,053)
Contracted equipment repair and maintenance	44,000	44,000	39,007	(4,993)
Rental of equipment	4,300	4,300	1,749	(2,551)
Telephone and communications	40,000	40,000	22,148	(17,852)
Printing	6,500	6,500	4,803	(1,697)
Publication expense	2,000	2,000	512	(1,488)
Education, training and travel	42,500	42,500	33,360	(9,140)
Postage	600	600	375	(225)
Books, periodicals and memberships	2,000	2,000	3,137	1,137
Other supply expense	1,000	1,000	1,806	806
Office supplies	8,200	8,200	7,255	(945)
Educational supplies	7,500	7,500	4,620	(2,880)
Animal supplies	3,000	3,000	358	(2,642)
Extinguisher supplies	800	800	136	(664)
Departmental gear and clothing	8,400	8,400	3,666	(4,734)
Vehicle supplies	16,000	16,000	16,845	845
Building supplies	1,100	1,100	1,617	517
Ammunition	4,000	4,000	5,726	1,726
Equipment supplies	2,000	2,000	-	(2,000)
Investigation and patrol supplies	5,500	5,500	5,799	299

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	2,600	2,600	3,514	914
Gasoline	65,000	65,000	37,527	(27,473)
Water/sewer	700	700	798	98
Equipment, furniture and fixtures	2,000	2,000	343	(1,657)
Computer hardware	27,000	27,000	27,278	278
Total police department	<u>4,027,619</u>	<u>4,027,619</u>	<u>3,776,309</u>	<u>(251,310)</u>
Fire department:				
Non-bargaining	418,225	418,225	430,417	12,192
Fire	2,209,725	2,209,725	2,198,042	(11,683)
Overtime, non-bargaining	1,500	1,500	1,646	146
Overtime, fire	100,000	105,000	102,124	(2,876)
Clothing allowance	21,100	21,100	20,442	(658)
Medical services	10,500	10,500	2,809	(7,691)
Laundry and cleaning	10,000	10,000	9,817	(183)
Contracted building repairs	10,000	10,000	2,184	(7,816)
Contracted vehicle repair and maintenance	11,000	11,000	9,912	(1,088)
Contracted equipment repair and maintenance	8,500	8,000	2,497	(5,503)
Telephone and communications	8,500	8,500	7,119	(1,381)
Printing	500	500	476	(24)
Publication expense	500	500	183	(317)
Education, training and travel	15,000	15,000	10,691	(4,309)
Postage and freight	250	250	244	(6)
Books, periodicals and memberships	4,000	4,000	3,523	(477)
Other supply expense	500	500	334	(166)
Office supplies	1,500	1,500	949	(551)
Ambulance supplies	6,000	6,000	7,130	1,130
Educational supplies	500	500	642	142
Extinguisher supplies	850	850	144	(706)
Department clothing gear supplies	6,000	6,000	6,612	612

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures (Continued):</b>				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	15,000	15,000	17,407	2,407
Building supplies	2,500	2,500	(126)	(2,626)
Equipment supplies	6,500	6,500	6,291	(209)
Investigation and patrol supplies	1,000	1,000	881	(119)
Maintenance and janitorial supplies	2,500	2,500	2,475	(25)
Gasoline	5,000	2,500	2,635	135
Diesel fuel	8,500	7,000	6,509	(491)
Water/sewer	2,250	1,750	1,738	(12)
Equipment	1,500	1,500	1,451	(49)
Total fire department	<u>2,889,400</u>	<u>2,889,400</u>	<u>2,857,198</u>	<u>(32,202)</u>
Buildings:				
Non-bargaining	89,222	89,222	81,033	(8,189)
Title searches and recording fees	700	700	2,034	1,334
Other professional services	3,000	3,000	366	(2,634)
Court report, witness and service fees	500	500	-	(500)
Other technical services	-	-	-	-
Lawn care	3,000	3,000	3,261	261
Contracted vehicle repairs	400	400	368	(32)
Contracted equip repairs	200	200	5	(195)
Demolition	20,000	20,000	5,989	(14,011)
Telephone and communications	800	800	1,080	280
Printing	1,500	1,500	326	(1,174)
Publication expense	500	500	259	(241)
Education, training and travel	1,400	1,400	631	(769)
Other supply expense	200	200	190	(10)
Books, periodicals and memberships	1,200	1,200	1,254	54
Office and maintenance supplies	1,000	1,000	1,265	265
Investigation and patrol supplies	600	600	26	(574)
Gasoline	1,200	1,200	915	(285)
Equipment, furniture, and fixtures >1000	2,100	32,100	178	(31,922)
Total buildings	<u>127,522</u>	<u>157,522</u>	<u>99,180</u>	<u>(58,342)</u>
Total public safety	<u>7,044,541</u>	<u>7,074,541</u>	<u>6,732,687</u>	<u>(341,854)</u>



CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures (Continued):</b>				
Highway and streets/transportation:				
Street department:				
Non-bargaining	55,400	55,400	55,617	217
Salaries, AFSCME	498,188	498,188	496,779	(1,409)
Temporary, non-bargaining	7,500	7,500	7,139	(361)
Overtime, AFSCME	55,000	55,000	27,018	(27,982)
Medical services	1,000	1,000	4,239	3,239
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	17,500	17,500	1,462	(16,038)
Contracted vehicles repairs and maintenance	12,500	12,500	8,116	(4,384)
Contracted equipment repairs and maintenance	14,500	14,500	26,902	12,402
Contracted infrastructure repairs and maintenance	70,000	70,000	24,570	(45,430)
Equipment rental	1,000	1,000	1,477	477
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,708	(292)
Printing	300	300	152	(148)
Education, training, and travel	500	500	790	290
Postage and freight	1,500	1,500	37	(1,463)
Other supplies	3,000	3,000	3,070	70
Books, periodicals, and memberships	500	500	-	(500)
Office supplies	1,000	1,000	743	(257)
Departmental gear and clothing	6,000	6,000	4,952	(1,048)
Vehicle supplies	40,000	40,000	16,603	(23,397)
Rock and road	60,000	60,000	38,060	(21,940)
Street marking supplies	20,000	20,000	26,658	6,658
Snow removal supplies	75,000	75,000	75,429	429
Building supplies	15,000	15,000	5,560	(9,440)
Equipment supplies	45,000	45,000	35,833	(9,167)
Maintenance and janitorial supplies	2,000	2,000	8,041	6,041
Gasoline	60,000	60,000	62,292	2,292
Diesel fuel	40,000	40,000	63,840	23,840
Equipment, furniture, and fixtures<1000	3,000	3,000	912	(2,088)
Computer hardware	3,000	3,000	202	(2,798)
Total highways and streets/transportation	<u>1,113,388</u>	<u>1,113,388</u>	<u>1,000,201</u>	<u>(113,187)</u>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
<b>Health:</b>				
Dog pound:				
Salaries, AFSCME	28,723	28,723	26,990	(1,733)
Overtime, AFSCME	6,500	6,500	3,083	(3,417)
Medical and veterinary services	7,500	7,500	5,224	(2,276)
Cleaning kennels	400	400	-	(400)
Contractual equipment	200	200	-	(200)
Education	-	-	-	-
Departmental gear and clothing	150	150	59	(91)
Office and maintenance	550	550	116	(434)
Animal supplies	300	300	28	(272)
Dog pound license	50	50	40	(10)
Maintenance and janitorial supplies	200	200	278	78
Equipment, furniture and fixtures <1000	300	300	174	(126)
<b>Total health</b>	<b>44,873</b>	<b>44,873</b>	<b>35,992</b>	<b>(8,881)</b>
<b>Culture and recreation:</b>				
Forestry:				
Salaries, AFSCME	78,155	78,155	78,472	317
Overtime, AFSCME	2,500	2,500	1,722	(778)
Other technical services	500	500	-	(500)
Contracted vehicle repairs and maintenance	500	500	496	(4)
Contracted equip. repairs and maintenance	500	500	360	(140)
Postage	50	50	-	(50)
Tree assistance	3,000	3,000	1,000	(2,000)
Other supplies	2,700	2,700	2,876	176
Vehicle supplies	500	500	346	(154)
Equipment supplies	3,500	3,500	2,153	(1,347)
Equipment, furniture and fixtures <1000	3,200	3,200	180	(3,020)
<b>Total culture and recreation</b>	<b>95,105</b>	<b>95,105</b>	<b>87,605</b>	<b>(7,500)</b>
<b>Total expenditures</b>	<b>\$13,474,046</b>	<b>\$13,519,046</b>	<b>\$13,416,747</b>	<b>\$ (102,299)</b>

CITY OF FREEPORT, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Other financing sources (uses):</b>				
Operating transfers in:				
Insurance Reserve	\$ 25,000	\$ 25,000	\$ 15,610	\$ (9,390)
Library Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total operating transfers in	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 40,610</u>	<u>\$ (9,390)</u>
Operating transfers out:				
IMRF Fund	\$ (49,000)	\$ (49,000)	\$ (49,000)	\$ -
Capital Equipment Fund	-	-	-	-
Capital Improvement Fund	(230,000)	(230,000)	(4,514)	225,486
Grant Administration Fund	(187,710)	(187,710)	(132,419)	55,291
NHS Fund	(100,000)	(100,000)	(100,000)	-
Debt Service Fund	<u>(375,010)</u>	<u>(375,010)</u>	<u>(372,037)</u>	<u>2,973</u>
Total operating transfers out	<u>\$ (941,720)</u>	<u>\$ (941,720)</u>	<u>\$ (657,970)</u>	<u>\$ 283,750</u>

CITY OF FREEPORT, ILLINOIS  
WATER DEPARTMENT FUND  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Operating revenues:</b>				
Water revenues:				
Residential	\$ 1,435,000	\$ 1,435,000	\$ 1,467,069	\$ 32,069
Industrial	140,000	140,000	186,763	46,763
Commercial	330,000	330,000	301,117	(28,883)
Fire protection	97,000	97,000	96,680	(320)
Public	108,000	108,000	103,068	(4,932)
Water connections	15,000	15,000	1,867	(13,133)
Service orders	40,000	40,000	50,095	10,095
Miscellaneous income	3,000	3,000	1,006	(1,994)
Late charges	45,000	45,000	48,075	3,075
Total operating revenues	<u>\$ 2,213,000</u>	<u>\$ 2,213,000</u>	<u>\$ 2,255,740</u>	<u>\$ 42,740</u>
<b>Operating expenses:</b>				
Direct operating expenses:				
Plant operations	\$ 179,500	\$ 179,500	\$ 250,390	\$ 70,890
Plant maintenance	42,050	42,050	50,559	8,509
Distribution	196,050	196,050	138,240	(57,810)
General and administrative	445,420	445,420	441,448	(3,972)
UWS management fees	385,000	395,000	394,072	(928)
Other operating expenses	255,300	245,300	207,019	(38,281)
Total direct operating expenses	<u>1,503,320</u>	<u>1,503,320</u>	<u>1,481,728</u>	<u>(21,592)</u>
Depreciation expense	<u>-</u>	<u>-</u>	<u>352,175</u>	<u>352,175</u>
Total operating expenses	<u>\$ 1,503,320</u>	<u>\$ 1,503,320</u>	<u>\$ 1,833,903</u>	<u>\$ 330,583</u>
<b>Nonoperating revenues (expenses):</b>				
Interest income	\$ 200	\$ 200	\$ 7,207	\$ 7,007
Interest and fiscal charges	<u>(25,000)</u>	<u>(25,000)</u>	<u>(36,263)</u>	<u>(11,263)</u>
Total nonoperating revenues (expenses)	<u>\$ (24,800)</u>	<u>\$ (24,800)</u>	<u>\$ (29,056)</u>	<u>\$ (4,256)</u>

CITY OF FREEPORT, ILLINOIS  
SEWER DEPARTMENT FUND  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>				
Sewer revenues:				
Residential	\$ 2,117,000	\$ 2,117,000	\$2,137,874	\$ 20,874
Commercial	610,000	610,000	534,452	(75,548)
Industrial	268,000	268,000	334,657	66,657
Industrial user	1,300	1,300	350	(950)
City buildings	3,100	3,100	3,153	53
Public	170,000	170,000	155,027	(14,973)
Sewer connections	4,000	4,000	14,601	10,601
Service orders	850	850	15	(835)
Miscellaneous	850	850	300	(550)
Late charges	66,000	66,000	69,271	3,271
Total operating revenues	\$ 3,241,100	\$ 3,241,100	\$3,249,700	\$ 8,600
<b>Operating expenses:</b>				
Direct operating expenses:				
Plant operations	\$ 215,800	\$ 215,800	\$ 163,439	\$ (52,361)
Maintenance	83,400	83,400	75,401	(7,999)
Collection	129,200	129,200	202,069	72,869
Laboratory	94,200	94,200	86,898	(7,302)
General and administrative	745,060	745,060	737,232	(7,828)
UWS management fees	535,000	545,000	544,194	(806)
Other operating expenses	290,500	280,500	298,877	18,377
Total direct operating expenses	2,093,160	2,093,160	2,108,110	14,950
Depreciation expense	-	-	927,212	927,212
Total operating expenses	\$ 2,093,160	\$ 2,093,160	\$3,035,322	\$ 942,162
<b>Nonoperating revenues (expenses):</b>				
Interest income	\$ 36,300	\$ 36,300	\$ 27,753	\$ (8,547)
Grant revenue	-	-	-	-
Interest and fiscal charges	(866,700)	(866,700)	(930,965)	(64,265)
Total nonoperating revenues (expenses)	\$ (830,400)	\$ (830,400)	\$ (903,212)	\$ (72,812)

CITY OF FREEPORT, ILLINOIS  
 LANDFILL CLOSURE FUND  
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year ended April 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Operating expenses-direct:</b>				
Landfill closures and post-closure costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,259</u>	<u>\$ 431,259</u>
<b>Nonoperating revenue:</b>				
Interest on investments	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 103,949</u>	<u>\$ 33,949</u>

CITY OF FREEPORT, ILLINOIS  
 STORM SEWER FUND  
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year ended April 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>				
User fees:				
Residential	\$ 481,248	\$ 481,248	\$ 472,997	\$ (8,251)
Industrial	19,920	19,920	20,360	440
Commercial	135,264	135,264	136,540	1,276
Public	45,696	45,696	42,696	(3,000)
Total operating revenues	\$ 682,128	\$ 682,128	\$ 672,593	\$ (9,535)
<b>Operating expenses:</b>				
Direct operating expenses:				
UWS management fees	\$ 50,000	\$ 55,000	\$ 57,764	\$ 2,764
Other operating expenses	44,500	39,500	25,389	(14,111)
Total direct operating expenses	94,500	94,500	83,153	(11,347)
Depreciation expense	-	-	149,394	149,394
Total operating expenses	\$ 94,500	\$ 94,500	\$ 232,547	\$ 138,047
<b>Nonoperating revenues (expenses):</b>				
Interest income	\$ 7,500	\$ 7,500	\$ 10,070	\$ 2,570
Interest and fiscal charges	(457,700)	(457,700)	(444,507)	13,193
Total nonoperating revenues (expenses)	\$ (450,200)	\$ (450,200)	\$ (434,437)	\$ 15,763

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**OTHER SUPPLEMENTARY INFORMATION**

CITY OF FREEPORT, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
April 30, 2007

	<u>Total</u>	<u>Special</u>		
	<u>Nonmajor Governmental Funds</u>	<u>Illinois Municipal Retirement</u>	<u>Motor Fuel Tax</u>	<u>Cemetery Care</u>
<b><u>ASSETS</u></b>				
Cash	\$ 138,623	\$ -	\$ 51,837	\$ -
Investments, at cost	3,704,902	105,862	753,277	76,275
Receivables:				
Property tax	1,227,087	178,221	-	-
Accounts	549,332	-	62,832	-
Due from other funds	<u>7,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 5,627,293</u>	 <u>\$ 284,083</u>	 <u>\$ 867,946</u>	 <u>\$ 76,275</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 238,578	\$ -	\$ -	\$ -
Accrued payroll	43,656	13,832	-	-
Due to other funds	142,109	-	-	332
Deferred revenues	<u>1,227,087</u>	<u>178,221</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>\$ 1,651,430</u>	 <u>192,053</u>	 <u>-</u>	 <u>332</u>
<b><u>FUND EQUITY</u></b>				
Fund equity:				
Fund balances, reserved	429,477	-	-	-
Fund balances, unreserved	<u>3,546,386</u>	<u>92,030</u>	<u>867,946</u>	<u>75,943</u>
 Total fund balances	 <u>3,975,863</u>	 <u>92,030</u>	 <u>867,946</u>	 <u>75,943</u>
 Total liabilities and fund equity	 <u>\$ 5,627,293</u>	 <u>\$ 284,083</u>	 <u>\$ 867,946</u>	 <u>\$ 76,275</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>All Veterans Memorial</u>	<u>Fire Public Safety</u>
\$ 44,449	\$ -	\$ -	\$ -	\$ -	\$ 790
-	21,758	2,760	-	-	9,161
-	-	-	-	-	-
-	-	-	-	-	-
<u>44,449</u>	<u>21,758</u>	<u>2,760</u>	<u>-</u>	<u>-</u>	<u>9,951</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>44,449</u>	<u>21,758</u>	<u>2,760</u>	<u>-</u>	<u>-</u>	<u>9,951</u>
<u>44,449</u>	<u>21,758</u>	<u>2,760</u>	<u>-</u>	<u>-</u>	<u>9,951</u>
<u>\$ 44,449</u>	<u>\$ 21,758</u>	<u>\$ 2,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,951</u>

CITY OF FREEPORT, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
April 30, 2007

	Special			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
<b><u>ASSETS</u></b>				
Cash	\$ 41,388	\$ -	\$ -	\$ -
Investments, at cost	-	215,966	7,654	-
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	277,673
Due from other funds	-	-	-	7,349
<b>Total assets</b>	<b><u>\$ 41,388</u></b>	<b><u>\$ 215,966</u></b>	<b><u>\$ 7,654</u></b>	<b><u>\$ 285,022</u></b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 158,855
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	126,167
Deferred revenues	-	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>285,022</u></b>
<b><u>FUND EQUITY</u></b>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	41,388	215,966	7,654	-
<b>Total fund balances</b>	<b><u>41,388</u></b>	<b><u>215,966</u></b>	<b><u>7,654</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund equity</b>	<b><u>\$ 41,388</u></b>	<b><u>\$ 215,966</u></b>	<b><u>\$ 7,654</u></b>	<b><u>\$ 285,022</u></b>

Revenue	Debt Service	Capital Projects			
Public Library	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ 159	\$ -	\$ -	\$ -	\$ -	\$ -
1,381,338	382,341	204,788	362,712	119,000	62,011
1,048,866	-	-	-	-	-
43,461	-	-	140,247	21,945	3,174
-	-	-	-	-	-
<u>\$ 2,473,824</u>	<u>\$ 382,341</u>	<u>\$ 204,788</u>	<u>\$ 502,959</u>	<u>\$ 140,945</u>	<u>\$ 65,185</u>
\$ 78,909	\$ -	\$ -	\$ 815	\$ -	\$ -
29,824	-	-	-	-	-
-	-	-	15,610	-	-
1,048,866	-	-	-	-	-
<u>1,157,599</u>	<u>-</u>	<u>-</u>	<u>16,425</u>	<u>-</u>	<u>-</u>
47,136	382,341	-	-	-	-
1,269,089	-	204,788	486,534	140,945	65,185
<u>1,316,225</u>	<u>382,341</u>	<u>204,788</u>	<u>486,534</u>	<u>140,945</u>	<u>65,185</u>
<u>\$ 2,473,824</u>	<u>\$ 382,341</u>	<u>\$ 204,788</u>	<u>\$ 502,959</u>	<u>\$ 140,945</u>	<u>\$ 65,185</u>

CITY OF FREEPORT, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
Year ended April 30, 2007

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<b>Revenues:</b>				
Taxes	\$ 1,649,974	\$ 196,845	\$ -	\$ -
Fees	303,334	-	-	-
Intergovernmental	2,537,146	-	818,182	-
Interest	297,234	5,888	28,272	4,664
Other	103,294	-	-	-
<b>Total revenues</b>	<u>4,890,982</u>	<u>202,733</u>	<u>846,454</u>	<u>4,664</u>
<b>Expenditures:</b>				
General government	2,314,889	236,534	-	-
Public safety	17,249	-	-	-
Public works	725,881	-	640	-
Culture and recreation	1,304,056	-	-	-
Debt service	2,250,383	-	-	-
<b>Total expenditures</b>	<u>6,612,458</u>	<u>236,534</u>	<u>640</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,721,476)</u>	<u>(33,801)</u>	<u>845,814</u>	<u>4,664</u>
<b>Other financing sources (uses):</b>				
Sale of fixed assets	7,015	-	-	-
Debt proceeds	1,650,000	-	-	-
Operating transfers in	3,276,055	49,000	-	-
Operating transfers out	(2,658,695)	-	(719,385)	-
<b>Total other financing     sources (uses)</b>	<u>2,274,375</u>	<u>49,000</u>	<u>(719,385)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	552,899	15,199	126,429	4,664
Fund balance - May 1, 2006	<u>3,422,964</u>	<u>76,831</u>	<u>741,517</u>	<u>71,279</u>
Fund balance - April 30, 2007	<u>\$ 3,975,863</u>	<u>\$ 92,030</u>	<u>\$ 867,946</u>	<u>\$ 75,943</u>

Revenue

<u>Tourism Promotion</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>All Veterans Memorial</u>	<u>Fire Public Safety</u>
\$ 151,513	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
63	935	441	-	-	409
-	6,500	-	-	7,174	2,240
<u>151,576</u>	<u>7,435</u>	<u>441</u>	<u>-</u>	<u>7,174</u>	<u>2,649</u>
134,600	-	-	100,000	51,756	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>134,600</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>51,756</u>	<u>-</u>
<u>16,976</u>	<u>7,435</u>	<u>441</u>	<u>(100,000)</u>	<u>(44,582)</u>	<u>2,649</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	100,000	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
16,976	7,435	441	-	(44,582)	2,649
<u>27,473</u>	<u>14,323</u>	<u>2,319</u>	<u>-</u>	<u>44,582</u>	<u>7,302</u>
<u>\$ 44,449</u>	<u>\$ 21,758</u>	<u>\$ 2,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,951</u>

CITY OF FREEPORT, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
Year ended April 30, 2007

	Special			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
<b>Revenues:</b>				
Taxes	\$ -	\$ 196,520	\$ 24,292	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	-	1,406,495
Interest	393	12,264	601	-
Other	17,793	-	-	-
Total revenues	<u>18,186</u>	<u>208,784</u>	<u>24,893</u>	<u>1,406,495</u>
<b>Expenditures:</b>				
General government	13,299	42,724	16,952	1,549,348
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>13,299</u>	<u>42,724</u>	<u>16,952</u>	<u>1,549,348</u>
Excess of revenues over (under) expenditures	<u>4,887</u>	<u>166,060</u>	<u>7,941</u>	<u>(142,853)</u>
<b>Other financing sources (uses):</b>				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	510,000	-	-
Operating transfers in	-	-	-	142,853
Operating transfers out	-	(585,762)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(75,762)</u>	<u>-</u>	<u>142,853</u>
Excess of revenues and other sources over (under) expenditures and other uses	4,887	90,298	7,941	-
Fund balance - May 1, 2006	<u>36,501</u>	<u>125,668</u>	<u>(287)</u>	<u>-</u>
Fund balance - April 30, 2007	<u>\$ 41,388</u>	<u>\$ 215,966</u>	<u>\$ 7,654</u>	<u>\$ -</u>



Revenue	Debt Service	Capital Projects			
		Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
Public Library	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ 1,080,804	\$ -	\$ -	\$ -	\$ -	\$ -
34,599	-	-	268,735	-	-
61,353	-	-	-	251,116	-
73,179	10,042	140,976	13,512	2,281	3,314
65,004	-	4,583	-	-	-
<u>1,314,939</u>	<u>10,042</u>	<u>145,559</u>	<u>282,247</u>	<u>253,397</u>	<u>3,314</u>
-	-	63,734	-	105,942	-
-	-	-	17,249	-	-
-	-	-	-	-	725,241
1,304,056	-	-	-	-	-
-	2,250,383	-	-	-	-
<u>1,304,056</u>	<u>2,250,383</u>	<u>63,734</u>	<u>17,249</u>	<u>105,942</u>	<u>725,241</u>
<u>10,883</u>	<u>(2,240,341)</u>	<u>81,825</u>	<u>264,998</u>	<u>147,455</u>	<u>(721,927)</u>
-	-	-	-	7,015	-
1,140,000	-	-	-	-	-
-	2,247,899	16,918	-	-	719,385
<u>(1,165,000)</u>	<u>-</u>	<u>-</u>	<u>(138,035)</u>	<u>(50,513)</u>	<u>-</u>
<u>(25,000)</u>	<u>2,247,899</u>	<u>16,918</u>	<u>(138,035)</u>	<u>(43,498)</u>	<u>719,385</u>
(14,117)	7,558	98,743	126,963	103,957	(2,542)
<u>1,330,342</u>	<u>374,783</u>	<u>106,045</u>	<u>359,571</u>	<u>36,988</u>	<u>67,727</u>
<u>\$ 1,316,225</u>	<u>\$ 382,341</u>	<u>\$ 204,788</u>	<u>\$ 486,534</u>	<u>\$ 140,945</u>	<u>\$ 65,185</u>

CITY OF FREEPORT, ILLINOIS  
 FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 COMBINING STATEMENT OF NET ASSETS  
 April 30, 2007

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	27,019	17,775	9,244
Loans receivable	<u>365,078</u>	<u>-</u>	<u>365,078</u>
Total assets	<u>392,097</u>	<u>17,775</u>	<u>374,322</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Accounts payable	<u>469</u>	<u>469</u>	<u>-</u>
Net assets	<u>\$ 391,628</u>	<u>\$ 17,306</u>	<u>\$ 374,322</u>

CITY OF FREEPORT, ILLINOIS  
 FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS  
 Year ended April 30, 2007

	Total	Foreign Fire Insurance	Revolving Loan
<b>Additions:</b>			
Foreign fire insurance	\$ 18,631	\$ 18,631	\$ -
Interest	13,168	1,675	11,493
Total additions	31,799	20,306	11,493
<b>Deductions:</b>			
Contractual services	11,542	11,542	-
Supplies	18,647	18,647	-
Capital outlay	24,782	24,782	-
Total deductions	54,971	54,971	-
Net increase	(23,172)	(34,665)	11,493
Net assets held in trust for other purposes			
Net assets, May 1, 2006	414,800	51,971	362,829
Net assets, April 30, 2007	\$ 391,628	\$ 17,306	\$ 374,322

CITY OF FREEPORT, ILLINOIS  
 FIDUCIARY FUNDS  
 PENSION TRUST FUNDS  
 COMBINING STATEMENT OF PLAN NET ASSETS  
 April 30, 2007

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 2,359,990	\$ 344,640	\$ 2,015,350
Receivables:			
Accrued interest	<u>202,989</u>	<u>71,702</u>	<u>131,287</u>
Due from other funds	<u>3,403</u>	<u>1,847</u>	<u>1,556</u>
Investments, at fair value			
U.S. government obligations	21,061,706	8,241,769	12,819,937
State and local obligations	76,699	-	76,699
Common stock	3,997,761	1,368,306	2,629,455
Mutual funds	13,856,359	5,171,587	8,684,772
Certificates of deposit	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Total investments	<u>39,217,525</u>	<u>15,006,662</u>	<u>24,210,863</u>
 Total assets	 <u>41,783,907</u>	 <u>15,424,851</u>	 <u>26,359,056</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 41,783,907</u>	<u>\$ 15,424,851</u>	<u>\$ 26,359,056</u>

CITY OF FREEPORT, ILLINOIS  
 FIDUCIARY FUNDS  
 PENSION TRUST FUNDS  
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS  
 Year ended April 30, 2007

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
<b>Additions:</b>			
Contributions - employer	\$ 1,519,052	\$ 824,386	\$ 694,666
Contributions - employees	508,613	266,476	242,137
Other investment income	<u>3,566,690</u>	<u>1,268,142</u>	<u>2,298,548</u>
 Total additions	 <u>5,594,355</u>	 <u>2,359,004</u>	 <u>3,235,351</u>
<b>Deductions:</b>			
Benefits and refunds	2,541,254	1,213,154	1,328,100
Other charges and services	<u>201,785</u>	<u>48,705</u>	<u>153,080</u>
 Total deductions	 <u>2,743,039</u>	 <u>1,261,859</u>	 <u>1,481,180</u>
 Net increase	 2,851,316	 1,097,145	 1,754,171
 Net assets held in trust for pension benefits			
Net assets, May 1, 2006	<u>38,932,591</u>	<u>14,327,706</u>	<u>24,604,885</u>
 Net assets, April 30, 2007	 <u>\$ 41,783,907</u>	 <u>\$ 15,424,851</u>	 <u>\$ 26,359,056</u>

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CITY OF FREEPORT, ILLINOIS  
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS  
 Year ended April 30, 2007

Year ended <u>April 30</u>	2003 <u>General Obligation Bonds</u>		2006 <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 70,000	\$ 40,439	\$ 8,000	\$ 79,442
2009	70,000	37,994	12,000	76,696
2010	80,000	38,970	15,000	72,683
2011	85,000	32,057	15,000	75,743
2012	90,000	28,580	17,000	75,085
2013	90,000	24,806	17,000	74,355
2014	90,000	22,947	17,000	71,632
2015	100,000	15,694	18,000	73,665
2016	100,000	10,273	17,000	73,387
2017	110,000	4,611	19,000	73,386
2018	-	-	140,000	72,124
2019	-	-	143,000	66,665
2020	-	-	148,000	60,990
2021	-	-	151,000	55,107
2022	-	-	161,000	49,009
2023	-	-	169,000	42,496
2024	-	-	170,000	35,645
2025	-	-	127,000	28,738
2026	-	-	136,000	23,580
2027	-	-	138,000	18,033
2028	-	-	147,000	12,376
2029	-	-	150,000	6,262
	<u>\$ 885,000</u>	<u>\$ 256,371</u>	<u>\$ 1,935,000</u>	<u>\$ 1,217,099</u>

CITY OF FREEPORT, ILLINOIS  
SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS  
Year ended April 30, 2007

<u>Year ended</u> <u>April 30</u>	<u>2000</u> <u>General Obligation Bonds</u>		<u>2003</u> <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 320,000	\$ 94,238	\$ 180,000	\$ 93,911
2009	335,000	77,597	185,000	88,231
2010	355,000	60,010	190,000	78,330
2011	375,000	41,195	195,000	74,443
2012	395,000	21,132	205,000	66,370
2013	-	-	215,000	57,606
2014	-	-	225,000	46,122
2015	-	-	235,000	36,444
2016	-	-	250,000	23,858
2017	-	-	175,000	10,708
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
	<u>\$ 1,780,000</u>	<u>\$ 294,172</u>	<u>\$ 2,055,000</u>	<u>\$ 576,023</u>



2004 General Obligation Bonds		2005 General Obligation Bonds		2006 General Obligation Bonds	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 60,000	\$ 355,118	\$ 25,000	\$ 255,098	\$ 27,000	\$ 336,294
65,000	353,468	25,000	254,424	33,000	326,404
65,000	351,518	25,000	253,736	35,000	328,617
70,000	349,566	30,000	252,986	35,000	323,557
70,000	347,292	30,000	252,012	38,000	322,215
490,000	344,842	30,000	250,992	38,000	320,745
510,000	322,792	30,000	249,912	38,000	321,268
530,000	299,843	30,000	248,786	42,000	317,035
555,000	275,992	35,000	247,646	43,000	314,913
575,000	253,793	35,000	246,158	131,000	312,514
600,000	230,792	35,000	244,672	320,000	308,151
625,000	206,793	35,000	243,184	332,000	296,130
645,000	181,792	40,000	241,696	347,000	283,280
675,000	155,993	40,000	239,996	364,000	269,858
700,000	128,318	40,000	238,296	374,000	255,356
735,000	98,918	45,000	236,546	391,000	240,469
760,000	67,680	45,000	234,578	405,000	224,920
800,000	35,000	50,000	232,608	423,000	208,827
-	-	915,000	230,422	439,000	191,985
-	-	960,000	189,246	457,000	174,532
-	-	1,000,000	146,046	478,000	156,389
-	-	1,045,000	99,796	495,000	136,722
-	-	1,095,000	51,466	510,000	116,377
-	-	-	-	535,000	95,340
-	-	-	-	555,000	72,870
-	-	-	-	575,000	49,560
-	-	-	-	605,000	25,410
<u>\$ 8,530,000</u>	<u>\$ 4,359,510</u>	<u>\$ 5,640,000</u>	<u>\$ 5,140,302</u>	<u>\$ 8,065,000</u>	<u>\$ 6,329,738</u>

**FEDERAL COMPLIANCE SECTION**

CITY OF FREEPORT, ILLINOIS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the year ended April 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title:</u>	<u>CFDA* Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
<u>U.S Department of Justice:</u>			
Police Computers (COPS More)	16.710	2001-CMWX-0157	\$ 6,970
Police Technology Grant	16.710	2005-CKWX-0081	9,818
Bulletproof Vest Partnership Program	16.607	N/A	2,010
 <u>U.S. Department of Housing and Urban Development:</u>			
Passed through Illinois Department of Commerce and Economic Opportunity:			
Community Development Block Grant	14.219	05-24217	354,750
Brownfield – HUD	14.246	B-01-SP-IL-0186	110,480
 <u>Office of Juvenile Justice and Delinquency Prevention:</u>			
Juvenile Accountability	16.523	501031	124,188
<u>U.S. Environmental Protection Agency:</u>			
Brownfield - USEPA Assessment	66.818	BF96519901	13,795
Brownfield - CMC Clean-Up	66.818	BF96564101	25,802
<u>Federal Emergency Management Agency:</u>			
FEMA Snow Emergency Grant	97.036	N/A	14,460
<u>U.S Department of Transportation:</u>			
Passed through Illinois Department of Transportation:			
Section 5311 Transportation	20.509	N/A	90,436
Airport Improvement Program	20.106	N/A	<u>649,427</u>
Total Federal Grant Activity			<u>\$1,402,136</u>

\* Catalog of Federal Domestic Assistance Number.

CITY OF FREEPORT, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended April 30, 2007

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**Section I – Summary of Auditor’s Results:**

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

**Section II -Financial Statement Findings:**

1. Segregation of duties

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

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

CITY OF FREEPORT, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the year ended April 30, 2007

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

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

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

**Section III – Federal Awards Findings and Questioned Costs:**

No matters are reported.

CITY OF FREEPORT, ILLINOIS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year ended April 30, 2007

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**ALL MAJOR PROGRAMS**

Finding 2006-1: Segregation of Duties

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

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

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



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, 2007, and have issued our report thereon dated October 22, 2007. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the Downtown TIF district and Lamm Road TIF District pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

A handwritten signature in cursive script that reads "Lindgren, Callihan, Van Osdol &amp; Co. P.C.".

Freeport, Illinois  
October 22, 2007

