

CITY OF FREEPORT, ILLINOIS

ANNUAL FINANCIAL REPORT

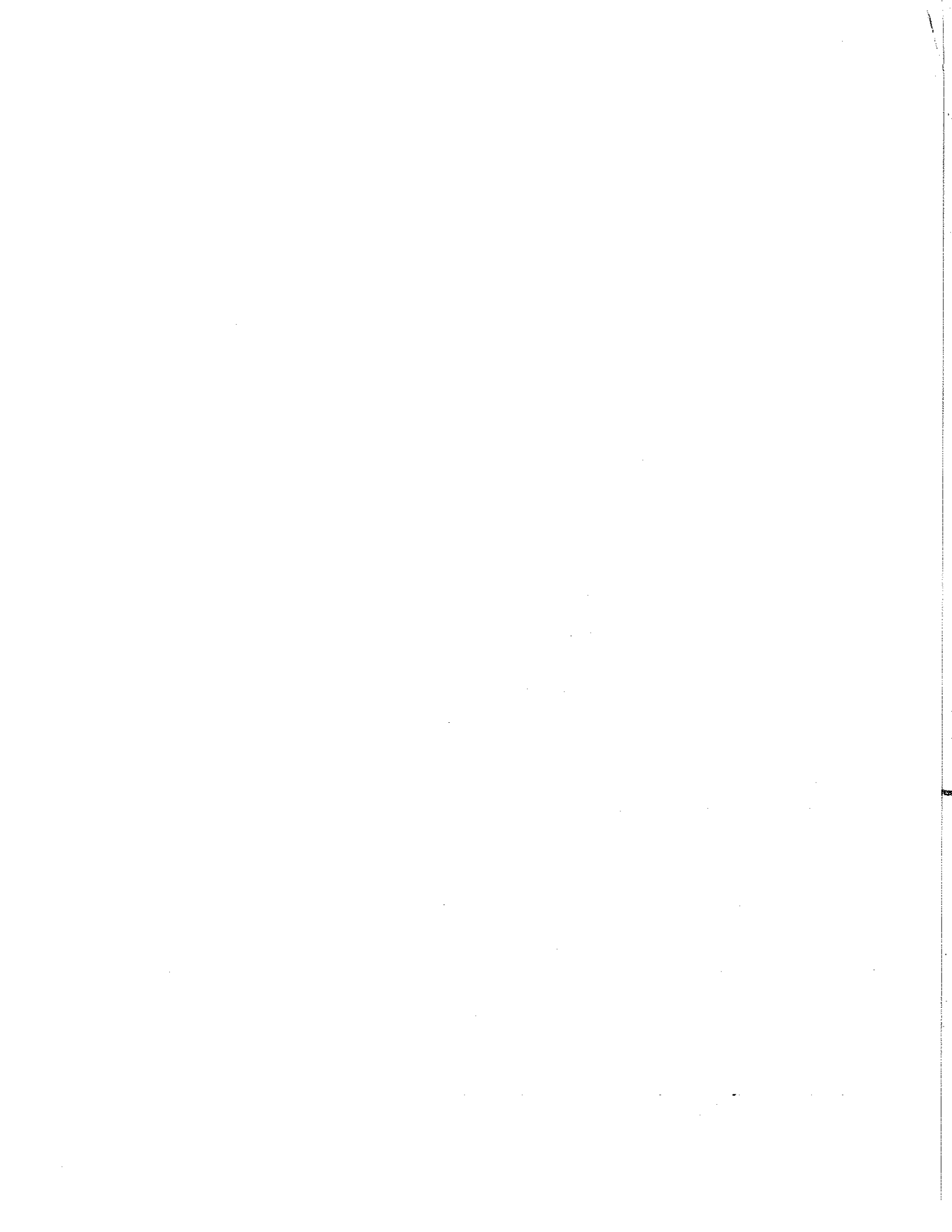
April 30, 2006



CITY OF FREEPORT, ILLINOIS

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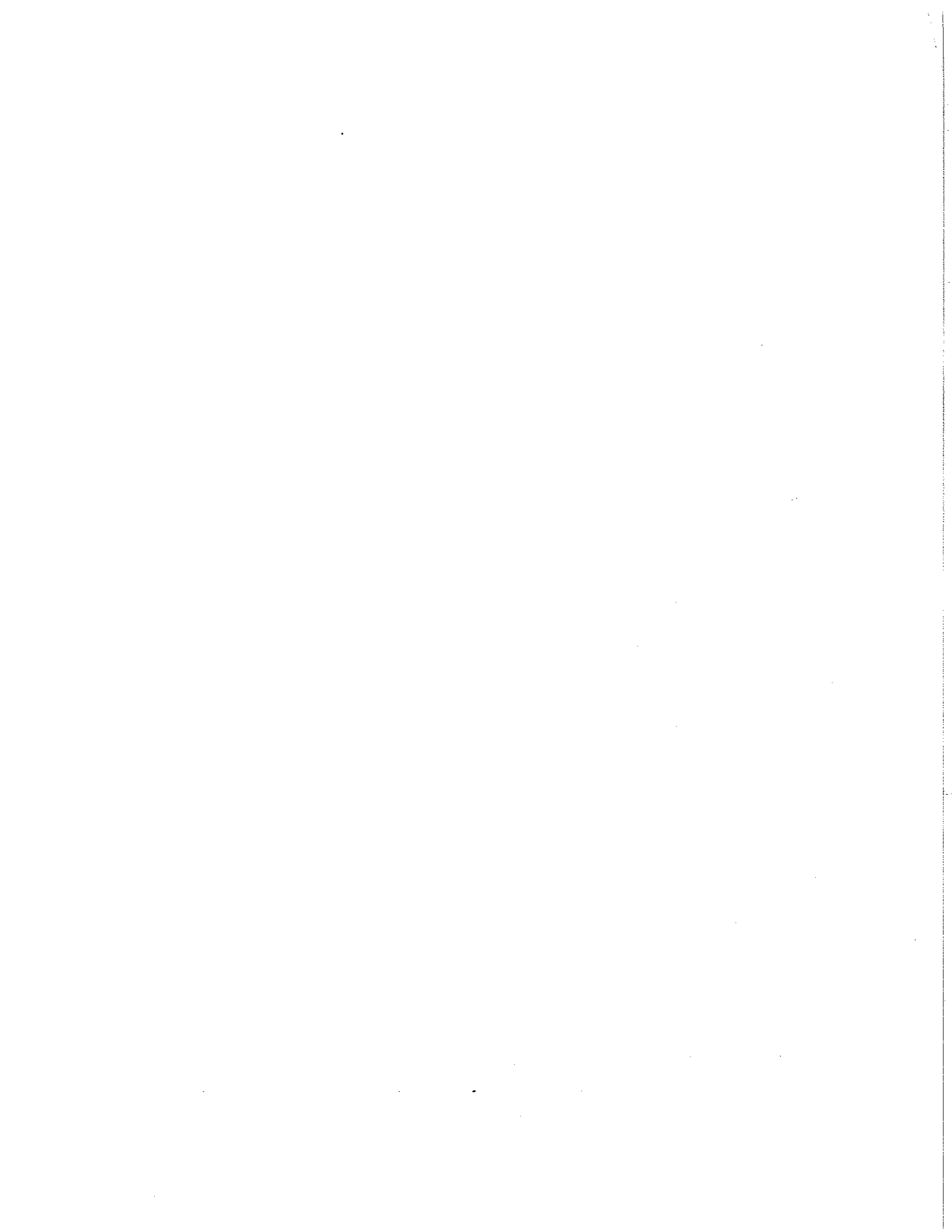
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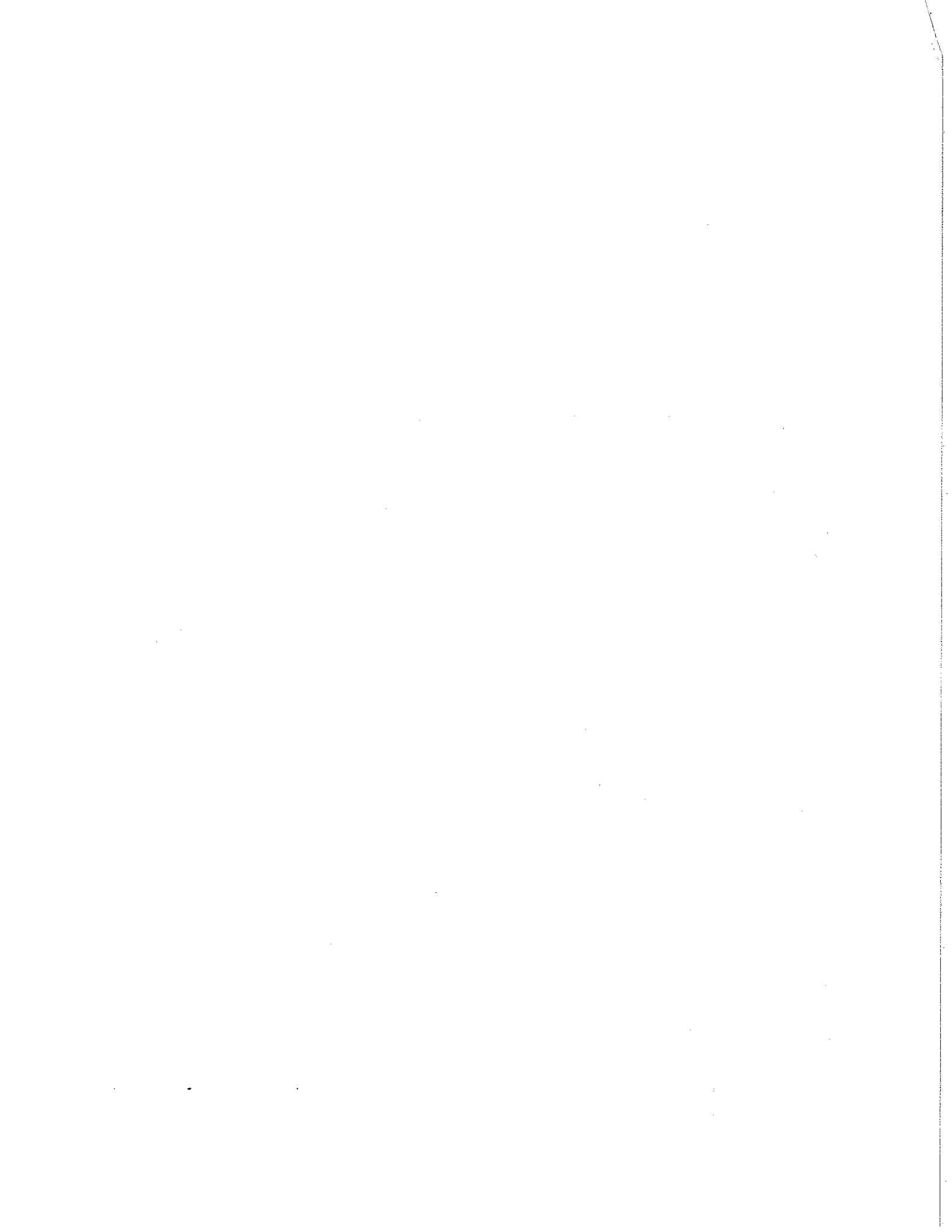
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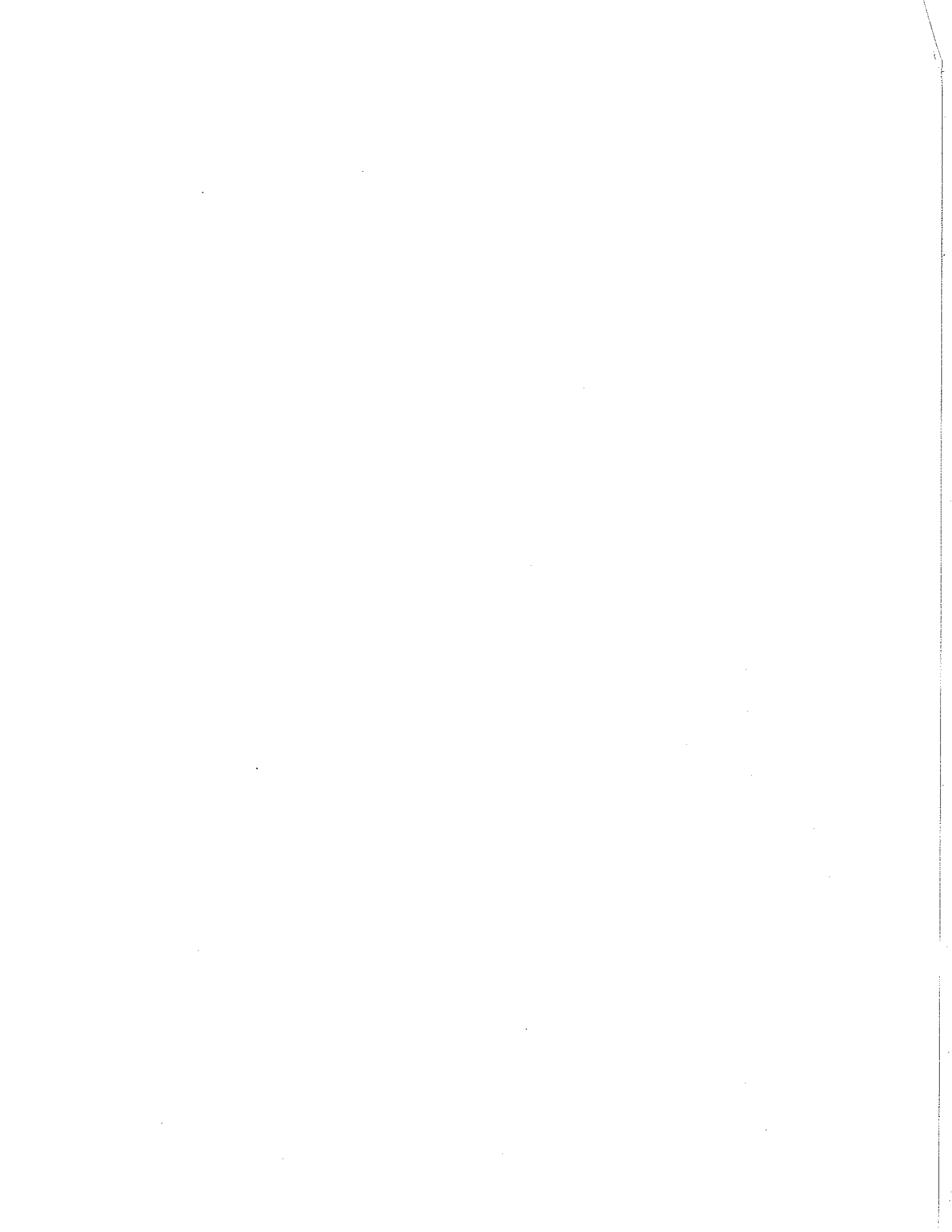
INDEPENDENT AUDITOR'S REPORT ON THE
BASIC FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2006, 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, 2006, 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 30, 2006 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.

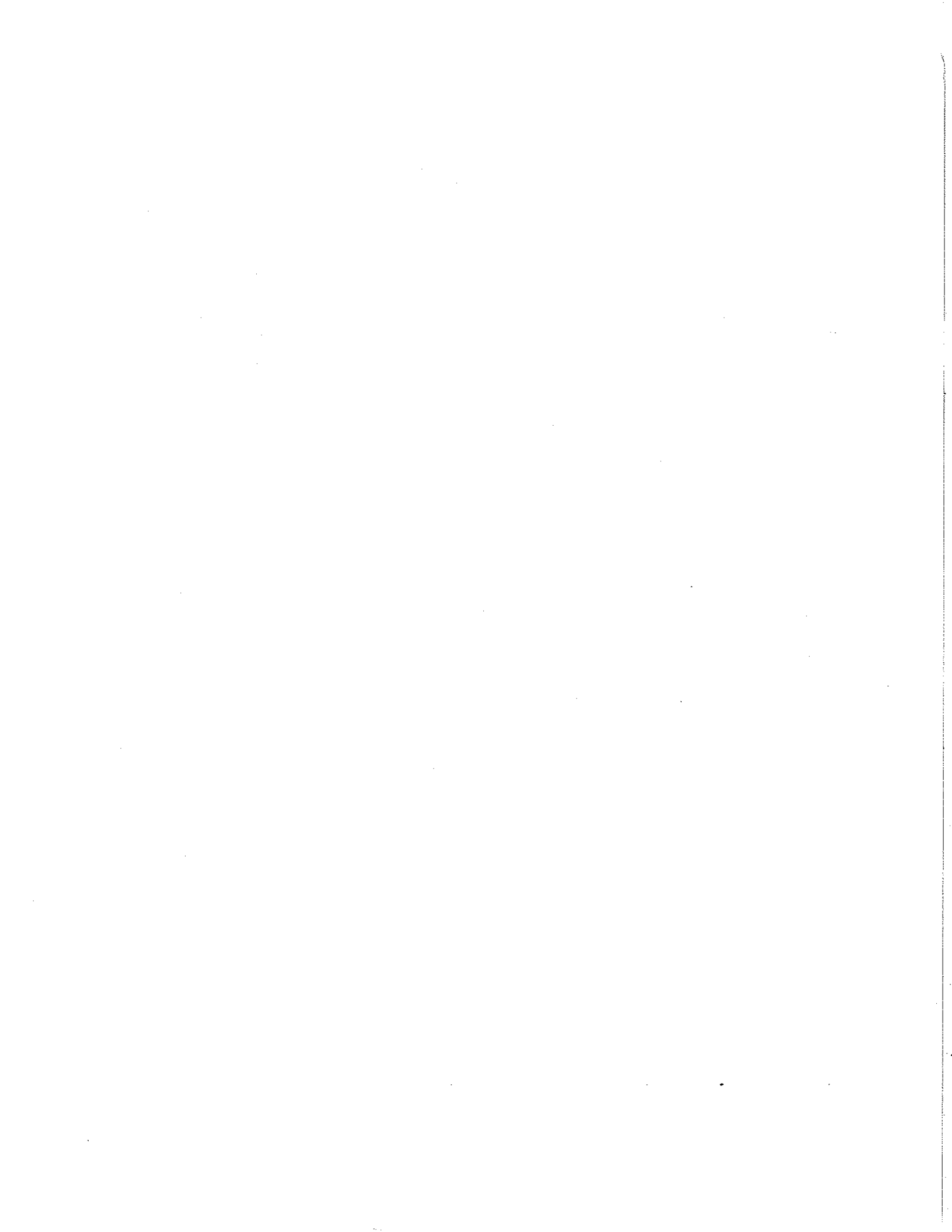
The Management's Discussion and Analysis that precedes the basic financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund on page 56, the Actuarial Valuations for the Police and Firefighter's Pension Systems on pages 57 and 58, the Annual Financial Information on pages 59 through 63 and the Schedule of Revenues and Expenditures Compared with Budget on pages 64 through 84, 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, Van Ordel & Co., PA

Freeport, Illinois
October 30, 2006





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

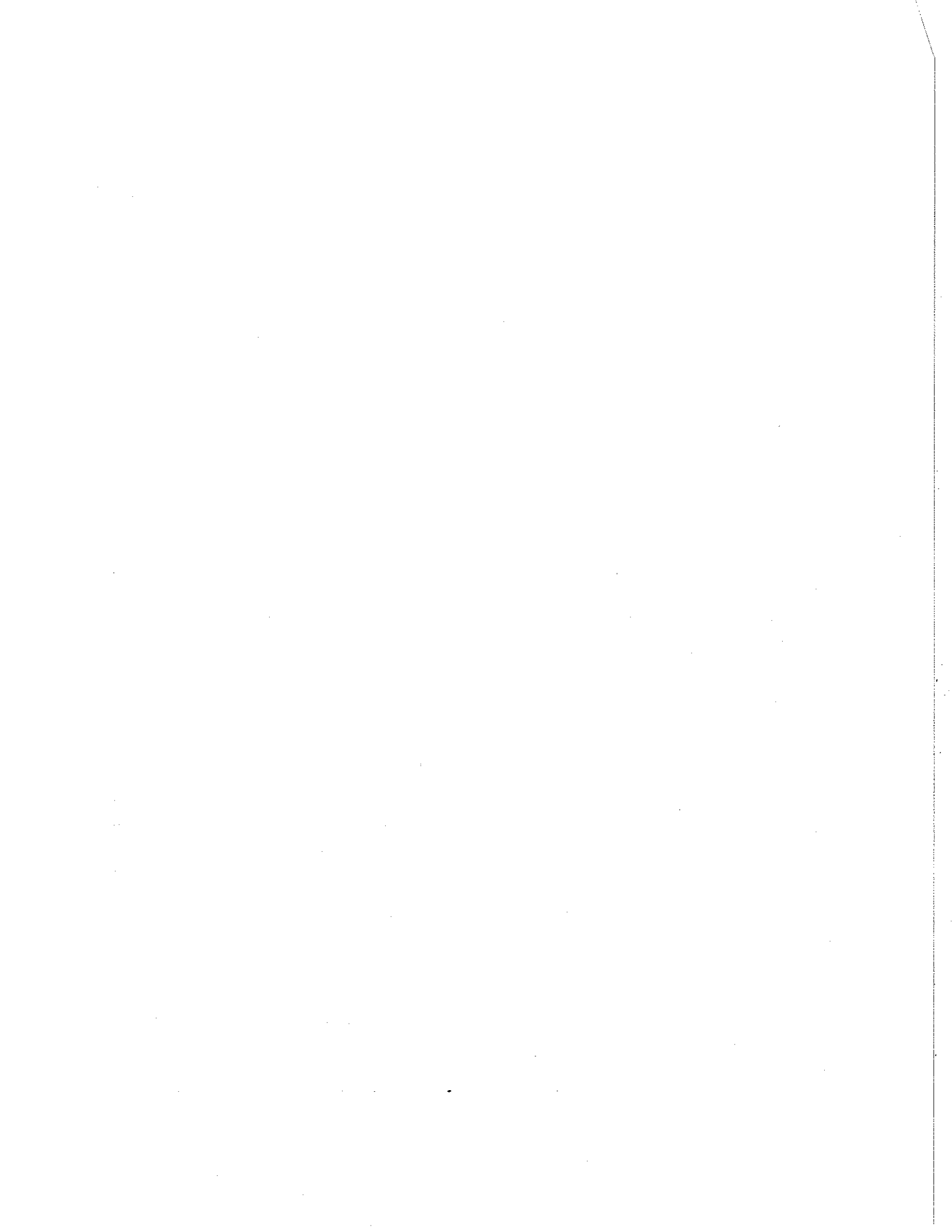
The Honorable Mayor
Members of the City Council
City of Freeport, Illinois

We have audited the financial statements of the City of Freeport, Illinois as of and for the year ended April 30, 2006, and have issued our report thereon dated October 30, 2006. 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, Illinois' 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. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the City of Freeport's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses.

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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting 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 is a material weakness.

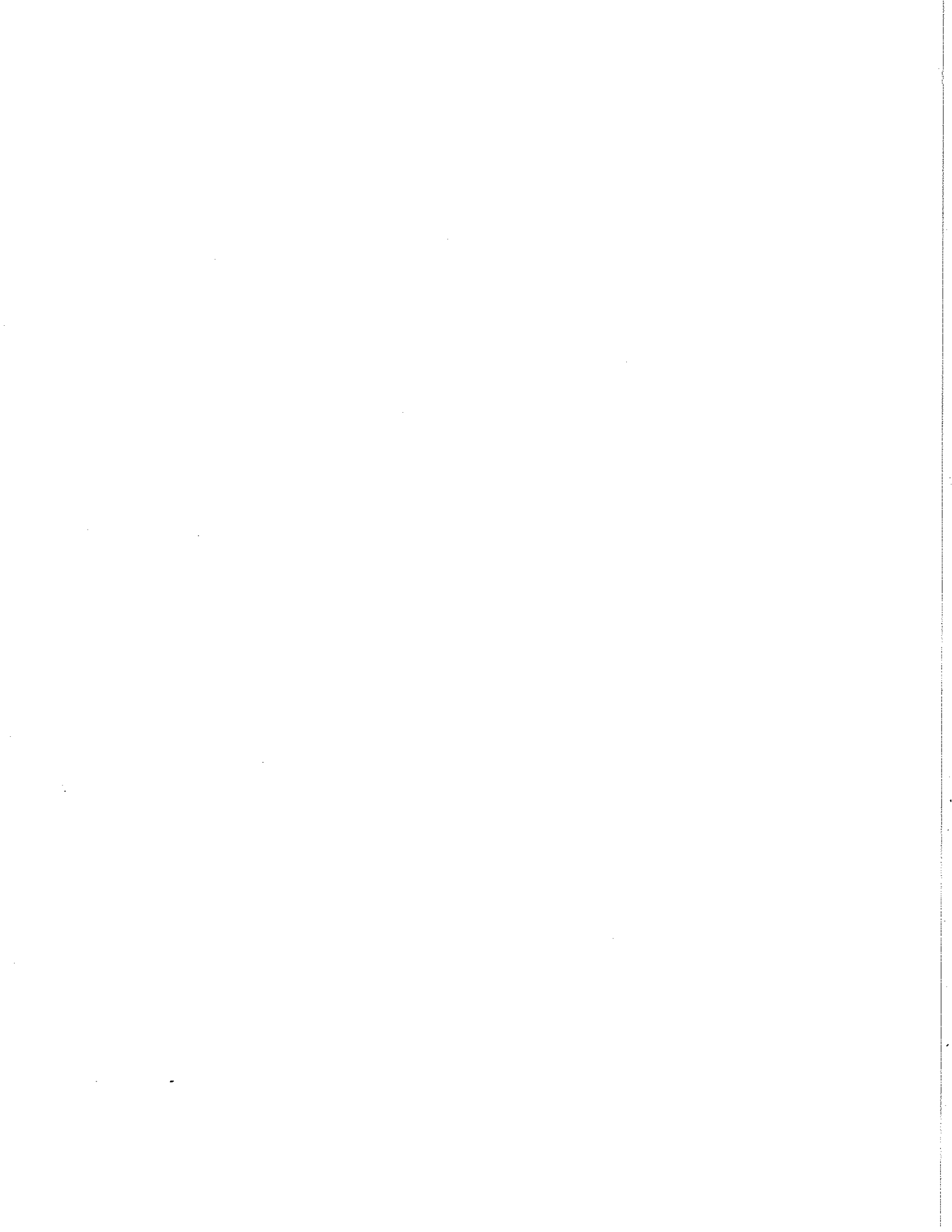
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Freeport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

Luiz Frey, Callahan, Van Osdal & Co., PA

Freeport, Illinois
October 30, 2006





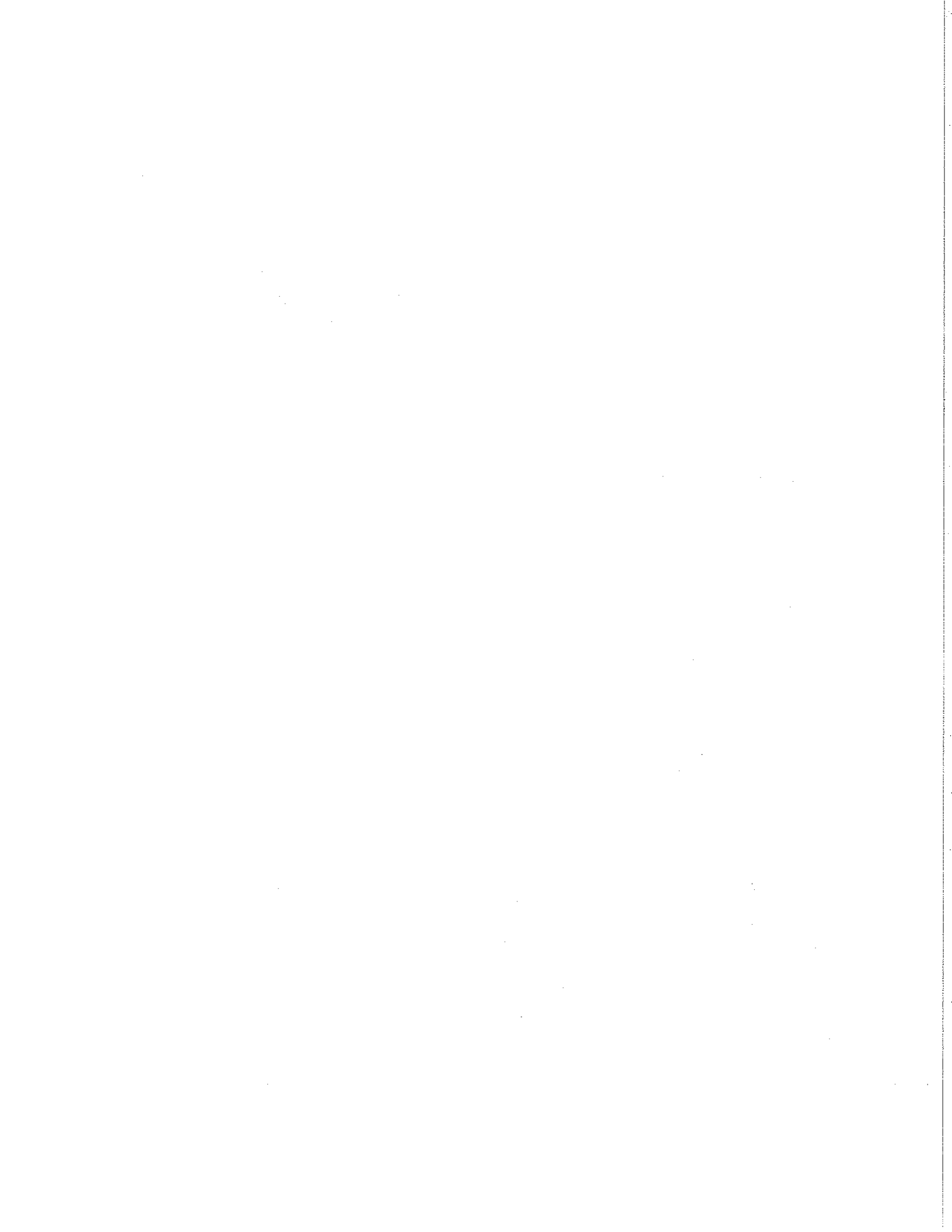
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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, 2006. 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, 2006.

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.

Lindgren, Callihan, Van Osdol & Co., P.C.

Freeport, Illinois
October 30, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2006

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, 2006.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2006 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, 2006

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. Two of these twenty 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 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. Three 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, 2006

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2006 and 2005

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current Assets	\$11,500,335	\$10,873,911	\$ 5,758,469	\$7,279,300	\$17,258,804	\$18,153,211
Non-current Assets	<u>10,041,292</u>	<u>10,356,511</u>	<u>55,238,023</u>	<u>54,901,977</u>	<u>65,279,315</u>	<u>65,258,488</u>
Total Assets	<u>21,541,627</u>	<u>21,230,422</u>	<u>60,996,492</u>	<u>62,181,277</u>	<u>82,538,119</u>	<u>83,411,699</u>
Liabilities:						
Current Liabilities	5,138,092	4,484,050	3,064,218	3,106,377	8,202,310	7,590,427
Non-current Liabilities	<u>4,431,849</u>	<u>5,221,256</u>	<u>32,188,974</u>	<u>31,313,029</u>	<u>36,620,823</u>	<u>36,534,285</u>
Total liabilities	<u>9,569,941</u>	<u>9,705,306</u>	<u>35,253,192</u>	<u>34,419,406</u>	<u>44,823,133</u>	<u>44,124,712</u>
Net Assets:						
Investments in capital assets, net of debt	5,120,820	5,044,894	25,806,780	23,867,045	30,927,600	28,911,939
Unrestricted	<u>6,850,866</u>	<u>6,480,222</u>	<u>(63,480)</u>	<u>3,894,826</u>	<u>6,787,386</u>	<u>10,375,048</u>
Total net assets	<u>\$11,971,686</u>	<u>\$11,525,116</u>	<u>\$25,743,300</u>	<u>\$27,761,871</u>	<u>\$37,714,986</u>	<u>\$39,286,987</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, 2006

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, 2006 and 2005**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program:						
Charges for services	\$ 1,335,902	\$ 1,137,753	\$7,198,917	\$6,561,521	\$ 8,534,819	\$ 7,699,274
Operating grants & contributions	787,010	706,142	-	-	787,010	706,142
General:						
Property & other taxes	14,806,375	14,185,569	-	-	14,806,375	14,185,569
Other	<u>3,246,901</u>	<u>3,007,459</u>	<u>123,362</u>	<u>121,072</u>	<u>3,370,263</u>	<u>3,128,531</u>
Total revenue received	<u>20,176,188</u>	<u>19,036,923</u>	<u>7,322,279</u>	<u>6,682,593</u>	<u>27,498,467</u>	<u>25,719,516</u>
Expenses:						
General government	9,058,627	8,504,881	-	-	9,058,627	8,504,881
Public safety	7,108,582	6,734,173	-	-	7,108,582	6,734,173
Public works	1,980,402	1,740,898	-	-	1,980,402	1,740,898
Health	48,738	53,323	-	-	48,738	53,323
Culture and recreation	1,364,473	1,431,355	-	-	1,364,473	1,431,355
Interest on long-term debt	168,796	152,577	-	-	168,796	152,577
Water	-	-	1,814,299	1,856,325	1,814,299	1,856,325
Sewer	-	-	3,917,029	3,854,564	3,917,029	3,854,564
Storm Sewer	-	-	698,614	558,955	698,614	558,955
Landfill Closure	-	-	1,823,653	386,496	1,823,653	386,496
Health and Environment	-	-	<u>1,087,255</u>	<u>1,026,136</u>	<u>1,087,255</u>	<u>1,026,136</u>
Total expenditures Disbursed	<u>19,729,618</u>	<u>18,617,207</u>	<u>9,340,850</u>	<u>7,682,476</u>	<u>29,070,468</u>	<u>26,299,683</u>
Change in net assets	<u>\$ 446,570</u>	<u>\$ 419,716</u>	<u>\$(2,018,571)</u>	<u>\$ (999,883)</u>	<u>\$(1,572,001)</u>	<u>\$ (580,167)</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, 2006

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 \$37,714,986 as of April 30, 2006. This is a decrease of \$1,572,001 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, 2006 were \$3,627,529. Of this total, \$2,378,835 was cash and investments available for future spending. This is a decrease of \$258,276 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in June 2005. 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 \$5,651 greater than budgeted. General Fund expenses were \$447,454 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$298,277 for the fiscal year. Including Inter-Fund Transfers the General Fund had a reduction in fund balance of \$160,919.

Capital Assets/Long term Debt

During the Fiscal Year ending April 30, 2006 the City incurred no new long term debt and did not retire any existing long term debt. See Note E for further information on Capital Assets and Note G for details on Long-Term Debt.

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. Both of 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, 2006

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, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,556,182	\$ 310,559	\$ 1,866,741
Investments	4,222,014	2,205,190	6,427,204
Receivables (net of allowances):			
Property taxes	3,337,418	-	3,337,418
Accounts	2,113,321	608,228	2,721,549
Interest	-	2,700	2,700
Inventories	-	191,453	191,453
Deposits	-	10,850	10,850
Prepaid expenses	271,400	-	271,400
Restricted cash accounts	-	2,429,489	2,429,489
	11,500,335	5,758,469	17,258,804
Total current assets			
Bond issuance costs	49,560	412,233	461,793
Deferred charges	-	11,067	11,067
Prepaid interest	-	2,492,222	2,492,222
Capital Assets (net of accumulated depreciation):			
Buildings	8,071,456	21,791,498	29,862,954
Transmission lines	-	27,025,312	27,025,312
Equipment	471,105	3,011,086	3,482,191
Vehicles	1,449,171	-	1,449,171
Work in process	-	494,605	494,605
	10,041,292	55,238,023	65,279,315
Total noncurrent assets			
	21,541,627	60,996,492	82,538,119

LIABILITIES

Current liabilities:			
Accounts payable	449,193	1,395,754	1,844,947
Accrued payroll	364,289	168,737	533,026
Deposits and escrow amounts	-	340,523	340,523
Unearned grant revenue	20,441	-	20,441
Deferred revenue	3,337,418	-	3,337,418
Claims payable	168,878	-	168,878
Accrued interest	44,515	471,140	515,655
Current portion long term debt	753,358	688,064	1,441,422
	<u>5,138,092</u>	<u>3,064,218</u>	<u>8,202,310</u>
Total current liabilities			
Noncurrent liabilities:			
General obligation bonds payable	2,535,000	25,500,000	28,035,000
Market premium on bonds payable	61,723	222,175	283,898
Deferred gain	-	685,201	685,201
Notes payable	1,064,179	327,657	1,391,836
Leases payable	456,652	-	456,652
Accrued compensated absences	314,295	-	314,295
Landfill closure liability	-	5,453,941	5,453,941
Total noncurrent liabilities	<u>4,431,849</u>	<u>32,188,974</u>	<u>36,620,823</u>
Total liabilities	<u>9,569,941</u>	<u>35,253,192</u>	<u>44,823,133</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,120,820	25,806,780	30,927,600
Restricted by tax levies	50,387	-	50,387
Restricted for debt service	374,783	-	374,783
Unrestricted	6,425,696	(63,480)	6,362,216
Total net assets	<u>\$ 11,971,686</u>	<u>\$ 25,743,300</u>	<u>\$ 37,714,986</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2006

<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>
Governmental activities:				
General government	\$ 9,058,627	\$ 159,015	\$ 497,631	\$ -
Public safety	7,108,582	755,410	255,358	-
Public works	1,980,402	178,006	-	-
Health	48,738	204,175	-	-
Culture and recreation	1,364,473	39,296	34,021	-
Interest	<u>168,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 19,729,618</u>	<u>\$ 1,335,902</u>	<u>\$ 787,010</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 1,814,299	\$ 2,201,041	\$ -	\$ -
Sewer	3,917,029	3,072,732	-	-
Storm Sewer	698,614	672,444	-	-
Landfill Closure	1,823,653	100,000	-	-
Health and Environment	<u>1,087,255</u>	<u>1,152,700</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 9,340,850</u>	<u>\$ 7,198,917</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

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

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (8,401,981)	\$ -	\$ (8,401,981)
(6,097,814)	-	(6,097,814)
(1,802,396)	-	(1,802,396)
155,437	-	155,437
(1,291,156)	-	(1,291,156)
(168,796)	-	(168,796)
<u>(17,606,706)</u>	<u>-</u>	<u>(17,606,706)</u>
-	386,742	386,742
-	(844,297)	(844,297)
-	(26,170)	(26,170)
-	(1,723,653)	(1,723,653)
-	65,445	65,445
<u>-</u>	<u>(2,141,933)</u>	<u>(2,141,933)</u>
3,504,209	-	3,504,209
9,021,715	-	9,021,715
2,280,451	-	2,280,451
227,842	123,362	351,204
3,019,059	-	3,019,059
<u>18,053,276</u>	<u>123,362</u>	<u>18,176,638</u>
446,570	(2,018,571)	(1,572,001)
<u>11,525,116</u>	<u>27,761,871</u>	<u>39,286,987</u>
<u>\$ 11,971,686</u>	<u>\$ 25,743,300</u>	<u>\$ 37,714,986</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2006

	General Fund	Public Library	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,688	\$ 300	\$ 194,223	\$ 204,211
Investments	2,369,147	1,376,101	1,690,888	5,436,136
Receivables, net of allowances				
Property tax	2,129,230	1,014,138	194,050	3,337,418
Accounts		6,494	527,227	533,721
Other	640,885	-	-	640,885
Due from other governments	915,535	-	-	915,535
Due from other funds	256,238	-	19,340	275,578
Prepaid expenses	260,396	10,146	-	270,542
Total assets	<u>\$ 6,581,119</u>	<u>\$ 2,407,179</u>	<u>\$ 2,625,728</u>	<u>\$ 11,614,026</u>
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable	\$ 345,029	\$ 36,825	\$ 67,339	\$ 449,193
Accrued payroll	324,117	25,874	14,298	364,289
Due to other funds	134,773	-	257,419	392,192
Unearned grant revenue	20,441	-	-	20,441
Deferred revenue	2,129,230	1,014,138	194,050	3,337,418
Total liabilities	<u>2,953,590</u>	<u>1,076,837</u>	<u>533,106</u>	<u>4,563,533</u>
Fund balances:				
Reserved for debt service	-	-	374,783	374,783
Reserved for restricted tax levies	-	50,387	-	50,387
Unreserved, reported in:				
General funds	3,627,529	-	-	3,627,529
Special revenue funds	-	1,279,955	1,147,508	2,427,463
Capital projects funds	-	-	570,331	570,331
Total fund balances	<u>3,627,529</u>	<u>1,330,342</u>	<u>2,092,622</u>	<u>7,050,493</u>
Total liabilities and fund balances	<u>\$ 6,581,119</u>	<u>\$ 2,407,179</u>	<u>\$ 2,625,728</u>	<u>\$ 11,614,026</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2006

Total fund balances - governmental funds	\$ 7,050,493
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 \$17,365,882 and the accumulated depreciation is \$7,374,150	9,991,732
Bond issuance costs used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This is amount of bond issuance costs.	49,560
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.	109,623
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,229,722)</u>
Total net assets - governmental activities	<u>\$ 11,971,686</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2006

	General Fund	Public Library	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 12,051,811	\$ 1,048,638	\$ 492,971	\$13,593,420
Fees	1,069,166	36,084	286,633	1,391,883
Intergovernmental	141,186	34,021	1,913,586	2,088,793
Interest	114,024	53,826	56,820	224,670
Other	194,644	260,948	140,371	595,963
Total revenues	<u>13,570,831</u>	<u>1,433,517</u>	<u>2,890,381</u>	<u>17,894,729</u>
EXPENSES				
General government	5,412,769	-	1,831,568	7,244,337
Public safety	6,616,453	-	57,335	6,673,788
Public works	1,112,820	-	633,881	1,746,701
Health	48,738	-	-	48,738
Culture and recreation	81,774	1,142,232	-	1,224,006
Debt service	-	-	552,459	552,459
Total expenses	<u>13,272,554</u>	<u>1,142,232</u>	<u>3,075,243</u>	<u>17,490,029</u>
Excess (deficiency) of revenues over expenses	298,277	291,285	(184,862)	404,700
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	-	15,275	15,275
Transfers in	85,000	-	1,401,825	1,486,825
Transfers out	(544,196)	(20,000)	(922,629)	(1,486,825)
Total other financing sources and uses	<u>(459,196)</u>	<u>(20,000)</u>	<u>494,471</u>	<u>15,275</u>
Net change in fund balances	(160,919)	271,285	309,609	419,975
Fund balances - beginning	3,788,448	1,059,057	1,783,013	6,630,518
Fund balances - ending	<u>\$ 3,627,529</u>	<u>\$ 1,330,342</u>	<u>\$ 2,092,622</u>	<u>\$ 7,050,493</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the year ended April 30, 2006

Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 419,975
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 capitalized fixed assets \$(222,634) exceeds depreciation expense \$(534,029) in the period.	(311,395)
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.	-
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.	349,157
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>(11,167)</u>
Change in net assets of governmental activities	<u>\$ 446,570</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash	\$ 309,699	\$ 643	\$ -	\$ 217	\$ 310,559	\$ -
Investments	-	-	2,130,701	74,489	2,205,190	137,849
Receivables, net of allowance for uncollectible:						
Accounts	241,698	332,312	-	34,218	608,228	23,180
Interest	470	2,230	-	-	2,700	-
Due from other funds	1,411,000	88,875	-	131,213	1,631,088	116,614
Inventories	54,592	136,861	-	-	191,453	-
Deposits	10,490	360	-	-	10,850	-
Restricted cash accounts:						
Revolving fund	-	1,484	-	-	1,484	858
Bond and interest	-	994,200	-	1,215,372	2,209,572	-
Capital improvements	125,577	92,856	-	-	218,433	-
Total current assets	2,153,526	1,649,821	2,130,701	1,455,509	7,389,557	278,501
Bond issuance costs	-	225,531	-	186,702	412,233	-
Prepaid interest	-	2,492,222	-	-	2,492,222	-
Property, plant and equipment (net of accumulated depreciation)	13,314,939	30,728,171	-	8,279,391	52,322,501	-
Deferred charges	11,067	-	-	-	11,067	-
Total noncurrent assets	13,326,006	33,445,924	-	8,466,093	55,238,023	-
Total assets	15,479,532	35,095,745	2,130,701	9,921,602	62,627,580	278,501

LIABILITIES

Current liabilities:

Accounts payable	1,099,602	161,975	37,479	96,698	1,395,754	168,878
Accrued payroll	66,372	102,365	-	-	168,737	-
Due to other funds	131,213	1,160,000	-	339,875	1,631,088	-
Deposits and escrow amounts	340,438	85	-	-	340,523	-
Accrued interest payable	-	318,598	-	152,542	471,140	-
Current portion long term debt	-	535,681	-	152,383	688,064	-
Total current liabilities	<u>1,637,625</u>	<u>2,278,704</u>	<u>37,479</u>	<u>741,498</u>	<u>4,695,306</u>	<u>168,878</u>

Noncurrent liabilities:

Landfill closure liability	-	-	5,453,941	-	5,453,941	-
Deferred gain	-	685,201	-	-	685,201	-
Note payable	-	327,657	-	-	327,657	-
General obligation bonds payable	-	16,939,637	-	8,560,363	25,500,000	-
Market premium on bonds payable	-	18,610	-	203,565	222,175	-
Total noncurrent liabilities	<u>-</u>	<u>17,971,105</u>	<u>5,453,941</u>	<u>8,763,928</u>	<u>32,188,974</u>	<u>-</u>
Total liabilities	<u>1,637,625</u>	<u>20,249,809</u>	<u>5,491,420</u>	<u>9,505,426</u>	<u>36,884,280</u>	<u>168,878</u>

NET ASSETS

Restricted due to bond ordinance	125,577	1,088,540	-	-	1,214,117	858
Unrestricted	13,716,330	13,757,396	(3,360,719)	416,176	24,529,183	108,765
Total net assets	<u>\$ 13,841,907</u>	<u>\$ 14,845,936</u>	<u>\$ (3,360,719)</u>	<u>\$ 416,176</u>	<u>\$ 25,743,300</u>	<u>\$ 109,623</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended April 30, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 2,201,041	\$ 3,072,732	-	\$ 1,825,144	\$ 7,098,917	\$ 2,262,074
Operating expenses:						
Operating	1,411,200	2,036,132	1,823,653	1,185,058	6,456,043	2,278,109
Depreciation	367,768	917,742	-	145,061	1,430,571	-
Total operating expenses	1,778,968	2,953,874	1,823,653	1,330,119	7,886,614	2,278,109
Operating income (loss)	422,073	118,858	(1,823,653)	495,025	(787,697)	(16,035)
Nonoperating revenues (expenses):						
Interest income	4,649	25,892	181,506	11,315	223,362	4,868
Donated assets	-	-	-	-	-	-
Interest and fiscal charges	(35,331)	(963,155)	-	(455,750)	(1,454,236)	-
Total nonoperating revenues	(30,682)	(937,263)	181,506	(444,435)	(1,230,874)	4,868
Net income (loss)	391,391	(818,405)	(1,642,147)	50,590	(2,018,571)	(11,167)
Net assets - May 1, 2005	13,450,516	15,664,341	(1,718,572)	365,586	27,761,871	120,790
Net assets - April 30, 2006	\$ 13,841,907	\$ 14,845,936	\$ (3,360,719)	\$ 416,176	\$ 25,743,300	\$ 109,623

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year ended April 30, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,903,329	\$ 3,027,453	\$ -	\$ 1,810,669	\$ 6,741,451	\$ 2,190,332
Payments to suppliers	(50,394)	(1,239,078)	(171,344)	(1,786,593)	(3,247,409)	(2,213,891)
Payments to employees	(549,232)	(742,160)	-	(40,344)	(1,331,736)	-
	<u>1,303,703</u>	<u>1,046,215</u>	<u>(171,344)</u>	<u>(16,268)</u>	<u>2,162,306</u>	<u>(23,559)</u>
Net cash provided by (used in) operations						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(4,255)	-	(10,162)	-	(14,417)	-
Sale of investments	-	481,776	-	1,352,831	1,834,607	18,691
Interest received	4,578	26,328	181,506	11,315	223,727	4,868
Net cash provided by (used in) investing activities	<u>323</u>	<u>508,104</u>	<u>171,344</u>	<u>1,364,146</u>	<u>2,043,917</u>	<u>23,559</u>

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

Interest paid	(35,331)	(843,051)	-	(461,435)	(1,339,817)	-
Principal payments on general obligation bonds	-	(576,407)	-	(152,384)	(728,791)	-
Proceeds from sale of general obligation bonds	-	-	-	-	-	-
Purchase of property and equipment	(1,028,864)	(134,655)	-	(734,599)	(1,898,118)	-
Net cash provided by (used in) capital and related financing activities	(1,064,195)	(1,554,113)	-	(1,348,418)	(3,966,726)	-
Net increase (decrease) in cash and cash equivalents	239,831	206	-	(540)	239,497	-
Beginning cash and cash equivalents	69,868	437	-	757	71,062	-
Ending cash and cash equivalents	\$ 309,699	\$ 643	\$ -	\$ 217	\$ 310,559	\$ -

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 Year ended April 30, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 422,073	\$ 118,858	\$ (1,823,653)	\$ 495,025	\$ (787,697)	\$ (16,035)
Adjustments to reconcile operating income to net cash provided by (used in) operations						
Depreciation	367,768	917,742	-	145,061	1,430,571	-
Changes in assets and liabilities:						
Accounts receivable	(24,104)	(45,279)	-	(3,702)	(73,085)	44,872
Inventory	11,815	1,043	-	-	12,858	-
Due from other funds	(308,000)	-	-	(10,773)	(318,773)	(116,614)
Other assets	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Accounts payable	792,618	(230,245)	33,204	(666,879)	(71,302)	64,218
Accrued payroll	(3,632)	1,096	-	-	(2,536)	-
Deposits and escrow amounts	34,392	-	-	-	34,392	-
Other liabilities	-	-	1,619,105	-	1,619,105	-
Deferred charges	-	-	-	-	-	-
Due to other funds	10,773	283,000	-	25,000	318,773	-
Net cash provided by (used in) operations	\$ 1,303,703	\$ 1,046,215	\$ (171,344)	\$ (16,268)	\$ 2,162,306	\$ (23,559)

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 April 30, 2006

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ 4,838	\$ 942,745
Investments	100,700	37,805,416
Receivables, net of allowance for uncollectible:		
Loan	309,917	-
Interest	-	184,430
Total assets	415,455	38,932,591
<u>LIABILITIES</u>		
Accounts payable	655	-
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	\$ 414,800	\$ 38,932,591

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2006

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 43,426	\$ -
Contributions-employer taxes	-	1,510,980
Contributions-employee	-	501,703
Investment income		
Net appreciation (depreciation) in fair value of investments	-	-
Other	<u>11,841</u>	<u>3,589,255</u>
Total additions	<u>55,267</u>	<u>5,601,938</u>
Deductions:		
Benefits and refunds	-	2,297,527
Other charges and services	<u>32,649</u>	<u>149,755</u>
Total deductions	<u>32,649</u>	<u>2,447,282</u>
Net increase	22,618	3,154,656
Net assets - beginning	<u>392,182</u>	<u>35,777,935</u>
Net assets - ending	<u>\$ 414,800</u>	<u>\$ 38,932,591</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2006

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 (CONTINUED)
April 30, 2006

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 (CONTINUED)
April 30, 2006

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 (CONTINUED)
April 30, 2006

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.

Public Library Fund

The public library fund is used to account for the costs related to the public library. Funding is provided mainly through taxes, grants, and gifts.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2006

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.

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, 2006. 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 (CONTINUED)
April 30, 2006

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, 2006 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created

Under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts.

PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1st on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the City and issued on or about May 1st. Such taxes are payable by taxpayers in two installments on approximately June 1 and September 1 subsequent to the year of levy. Distribution of tax receipts to the various City funds usually occurs within one month of the installment due dates.

Property taxes levied in the current year and 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 (CONTINUED)
April 30, 2006

A. Summary of Significant Accounting Policies (Continued):

PROPERTY TAXES (CONTINUED)

Effective in December 2005, the City levied its 2006 taxes which will be recognized as revenue in 2007. The amounts of taxes levied are:

General Fund	\$2,150,737
Special Revenue Funds:	
IMRF	196,010
Library	<u>1,024,381</u>
	<u>\$3,371,128</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 (CONTINUED)
 April 30, 2006

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>\$(3,360,719)</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:		
Landfill Closure Fund	<u>\$300,000</u>	<u>\$1,823,653</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

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, 2006, there were no funds that had an overdraft.

Deposits. At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$8,099,236 and the bank balance was \$8,215,943. Of the bank balance, \$7,906,583 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 \$309,360 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, 2006, \$309,360 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, 2006, the City's investments were as follows:

	<u>Fair Value</u>
Investment in State Investment Pool	\$ 5,934,186
U.S. Government Obligations	19,588,260
Equity Mutual Funds	10,464,806
Common Stock	<u>5,489,423</u>
Total	<u>\$41,476,675</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 (CONTINUED)
 April 30, 2006

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>Total</u>
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	
External investment pool	\$5,934,186	\$ -	\$ -	\$ 5,934,186
U.S. Government Obligations	<u>1,932,757</u>	<u>9,306,711</u>	<u>8,348,792</u>	<u>19,588,260</u>
Total	<u>\$7,866,943</u>	<u>\$9,306,711</u>	<u>\$8,348,792</u>	<u>\$25,522,446</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 are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

	<u>Total as of April 30, 2006</u>	<u>AAAm</u>	<u>Unrated</u>
External investment pool	<u>\$5,934,186</u>	<u>\$5,934,186</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 (CONTINUED)
April 30, 2006

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, 2006 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, 2006:

Special Revenue:

Library Fund:	
Reserved for restricted tax levies	<u>\$ 50,387</u>

Enterprise:

Water Fund:	
Reserved due to bond ordinance	<u>\$ 125,577</u>
Sewer Fund:	
Reserved due to bond ordinance	<u>\$ 1,088,540</u>

Fiduciary:

Non Expendable Trust Fund:	
Revolving Loan Fund:	
Reserved for revolving loan	<u>\$ 362,829</u>

Pension Trust Funds:

Police Pension Fund:	
Reserved for employees retirement system	<u>\$14,327,706</u>
Firefighters Pension Fund:	
Reserved for employees retirement system	<u>\$24,604,885</u>

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 (CONTINUED)
 April 30, 2006

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, 2006 is as follows:

	<u>Balance</u> <u>May 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Cost:				
Buildings	\$11,254,007	\$ -	\$ -	\$11,254,007
Equipment	1,560,439	37,000	-	1,597,439
Vehicles	<u>4,559,391</u>	<u>185,634</u>	<u>230,589</u>	<u>4,514,436</u>
	<u>\$17,373,837</u>	<u>\$222,634</u>	<u>\$230,589</u>	<u>\$17,365,882</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Accumulated Depreciation:				
Buildings	\$2,993,256	\$ 189,295	\$ -	\$3,182,551
Equipment	1,061,090	65,244	-	1,126,334
Vehicles	<u>3,016,364</u>	<u>279,490</u>	<u>230,589</u>	<u>3,065,265</u>
	<u>\$7,070,710</u>	<u>\$534,029</u>	<u>\$230,589</u>	<u>\$7,374,150</u>

Total Capital Assets, Net:

Buildings	\$ 8,260,751	\$ (189,295)	\$ -	\$8,071,456
Equipment	499,349	(28,244)	-	471,105
Vehicles	<u>1,543,027</u>	<u>(93,856)</u>	<u>-</u>	<u>1,449,171</u>
	<u>\$10,303,127</u>	<u>\$(311,395)</u>	<u>\$ -</u>	<u>\$9,991,732</u>

The business-type activities capital asset activity for the year ended April 30, 2006 is as follows:

	<u>Balance</u> <u>May 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Cost:				
Buildings	\$25,410,785	\$1,593,804	\$ -	\$27,004,589
Transmission lines	36,464,621	300,253	-	36,764,874
Equipment	6,324,444	4,061	-	6,328,505
Work in process	<u>494,605</u>	<u>-</u>	<u>-</u>	<u>494,605</u>
	<u>\$68,694,455</u>	<u>\$1,898,118</u>	<u>\$ -</u>	<u>\$70,592,573</u>

Accumulated Depreciation:

Buildings	\$ 4,661,873	\$ 551,218	\$ -	\$ 5,213,091
Transmission lines	9,070,954	668,608	-	9,739,562
Equipment	<u>3,106,674</u>	<u>210,745</u>	<u>-</u>	<u>3,317,419</u>
	<u>\$16,839,501</u>	<u>\$1,430,571</u>	<u>\$ -</u>	<u>\$18,270,072</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2006</u>
Total Capital Assets, Net:				
Buildings	\$20,748,912	\$1,042,586	\$ -	\$21,791,498
Transmission lines	27,393,667	(368,355)	-	27,025,312
Equipment	3,217,770	(206,684)	-	3,011,086
Work in process	<u>494,605</u>	<u>-</u>	<u>-</u>	<u>494,605</u>
	<u>\$51,854,954</u>	<u>\$ 467,547</u>	<u>\$ -</u>	<u>\$52,322,501</u>

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

Governmental activities:

General government	\$ 76,955
Public safety	175,709
Public works	140,898
Culture and recreation	<u>140,467</u>
Total depreciation expense, governmental activities	<u>\$ 534,029</u>

Business-type activities:

Water Department	\$ 367,768
Sewer Department	917,742
Storm Sewer Department	<u>145,061</u>
Total depreciation expense, business-type activities	<u>\$1,430,571</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, 2006 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 (CONTINUED)
 April 30, 2006

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 2006, 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>2006</u>
Unpaid claims – beginning	\$ 104,660
Incurred claims including IBNR, net of claims in excess of stop loss	2,058,043
Claim payments	<u>1,993,825</u>
Unpaid claims – ending	<u>\$ 168,878</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

G. Long-Term Debt:

LEASE OBLIGATIONS

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

The City is obligated under certain leases accounted for as capital leases. 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, 2006.

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ -
2008	68,060	20,351
2009	71,093	17,318
2010	74,261	14,150
2011	77,571	10,840
2012 - 2013	<u>165,667</u>	<u>11,155</u>
Total	<u>\$456,652</u>	<u>\$73,814</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	\$ 181,885	\$ -	\$ 23,027	\$ 158,858
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	839,635	-	113,711	725,924
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	122,162	-	4,458	117,704

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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>
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	66,594	-	2,509	64,085
Amcore Bank, payable monthly with interest at 4.68% due December 22, 2006	Debt Service	549,817	-	87,555	462,262
Amcore Bank, payable annually with interest at 3.88%, due July 12, 2008	Debt Service	185,000	-	44,734	140,266
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	93,902	-	20,464	73,438
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	<u>579,512</u>	<u>-</u>	<u>123,791</u>	<u>455,721</u>
		<u>\$2,618,507</u>	<u>\$ -</u>	<u>\$420,249</u>	<u>\$2,198,258</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 806,422	\$ 78,481
2008	357,476	51,984
2009	371,301	38,159
2010	237,298	24,732
2011	177,734	16,624
2012 - 2016	162,388	34,276
2017 - 2021	72,760	14,661
2022	<u>12,879</u>	<u>320</u>
Total	<u>\$2,198,258</u>	<u>\$259,237</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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.

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 (CONTINUED)
April 30, 2006

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	\$ 2,375,000	\$ -	\$ 290,000	\$ 2,085,000
\$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	-	-	2,080,000
\$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	550,000	-	20,000	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	9,890,000	-	170,000	9,720,000
\$8,665,000 General Obligation Bond Series 2004, date December 15, 2004 due in annual installments of \$75,000 to \$800,000 plus interest at 2.50% to 4.375% through December 1, 2024	Sewer	8,665,000	-	75,000	8,590,000

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

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, date 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	<u>5,735,000</u>	-	<u>70,000</u>	<u>5,665,000</u>
		<u>\$29,295,000</u>	<u>\$ -</u>	<u>\$625,000</u>	<u>\$28,670,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 635,000	\$ 1,366,387
2008	655,000	1,341,178
2009	680,000	1,314,089
2010	715,000	1,284,938
2011	755,000	1,252,622
2012 - 2016	4,305,000	5,705,817
2017 - 2021	5,380,000	4,620,520
2022 - 2026	6,700,000	3,245,316
2027 - 2031	7,010,000	1,462,804
2032 - 2034	<u>1,835,000</u>	<u>205,425</u>
Total	<u>\$28,670,000</u>	<u>\$21,799,096</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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	\$ 2,618,507	\$ -	\$ 420,249	\$ 2,198,258
Capitalized leases	521,808	-	65,156	456,652
General obligation bonds Payable	29,295,000	-	625,000	28,670,000
Compensated absences	<u>279,789</u>	<u>34,506</u>	<u>-</u>	<u>314,295</u>
Total	<u>\$32,715,104</u>	<u>\$34,506</u>	<u>\$1,110,405</u>	<u>\$31,639,205</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, 2006, the amount of defeased debt outstanding but removed from the City’s financial statements amounted to \$12,595,000.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

I. Interfund Assets/Liabilities:

DUE FROM/TO OTHER FUNDS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General	Non-major funds	\$ 256,238
Internal Service	General	116,614
Non-major funds	General	18,159
Non-major funds	Non-major funds	<u>1,181</u>
		<u>392,192</u>
Proprietary:		
Non-major funds	Water	131,213
Water	Sewer	1,160,000
	Non-major funds	251,000
Sewer	Non-major funds	<u>88,875</u>
		<u>1,631,088</u>
Total		<u>\$2,023,280</u>

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, 2006, the Government has incurred a liability of \$5,453,941 which represents the estimated costs of capping and monitoring the landfill. This is an increase from the prior year estimate of \$3,801,650 due to updated cost estimates and increased monitoring costs related to a new leak. 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, 2006, assets reported on the combined balance sheet which total \$2,130,701 are held for this purpose.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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

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	\$1,152,700	\$ 2,201,041	\$ 3,072,732	\$ 672,444	\$ -
Depreciation and amortization expense	-	367,768	917,742	145,061	-
Operating income (loss)	65,445	422,073	118,858	429,580	(1,823,653)
Net income (loss)	65,483	391,391	(818,405)	(14,893)	(1,642,147)
Plant, property, and equipment:					
Additions	-	1,016,943	146,575	734,600	-
Deletions	-	-	-	-	-
Allowance for uncollectible accounts	-	(4,000)	(5,000)	-	-
Total assets	205,702	15,479,532	35,095,745	9,715,900	2,130,701
Net working capital	109,004	515,901	(403,352)	605,007	2,093,222
Bonds and other long- term liabilities:					
Payable from operating revenues	-	-	16,939,637	8,560,363	5,453,941
Total equity	<u>\$ 109,004</u>	<u>\$13,841,907</u>	<u>\$14,845,936</u>	<u>\$ 307,172</u>	<u>\$(3,360,719)</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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. GASB Statement No. 27 classifies IMRF as an agent-multiple-employer public employee retirement system. 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 or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

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 2005 was 7.66% 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, 2005 was 27 years.

For December 31, 2005, the City's **annual pension cost** of \$299,579 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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 2005 actuarial valuation were based on the 2002 - 2004 experience study.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Illinois Municipal Retirement (Continued)

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
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-
12/31/96	355,474	100%	-0-

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, 2006, 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>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

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.

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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

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, 2006, 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 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.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

L. Employee Retirement Systems (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

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 (CONTINUED)
April 30, 2006

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	\$ 896,175
Adjustments to annual required contribution	<u> -</u>
Annual pension cost	896,175
Contributions made	<u>802,766</u>
Increase (decrease) in net pension obligation	93,409
Net pension obligation, beginning	<u>5,833,680</u>
Net pension obligation, ending	<u>\$5,927,089</u>

The annual required contribution for the current year was determined as part of the April 30, 2005 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, 2006, was 28 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>
4/30/06	\$896,175	89.58%	\$5,927,089
4/30/05	821,566	88.18%	5,833,680
4/30/04	797,626	81.18%	5,736,532

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2006

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	\$ 738,626
Adjustments to annual required contribution	<u> -</u>
Annual pension cost	738,626
Contributions made	<u>708,214</u>
Increase (decrease) in net pension obligation	30,412
Net pension obligation, beginning	<u>2,333,752</u>
Net pension obligation, ending	<u>\$2,364,164</u>

The annual required contribution for the current year was determined as part of the April 30, 2005, 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, 2006, was 28 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation
4/30/06	\$738,626	95.88%	\$2,364,164
4/30/05	692,283	89.43%	2,333,752
4/30/04	707,463	86.71%	2,260,589

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2006

M. Transfers:

Below are the interfund transfers as of April 30, 2006:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Public Library Fund	\$ 20,000	\$ -
Non-Major Governmental Funds	<u>65,000</u>	<u>(544,196)</u>
Total General Fund	<u>20,000</u>	<u>(544,196)</u>
Public Library Fund:		
General Fund	<u>-</u>	<u>(20,000)</u>
Non-Major Governmental Funds:		
Non-Major Governmental Funds	857,629	(857,629)
General Fund	<u>544,196</u>	<u>(65,000)</u>
Total all funds	<u>\$1,486,825</u>	<u>\$(1,486,825)</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. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" will be effective for the fiscal year ending April 30, 2007. Statement 42 establishes accounting and reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries. Management has not yet completed their assessment of this statement and its impact on the financial 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, 2006

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

Actuarial Valuation Date <u>December 31</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
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%
1996	4,754,236	6,493,284	73.22%	1,739,048	3,215,494	54.08%

On a market value basis, the actuarial value of assets as of December 31, 2005 is \$11,618,542. On a market basis, the funded ratio would be 103.95%.

Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2005 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.

CITY OF FREEPORT, ILLINOIS
 Required Supplementary Information
 April 30, 2006

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

The required supplementary information does not include required disclosures relating to the Employee Retirement Systems for 1996 – 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, 2006.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
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
1996	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF FREEPORT, ILLINOIS
 Required Supplementary Information
 April 30, 2006

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

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2006.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded 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>
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
1996	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF FREEPORT, ILLINOIS
ANNUAL FINANCIAL INFORMATION
April 30, 2006

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>
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
1997	N/A	N/A	N/A
1996	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>
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
1997	N/A	N/A	N/A
1996	N/A	N/A	N/A

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
April 30, 2006**

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
2004	\$4.90/month	\$1.68	\$2,781,776
2005	\$4.90/month	\$1.68	\$2,799,819
2006	\$4.90/month	\$1.68	\$3,072,732

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
 April 30, 2006

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 \$3,437,687 or approximately 1.5% between 2001 and 2005 (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>
2005	\$237,703,078	2.964%
2004	\$230,861,415	-4.669%
2003	\$242,167,890	1.993%
2002	\$237,436,266	1.354%
2001	\$234,265,391	2.192%
Per Capita EAV		<u>\$8,614.23</u>

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2006

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2005 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$164,536,515	69.220%
Farm	221,618	0.093%
Commercial	62,097,207	26.124%
Industrial	10,692,604	4.498%
Railroad	<u>155,134</u>	<u>0.065%</u>
	<u>\$237,703,078</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2006 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$28,670,000</u>	<u>\$28,670,000</u>	<u>\$-0-</u>
Total	<u>\$28,670,000</u>	<u>\$28,670,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2005 EAV			-0-%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$2,511,184	44%	\$ 1,104,921
School District #145	23,382,851	76%	17,770,967
Freeport Park District	1,410,000	99%	1,395,900
Community College District #519	<u>-</u>	18%	<u>-</u>
Total	<u>\$27,304,035</u>		<u>\$20,271,788</u>
Per capita net overlapping debt			\$791.86
Percent of net overlapping debt to 2005 EAV			8.53%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2006**

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 2001 through 2005 are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Corporate	0.39529	0.40701	0.41258	0.42810	0.47606
Police Pension	0.27651	0.27640	0.24003	0.21806	0.18862
Public Library	0.43095	0.43186	0.42689	0.43319	0.42623
Municipal Retirement	0.08246	0.05891	0.06607	0.06739	0.06830
Firefighter's Pension	<u>0.23300</u>	<u>0.24516</u>	<u>0.20514</u>	<u>0.20660</u>	<u>0.18134</u>
Total	<u>1.41821</u>	<u>1.41934</u>	<u>1.35071</u>	<u>1.35334</u>	<u>1.34055</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 2005 were as follows:

<u>Taxing Unit</u>	<u>2005 Tax Levy</u>
City of Freeport	1.41821
Stephenson County	1.09312
Freeport Township	.38270
Community College District #519	.46618
School District #145	5.57726
Freeport Park District	.95128
Freeport MOSQ Abate	.05459

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Property taxes	\$ 2,143,680	\$ 2,143,680	\$ 2,154,184	\$ 10,504
Property transfer tax	250,000	250,000	338,873	88,873
Retailers occupation tax	4,350,000	4,350,000	4,231,235	(118,765)
Income tax	1,915,000	1,915,000	2,045,407	130,407
Replacement tax	337,500	337,500	420,585	83,085
Food, drink tax	795,000	795,000	809,731	14,731
Utility tax	450,000	450,000	452,832	2,832
Special use tax	291,000	291,000	319,738	28,738
Natural gas tax	400,000	400,000	309,162	(90,838)
Telephone utility tax	900,000	900,000	805,564	(94,436)
Water and sewer payment	164,500	164,500	164,500	-
Total taxes	<u>11,996,680</u>	<u>11,996,680</u>	<u>12,051,811</u>	<u>55,131</u>
Fees:				
Cable TV franchise fees	220,000	220,000	225,001	5,001
Circuit clerk fines and fees	345,500	345,500	297,680	(47,820)
Building fees and permits	235,000	235,000	232,225	(2,775)
Transfer station rent	200,000	200,000	204,175	4,175
911 dispatching fees	110,000	110,000	110,085	85
Total fees	<u>1,110,500</u>	<u>1,110,500</u>	<u>1,069,166</u>	<u>(41,334)</u>
Intergovernmental:				
Weed and seed reimbursement	19,000	19,000	26,336	7,336
IDOT reimbursement	42,000	42,000	41,184	(816)
Federal grant for SLANT officer	65,000	65,000	69,527	4,527
Fire training reimbursement	2,000	2,000	-	(2,000)
Police training reimbursement	10,000	10,000	-	(10,000)
Traffic signal maintenance reimbursement	10,000	10,000	4,139	(5,861)
Total intergovernmental	<u>148,000</u>	<u>148,000</u>	<u>141,186</u>	<u>(6,814)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues (Continued):				
Interest	85,000	85,000	114,024	29,024
Other:				
Miscellaneous local sources	115,000	115,000	98,363	(16,637)
Miscellaneous other charges for services	110,000	110,000	96,281	(13,719)
Total other revenues	225,000	225,000	194,644	(30,356)
Total revenues	\$13,565,180	\$13,565,180	\$13,570,831	\$ 5,651

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 29,924	\$ (476)
Ordinance codification	5,500	5,500	4,408	(1,092)
Education, training and travel	1,000	1,000	1,148	148
Total city council	36,900	36,900	35,480	(1,420)
Commissions:				
Commissions stipends	4,325	4,325	4,325	-
Legal advertising	2,000	3,000	2,185	(815)
Education, training and travel	6,500	8,500	7,070	(1,430)
Books, periodicals, and memberships	400	1,900	1,354	(546)
Total commissions	13,225	17,725	14,934	(2,791)
City Clerk:				
Non-bargaining	15,704	16,204	16,136	(68)
Elected officials	49,220	49,220	49,220	-
Title searches and recording fees	150	400	213	(187)
Contracted equipment repairs	500	500	96	(404)
Printing	500	500	34	(466)
Publication expense	6,000	6,750	5,500	(1,250)
Education, training and travel	1,500	2,000	1,909	(91)
Insurance other than employee benefits	100	100	-	(100)
Books, periodicals and memberships	750	750	676	(74)
Office supplies	1,000	1,000	876	(124)
Equipment, furniture and fixtures	1,500	-	-	-
Total city clerk	76,924	77,424	74,660	(2,764)
Mayor:				
Non-bargaining	32,157	33,117	33,115	(2)
Elected officials	79,527	79,527	79,527	-
Overtime, non-bargaining	-	40	58	18

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
General government (Continued):				
Mayor (Continued):				
Contracted vehicle repair and maintenance	-	-	226	226
Contracted equip. repair and maintenance	200	200	-	(200)
Telephone and communications	2,500	2,500	1,606	(894)
Printing	200	200	45	(155)
Education, training and travel	4,500	4,500	3,986	(514)
Other supply expense	1,900	900	808	(92)
Books, periodicals and memberships	1,000	1,000	611	(389)
Office supplies	1,250	1,250	796	(454)
Gasoline	400	400	506	106
Total mayor	<u>123,634</u>	<u>123,634</u>	<u>121,284</u>	<u>(2,350)</u>
Office of Management and Budget:				
Non-bargaining	133,915	137,915	137,411	(504)
Bank service charges	150	150	112	(38)
Printing	1,200	1,200	1,163	(37)
Education, training and travel	500	500	157	(343)
Books, periodicals and memberships	750	750	445	(305)
Office supplies	1,500	1,500	1,392	(108)
Equipment, furniture and fixtures	3,000	3,000	1,466	(1,534)
Total Office of Management and Budget	<u>141,015</u>	<u>145,015</u>	<u>142,146</u>	<u>(2,869)</u>
Treasurer:				
Elected officials	48,082	48,082	48,082	-
Contracted equipment repairs	100	100	-	(100)
Printing	100	100	53	(47)
Seminar, training and travel	2,000	2,000	1,762	(238)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	200	200	381	181
Books, periodicals and memberships	300	300	90	(210)
Office supplies	2,100	2,100	591	(1,509)
Total Treasurer	<u>53,307</u>	<u>53,307</u>	<u>51,325</u>	<u>(1,982)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	113,638	99,638	78,200	(21,438)
Overtime, non-bargaining	300	300	-	(300)
Title searches and recording fees	1,000	1,000	1,623	623
Outside legal	45,000	55,000	45,892	(9,108)
Outside legal - prosecutorial	30,000	30,000	31,064	1,064
Court report, witness and service fees	5,000	5,000	4,117	(883)
Other technical services	1,500	1,500	3,150	1,650
Contracted equipment repair	600	600	-	(600)
Printing	250	250	45	(205)
Education	500	500	-	(500)
Books, periodicals and memberships	4,700	4,700	4,313	(387)
Office supplies	500	500	407	(93)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total legal	<u>204,488</u>	<u>200,488</u>	<u>168,811</u>	<u>(31,677)</u>
Department of Public Works:				
Non-bargaining	73,909	76,409	77,964	1,555
Engineering	6,500	6,500	9,437	2,937
Other technical services	1,500	-	-	-
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	700	50	-	(50)
Telephone and communications	750	750	602	(148)
Printing	200	200	-	(200)
Publication expense	500	500	584	84
Education, training and travel	500	150	93	(57)
Other supplies	100	100	-	(100)
Books, periodicals and memberships	500	500	599	99
Postage and freight	200	200	15	(185)
Office supplies	500	500	48	(452)
Gasoline	750	750	636	(114)
Equipment supplies	100	100	12	(88)
Computer hardware	1,500	1,500	-	(1,500)
Total department of public works	<u>88,309</u>	<u>88,309</u>	<u>89,990</u>	<u>1,681</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	9,045	(955)
Telephone and communications	3,000	3,000	2,430	(570)
Equipment supplies	4,000	4,000	1,666	(2,334)
Total traffic engineering	<u>17,000</u>	<u>17,000</u>	<u>13,141</u>	<u>(3,859)</u>
Street lights:				
Contracted equipment repairs	5,000	5,000	-	(5,000)
Equipment supplies	2,000	2,000	2,377	377
Electricity	190,000	190,000	183,673	(6,327)
Machinery and equipment	5,000	5,000	-	(5,000)
Total street lights	<u>202,000</u>	<u>202,000</u>	<u>186,050</u>	<u>(15,950)</u>
General Government Building:				
Custodial	25,000	25,000	18,032	(6,968)
Contracted building repair and maintenance	22,000	7,000	4,006	(2,994)
Contracted equipment repair and maintenance	5,000	5,000	8,923	3,923
Other supply expense	400	400	62	(338)
Building supplies	1,000	5,000	2,911	(2,089)
Equipment and janitorial supplies	4,300	4,300	3,313	(987)
Natural gas	6,000	16,000	15,906	(94)
Water and sewer	1,500	2,500	1,963	(537)
Total general government building	<u>65,200</u>	<u>65,200</u>	<u>55,116</u>	<u>(10,084)</u>
City Cemetery:				
Salaries, AFSCME	41,138	41,138	34,768	(6,370)
Overtime, AFSCME	1,500	1,500	871	(629)
Contracted equipment repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	550	550	458	(92)
Other supply expense	500	500	150	(350)
Equipment rental	500	500	-	(500)
Equipment supplies	1,200	1,200	316	(884)
Building supplies	700	700	299	(401)
Equipment, furniture, and fixtures	1,000	1,000	-	(1,000)
Computer hardware & software	1,500	1,500	1,324	(176)
Total city cemetery	<u>49,588</u>	<u>49,588</u>	<u>38,186</u>	<u>(11,402)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Other professional services	1,500	1,500	939	(561)
Other technical services	3,000	3,000	171	(2,829)
Emergency expenses	200	200	-	(200)
Total hearings administration	<u>4,700</u>	<u>4,700</u>	<u>1,110</u>	<u>(3,590)</u>
Management information systems:				
Computer and network consulting	5,000	5,000	-	(5,000)
Contracted equipment repairs	5,000	5,000	4,047	(953)
Books, periodicals and memberships	4,000	4,000	3,816	(184)
Office supplies	500	500	-	(500)
Hardware	750	750	1,151	401
Software	8,000	8,000	3,722	(4,278)
Total management information systems	<u>23,250</u>	<u>23,250</u>	<u>12,736</u>	<u>(10,514)</u>
Community development:				
Salaries, non-bargaining	77,161	77,661	81,942	4,281
Other professional services	2,000	2,000	5,114	3,114
Other technical services	2,000	1,500	897	(603)
Emergency expenses	5,000	5,000	-	(5,000)
Telephone and communications	-	-	420	420
Printing	600	600	234	(366)
Legal advertising	600	600	567	(33)
Education, training, and travel	1,000	1,000	1,278	278
Economic Development Foundation	75,000	75,000	75,000	-
Books, periodicals, and memberships	800	800	613	(187)
Office supplies	600	600	1,181	581
Machinery	1,500	1,500	-	(1,500)
Total community development	<u>166,261</u>	<u>166,261</u>	<u>167,246</u>	<u>985</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Airport authority:				
Engineering authority	10,000	10,000	9,290	(710)
Airport management	55,000	55,000	57,561	2,561
Lawn care	500	500	1,508	1,008
Disposal and recycling services	800	800	641	(159)
Contracted building repairs and maintenance	6,500	6,500	650	(5,850)
Contracted vehicle repair and maintenance	750	750	293	(457)
Contracted equipment repair and maintenance	27,500	27,500	7,906	(19,594)
Contracted infrastructure repair and maintenanc	8,500	8,500	19,861	11,361
Telephone and communications	5,500	5,500	5,335	(165)
Equipment rental	1,800	1,800	3,906	2,106
Other supply expense	450	450	655	205
Office supplies	200	200	25	(175)
Vehicle supplies	400	400	50	(350)
Other technical services	1,150	1,150	2,040	890
Postage and freight	250	250	-	(250)
Insurance other than employee benefits	5,500	5,500	5,140	(360)
Building supplies	450	450	3,196	2,746
Equipment supplies	2,000	2,000	3,299	1,299
Maintenance and janitorial supplies	500	500	-	(500)
Natural gas	8,000	8,000	6,910	(1,090)
Electricity	16,000	16,000	16,505	505
Gasoline	1,000	1,000	713	(287)
Diesel fuel	2,400	2,400	2,034	(366)
Improvements	1,000	1,000	-	(1,000)
Property taxes	9,000	9,000	8,378	(622)
Total airport authority	<u>165,150</u>	<u>165,150</u>	<u>155,896</u>	<u>(9,254)</u>
Human resources:				
Non-bargaining	29,000	29,000	25,326	(3,674)
Medical and veterinary services	1,200	1,200	3,096	1,896
Other professional and admin	9,000	9,000	8,666	(334)
Printing	700	700	-	(700)
Legal advertising	500	500	437	(63)
Recruitment advertising	5,000	5,000	3,666	(1,334)
Education, training and travel	-	-	191	191
Books, periodicals and memberships	250	250	-	(250)
Office and maintenance supplies	500	500	401	(99)
Equipment	1,500	1,500	1,481	(19)
Total human resources	<u>47,650</u>	<u>47,650</u>	<u>43,264</u>	<u>(4,386)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	145,000	145,000	-	(145,000)
Social security contribution	129,000	129,000	129,866	866
Contribution to Fire Pension Fund	778,656	778,656	710,237	(68,419)
Contribution to Police Pension Fund	726,433	726,433	800,743	74,310
Medicare contribution	86,000	86,000	87,628	1,628
Group health insurance	1,675,000	1,675,000	1,606,677	(68,323)
PEHP contributions	100,000	100,000	113,727	13,727
Unemployment insurance	32,000	27,000	20,705	(6,295)
Worker compensation	152,000	152,000	147,758	(4,242)
Auditing city records	31,250	31,250	31,250	-
Other consulting services	40,000	40,000	70,136	30,136
Equipment rental	5,000	5,000	6,025	1,025
Contracted equipment repair and maintenance	48,000	48,000	46,191	(1,809)
Telephone and communications	21,000	21,000	19,594	(1,406)
Printing	1,500	1,500	170	(1,330)
Legal advertising	1,000	1,000	61	(939)
Postage	10,000	10,000	10,113	113
Insurance	200,000	200,000	225,679	25,679
Celebrate summer	3,500	3,500	512	(2,988)
Books, periodical and memberships	3,750	3,750	2,524	(1,226)
Other supply expense	1,000	1,000	1,082	82
Office supplies	5,000	5,000	4,287	(713)
Property taxes	-	-	600	600
Annexation payments	6,000	6,000	5,829	(171)
Total interdepartmental expenses	<u>4,201,089</u>	<u>4,196,089</u>	<u>4,041,394</u>	<u>(154,695)</u>
 Total general government	 <u>5,679,690</u>	 <u>5,679,690</u>	 <u>5,412,769</u>	 <u>(266,921)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	691,269	691,269	720,671	29,402
Salaries, AFSCME	564,657	564,657	567,922	3,265
Police salaries	2,090,429	2,080,429	2,040,534	(39,895)
Overtime, non-bargaining	10,600	10,600	11,661	1,061
Overtime, AFSCME	70,400	70,400	39,746	(30,654)
Overtime, police	100,000	100,000	56,788	(43,212)
Clothing allowance	47,600	47,600	47,304	(296)
Medical and veterinary services	3,680	3,680	569	(3,111)
Other prof/admin services consulting	2,500	2,500	795	(1,705)
Custodial services	12,240	12,240	9,990	(2,250)
Laundry and cleaning	150	150	125	(25)
Lawn care	-	-	38	38
Contracted building repairs	10,000	10,000	9,567	(433)
Contracted vehicle repair and maintenance	17,500	17,500	17,211	(289)
Contracted equipment repair and maintenance	49,000	49,000	33,779	(15,221)
Rental of equipment	4,300	4,300	3,840	(460)
Telephone and communications	43,500	43,500	26,395	(17,105)
Printing	6,500	6,500	5,392	(1,108)
Publication expense	2,000	2,000	664	(1,336)
Education, training and travel	50,000	50,000	37,113	(12,887)
Postage	600	600	493	(107)
Books, periodicals and memberships	2,000	2,000	2,944	944
Other supply expense	1,000	1,000	1,244	244
Office supplies	8,200	8,200	8,161	(39)
Educational supplies	7,500	7,500	2,479	(5,021)
Animal supplies	3,300	3,300	668	(2,632)
Extinguisher supplies	800	800	29	(771)
Departmental gear and clothing	8,400	8,400	3,072	(5,328)
Vehicle supplies	16,000	16,000	15,872	(128)
Building supplies	1,100	1,100	636	(464)
Ammunition	3,000	3,000	2,658	(342)
Equipment supplies	2,000	2,000	600	(1,400)
Investigation and patrol supplies	5,500	5,500	4,902	(598)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	2,600	2,600	2,831	231
Gasoline	47,500	47,500	44,490	(3,010)
Water/sewer	650	650	791	141
Equipment, furniture and fixtures	2,000	2,000	107	(1,893)
Computer hardware	<u>22,600</u>	<u>22,600</u>	<u>14,029</u>	<u>(8,571)</u>
Total police department	<u>3,911,075</u>	<u>3,901,075</u>	<u>3,736,110</u>	<u>(164,965)</u>
Fire department:				
Non-bargaining	397,539	397,539	391,282	(6,257)
Fire	2,101,358	2,119,358	2,166,267	46,909
Overtime, non-bargaining	1,000	1,000	8,323	7,323
Overtime, fire	100,000	100,000	78,922	(21,078)
Clothing allowance	18,000	18,000	18,510	510
Medical services	10,000	9,000	7,819	(1,181)
Laundry and cleaning	11,000	9,000	8,661	(339)
Contracted building repairs	10,100	5,100	3,383	(1,717)
Contracted vehicle repair and maintenance	13,900	3,900	2,972	(928)
Contracted equipment repair and maintenance	9,500	9,500	7,585	(1,915)
Telephone and communications	8,000	8,000	7,484	(516)
Printing	500	500	529	29
Publication expense	100	100	161	61
Education, training and travel	10,000	10,000	14,906	4,906
Postage and freight	200	200	101	(99)
Books, periodicals and memberships	3,500	3,500	3,676	176
Other supply expense	500	500	296	(204)
Office supplies	1,000	1,000	794	(206)
Ambulance supplies	6,000	6,000	5,771	(229)
Educational supplies	500	500	435	(65)
Extinguisher supplies	1,000	1,000	830	(170)
Department clothing gear supplies	6,000	6,000	3,722	(2,278)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	15,000	15,000	10,535	(4,465)
Building supplies	2,000	2,000	2,586	586
Equipment supplies	6,500	6,500	2,460	(4,040)
Investigation and patrol supplies	1,000	1,000	764	(236)
Maintenance and janitorial supplies	2,000	2,000	2,047	47
Gasoline	4,500	4,500	2,663	(1,837)
Diesel fuel	7,000	7,000	7,122	122
Water/sewer	2,000	2,000	1,954	(46)
Total fire department	<u>2,749,697</u>	<u>2,749,697</u>	<u>2,762,560</u>	<u>12,863</u>
Buildings:				
Non-bargaining	93,440	93,440	93,258	(182)
Title searches and recording fees	400	400	231	(169)
Other professional services	5,900	2,900	1,209	(1,691)
Court report, witness and service fees	500	500	1,361	861
Other technical services	-	-	2,730	2,730
Lawn care	4,500	1,500	1,028	(472)
Contracted vehicle repairs	400	400	10	(390)
Contracted equip repairs	200	200	-	(200)
Demolition	35,000	11,000	10,793	(207)
Telephone and communications	600	600	1,246	646
Printing	1,500	1,500	2,000	500
Publication expense	200	200	271	71
Education, training and travel	1,400	1,400	188	(1,212)
Other supply expense	300	300	9	(291)
Books, periodicals and memberships	1,000	1,000	1,461	461
Office and maintenance supplies	1,000	1,000	592	(408)
Investigation and patrol supplies	1,000	1,000	230	(770)
Gasoline	300	300	1,166	866
Equipment, furniture, and fixtures > 1000	600	600	-	(600)
Total buildings	<u>148,240</u>	<u>118,240</u>	<u>117,783</u>	<u>(457)</u>
Total public safety	<u>6,809,012</u>	<u>6,769,012</u>	<u>6,616,453</u>	<u>(152,559)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	53,664	53,664	52,624	(1,040)
Salaries, AFSCME	479,215	479,215	479,846	631
Temporary, non-bargaining	-	-	16,884	16,884
Overtime, AFSCME	55,000	55,000	33,816	(21,184)
Medical services	1,000	3,500	3,376	(124)
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	7,000	19,500	19,179	(321)
Contracted vehicles repairs and maintenance	8,500	8,500	1,750	(6,750)
Contracted equipment repairs and maintenance	13,500	13,500	6,958	(6,542)
Contracted infrastructure repairs and maintenance	65,000	115,000	121,717	6,717
Equipment rental	1,000	1,000	-	(1,000)
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,736	(264)
Printing	200	200	89	(111)
Education, training, and travel	500	500	204	(296)
Postage and freight	1,500	1,500	1,006	(494)
Other supplies	500	1,500	1,490	(10)
Books, periodicals, and memberships	200	450	335	(115)
Office supplies	800	1,050	855	(195)
Departmental gear and clothing	5,000	8,000	7,195	(805)
Vehicle supplies	40,000	40,000	26,920	(13,080)
Rock and road	50,000	50,000	48,169	(1,831)
Street marking supplies	20,000	20,000	15,299	(4,701)
Snow removal supplies	65,000	75,000	74,021	(979)
Building supplies	10,000	10,000	8,649	(1,351)
Equipment supplies	45,000	45,000	32,156	(12,844)
Maintenance and janitorial supplies	2,500	2,500	2,228	(272)
Gasoline	65,000	74,000	73,679	(321)
Diesel fuel	45,000	51,500	80,529	29,029
Equipment, furniture, and fixtures<1000	-	-	110	110
Computer hardware	2,000	2,000	-	(2,000)
Total highways and streets/transportation	<u>1,042,079</u>	<u>1,137,079</u>	<u>1,112,820</u>	<u>(24,259)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Health:				
Dog pound:				
Salaries, AFSCME	25,403	25,403	26,605	1,202
Overtime, AFSCME	6,000	6,000	3,859	(2,141)
Medical and veterinary services	7,000	7,000	6,374	(626)
Cleaning kennels	500	500	211	(289)
Contractual equipment	300	300	-	(300)
Education	100	100	-	(100)
Departmental gear and clothing	100	100	81	(19)
Office and maintenance	400	10,400	10,661	261
Animal supplies	300	300	356	56
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	400	400	306	(94)
Equipment, furniture and fixtures <1000	1,000	1,000	260	(740)
Total health	<u>41,553</u>	<u>51,553</u>	<u>48,738</u>	<u>(2,815)</u>
Culture and recreation:				
Forestry:				
Salaries, AFSCME	73,674	75,274	75,598	324
Overtime, AFSCME	2,500	2,500	2,144	(356)
Other technical services	100	100	-	(100)
Contracted vehicle repairs and maintenance	500	250	-	(250)
Contracted equip. repairs and maintenance	400	400	410	10
Postage	50	50	-	(50)
Tree assistance	1,500	150	-	(150)
Other supplies	200	200	400	200
Vehicle supplies	250	250	217	(33)
Equipment supplies	1,500	1,500	2,753	1,253
Equipment, furniture and fixtures <1000	2,000	2,000	252	(1,748)
Total culture and recreation	<u>82,674</u>	<u>82,674</u>	<u>81,774</u>	<u>(900)</u>
Total expenditures	<u>\$13,655,008</u>	<u>\$13,720,008</u>	<u>\$13,272,554</u>	<u>\$ (447,454)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses):				
Operating transfers in:				
Insurance Reserve	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Library Fund	20,000	20,000	20,000	-
Total operating transfers in	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Operating transfers out:				
IMRF Fund	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ -
Capital Equipment Fund	-	-	-	-
Capital Improvement Fund	(35,000)	(35,000)	(5,466)	29,534
Grant Administration Fund	(184,710)	(119,710)	(114,951)	4,759
NHS Fund	(75,000)	(75,000)	(75,000)	-
Debt Service Fund	(315,160)	(315,160)	(314,779)	381
Total operating transfers out	\$ (643,870)	\$ (578,870)	\$ (544,196)	\$ 34,674

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Taxes:				
Property tax	\$ 1,052,729	\$ 1,052,729	\$ 1,001,906	\$ (50,823)
Replacement taxes	<u>33,000</u>	<u>33,000</u>	<u>46,732</u>	<u>13,732</u>
Total taxes	<u>1,085,729</u>	<u>1,085,729</u>	<u>1,048,638</u>	<u>(37,091)</u>
Fees-library fees and fines	<u>30,000</u>	<u>30,000</u>	<u>36,084</u>	<u>6,084</u>
Intergovernmental:				
Per capita grant	33,000	33,000	32,565	(435)
Miscellaneous state and federal grants	<u>5,000</u>	<u>5,000</u>	<u>1,456</u>	<u>(3,544)</u>
Total intergovernmental	<u>38,000</u>	<u>38,000</u>	<u>34,021</u>	<u>(3,979)</u>
Interest income	<u>9,750</u>	<u>9,750</u>	<u>53,826</u>	<u>44,076</u>
Other:				
Other charges for services	(800)	(800)	3,212	4,012
Gifts, bequests	<u>(30,000)</u>	<u>211,000</u>	<u>257,736</u>	<u>46,736</u>
Total other	<u>(30,800)</u>	<u>210,200</u>	<u>260,948</u>	<u>50,748</u>
Total revenues	<u>\$ 1,132,679</u>	<u>\$ 1,373,679</u>	<u>\$ 1,433,517</u>	<u>\$ 59,838</u>

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures:				
Culture and recreation:				
Regular employees, non-bargaining	\$ 340,000	\$ 348,400	\$ 348,844	\$ 444
Regular employees, AFSCME	315,000	315,000	307,458	(7,542)
Overtime, AFSCME	4,000	6,000	5,892	(108)
Social security contribution	39,000	41,000	40,952	(48)
Medicare contribution	9,000	9,000	9,571	571
Group insurance	75,130	77,730	77,630	(100)
Unemployment compensation	2,500	2,500	2,245	(255)
Worker's compensation	1,000	1,000	846	(154)
Debt collection services	250	250	49	(201)
Other professional and administrative	10,000	32,000	7,704	(24,296)
Other technical services	3,000	1,500	1,085	(415)
Custodial	2,000	2,000	1,683	(317)
Contracted building repair and maintenance	25,000	25,000	27,260	2,260
Contracted equipment repair and maintenance	12,000	10,500	9,878	(622)
Rental of land and buildings	300	300	416	116
License of equipment	25,000	21,000	20,623	(377)
Telephone communications	13,000	11,500	10,833	(667)
Printing	2,500	2,500	4,451	1,951
Legal advertising	600	600	248	(352)
Education, training and travel	8,500	8,500	8,244	(256)
Postage and freight	4,000	3,500	2,960	(540)
Insurance-other	28,000	24,000	22,159	(1,841)
Books, periodicals, and memberships	3,000	3,000	3,640	640
Office and maintenance supplies	21,000	21,000	19,927	(1,073)
Programming supplies	1,500	1,500	6,912	5,412
Snow removal supplies	400	400	-	(400)
Building supplies	10,000	10,000	458	(9,542)
Janitorial supplies	7,000	7,000	3,557	(3,443)
Natural gas	45,000	45,000	28,673	(16,327)
Water/sewer	2,500	2,500	1,693	(807)
Adult regular books	49,300	49,300	49,481	181
Large print books	1,000	1,000	3,521	2,521
Youth services books	21,000	21,000	22,546	1,546
Periodicals	15,500	15,500	14,378	(1,122)

CITY OF FREEPORT, ILLINOIS
PUBLIC LIBRARY FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Culture and recreation (Continued):				
Adult cassettes	10,000	10,000	2,533	(7,467)
Adult compact discs	3,000	3,000	5,683	2,683
Books on CD	1,000	1,000	1,149	149
Adult DVDs	2,200	2,200	6,385	4,185
Young DVDS	2,750	2,750	4,856	2,106
Young adult materials	500	500	-	(500)
Adult videotapes	4,200	4,200	351	(3,849)
Youth services cassettes	1,500	1,500	306	(1,194)
Youth services software	1,500	1,500	710	(790)
Youth services videotapes	2,500	2,500	356	(2,144)
Youth services posters	100	100	-	(100)
Youth services A-V kits	2,500	2,500	4,335	1,835
Adult regular books-Per Capita Grant	25,000	25,000	17,702	(7,298)
Youth services books-Per Capita Grant	8,000	8,000	9,982	1,982
Adult books-Memorial Fund	5,000	5,000	1,178	(3,822)
Large print books-Memorial Fund	5,000	5,000	308	(4,692)
Youth services books-Memorial Fund	5,000	5,000	1,719	(3,281)
Adult cassettes-Memorial Fund	5,000	5,000	-	(5,000)
Youth services cassettes-Memorial Fund	5,000	5,000	207	(4,793)
Building construction	3,000	3,000	1,442	(1,558)
Machinery and equipment<1000/item	12,000	12,000	2,054	(9,946)
Machinery and equipment>1000/item	70,000	287,000	13,005	(273,995)
Hardware and software	22,000	22,000	2,154	(19,846)
	<u>\$ 1,293,730</u>	<u>\$ 1,534,730</u>	<u>\$ 1,142,232</u>	<u>\$ (392,498)</u>
Other financing sources (uses):				
Operating transfers out:				
City Corporate Fund	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ -</u>

CITY OF FREEPORT, ILLINOIS
WATER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating revenues:				
Water revenues:				
Residential	\$ 1,416,000	\$ 1,416,000	\$ 1,382,852	\$ (33,148)
Industrial	191,000	191,000	200,733	9,733
Commercial	328,000	328,000	305,517	(22,483)
Fire protection	95,000	95,000	95,705	705
Public	101,000	101,000	105,807	4,807
Water connections	20,000	20,000	9,528	(10,472)
Service orders	40,000	40,000	50,935	10,935
Miscellaneous income	3,100	3,100	4,109	1,009
Late charges	49,000	49,000	45,855	(3,145)
Total operating revenues	<u>\$ 2,243,100</u>	<u>\$ 2,243,100</u>	<u>\$ 2,201,041</u>	<u>\$ (42,059)</u>
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 164,000	\$ 164,000	\$ 183,997	\$ 19,997
Plant maintenance	42,400	42,400	33,948	(8,452)
Distribution	211,890	211,890	183,353	(28,537)
General and administrative	408,750	408,750	405,682	(3,068)
UWS management fees	385,000	385,000	378,970	(6,030)
Other operating expenses	253,300	253,300	225,250	(28,050)
Total direct operating expenses	<u>1,465,340</u>	<u>1,465,340</u>	<u>1,411,200</u>	<u>(54,140)</u>
Depreciation expense	-	-	367,768	367,768
Total operating expenses	<u>\$ 1,465,340</u>	<u>\$ 1,465,340</u>	<u>\$ 1,778,968</u>	<u>\$ 313,628</u>
Nonoperating revenues (expenses):				
Interest income	\$ 200	\$ 200	\$ 4,649	\$ 4,449
Interest and fiscal charges	(25,000)	(25,000)	(35,331)	(10,331)
Total nonoperating revenues (expenses)	<u>\$ (24,800)</u>	<u>\$ (24,800)</u>	<u>\$ (30,682)</u>	<u>\$ (5,882)</u>

CITY OF FREEPORT, ILLINOIS
SEWER DEPARTMENT FUND
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Operating revenues:				
Sewer revenues:				
Residential	\$ 1,890,000	\$ 1,890,000	\$2,000,476	\$ 110,476
Commercial	522,000	522,000	531,330	9,330
Industrial	298,000	298,000	313,954	15,954
Industrial user	1,600	1,600	700	(900)
City buildings	3,000	3,000	3,001	1
Public	130,000	130,000	155,125	25,125
Sewer connections	5,000	5,000	(313)	(5,313)
Service orders	1,300	1,300	2,518	1,218
Miscellaneous	600	600	852	252
Late charges	67,000	67,000	65,089	(1,911)
Total operating revenues	<u>\$ 2,918,500</u>	<u>\$ 2,918,500</u>	<u>\$3,072,732</u>	<u>\$ 154,232</u>
Operating expenses:				
Direct operating expenses:				
Plant operations	\$ 219,600	\$ 219,600	\$ 218,843	\$ (757)
Maintenance	75,900	75,900	78,953	3,053
Collection	124,800	134,800	135,603	803
Laboratory	91,400	91,400	89,229	(2,171)
General and administrative	688,550	688,550	699,330	10,780
UWS management fees	550,000	540,000	531,094	(8,906)
Other operating expenses	272,400	272,400	283,080	10,680
Total direct operating expenses	<u>2,022,650</u>	<u>2,022,650</u>	<u>2,036,132</u>	<u>13,482</u>
Depreciation expense	-	-	917,742	917,742
Total operating expenses	<u>\$ 2,022,650</u>	<u>\$ 2,022,650</u>	<u>\$2,953,874</u>	<u>\$ 931,224</u>
Nonoperating revenues (expenses):				
Interest income	\$ 31,285	\$ 31,285	\$ 25,892	\$ (5,393)
Grant revenue	157,000	157,000	-	(157,000)
Interest and fiscal charges	(845,000)	(880,000)	(963,155)	(83,155)
Total nonoperating revenues (expenses)	<u>\$ (656,715)</u>	<u>\$ (691,715)</u>	<u>\$ (937,263)</u>	<u>\$ (245,548)</u>

CITY OF FREEPORT, ILLINOIS
 LANDFILL CLOSURE FUND
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended April 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating expenses-direct:				
Landfill closures and post-closure costs	\$ 300,000	\$ 300,000	\$ 1,823,653	\$ 1,523,653
Nonoperating revenue:				
Interest on investments	\$ 30,000	\$ 30,000	\$ 181,506	\$ 151,506

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OTHER SUPPLEMENTARY INFORMATION

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2006

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 194,223	\$ -	\$ 39,226	\$ -
Investments, at cost	1,690,888	91,129	512,061	71,555
Receivables:				
Property tax	194,050	194,050	-	-
Accounts	527,227	-	190,230	-
Due from other funds	19,340	-	-	-
	<u>19,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,625,728</u>	<u>\$ 285,179</u>	<u>\$ 741,517</u>	<u>\$ 71,555</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 67,339	\$ -	\$ -	\$ -
Accrued payroll	14,298	14,298	-	-
Due to other funds	257,419	-	-	276
Deferred revenues	194,050	194,050	-	-
	<u>194,050</u>	<u>194,050</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 533,106</u>	<u>208,348</u>	<u>-</u>	<u>276</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	374,783	-	-	-
Fund balances, unreserved	1,717,839	76,831	741,517	71,279
	<u>1,717,839</u>	<u>76,831</u>	<u>741,517</u>	<u>71,279</u>
Total fund balances	<u>2,092,622</u>	<u>76,831</u>	<u>741,517</u>	<u>71,279</u>
Total liabilities and fund equity	<u>\$ 2,625,728</u>	<u>\$ 285,179</u>	<u>\$ 741,517</u>	<u>\$ 71,555</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>
\$ 27,473	\$ -	\$ -	\$ -	\$ 44,056	\$ -
-	14,323	67,319	-	526	7,302
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 27,473</u>	<u>\$ 14,323</u>	<u>\$ 67,319</u>	<u>\$ -</u>	<u>\$ 44,582</u>	<u>\$ 7,302</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	65,000	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
27,473	14,323	2,319	-	44,582	7,302
<u>27,473</u>	<u>14,323</u>	<u>2,319</u>	<u>-</u>	<u>44,582</u>	<u>7,302</u>
<u>\$ 27,473</u>	<u>\$ 14,323</u>	<u>\$ 67,319</u>	<u>\$ -</u>	<u>\$ 44,582</u>	<u>\$ 7,302</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2006

	Special Revenue			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
<u>ASSETS</u>				
Cash	\$ 36,501	\$ -	\$ 1,244	\$ -
Investments, at cost	-	149,487	-	-
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	201,515
Due from other funds	-	1,181	-	18,159
	<u>-</u>	<u>1,181</u>	<u>-</u>	<u>18,159</u>
 Total assets	 <u>\$ 36,501</u>	 <u>\$ 150,668</u>	 <u>\$ 1,244</u>	 <u>\$ 219,674</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 25,000	\$ 350	\$ 28,712
Accrued payroll	-	-	-	-
Due to other funds	-	-	1,181	190,962
Deferred revenues	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>-</u>	 <u>25,000</u>	 <u>1,531</u>	 <u>219,674</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	36,501	125,668	(287)	-
	<u>36,501</u>	<u>125,668</u>	<u>(287)</u>	<u>-</u>
 Total fund balances	 <u>36,501</u>	 <u>125,668</u>	 <u>(287)</u>	 <u>-</u>
 Total liabilities and fund equity	 <u>\$ 36,501</u>	 <u>\$ 150,668</u>	 <u>\$ 1,244</u>	 <u>\$ 219,674</u>

Debt Service	Capital Projects			
Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ 45,723	\$ -	\$ -	\$ -
374,783	60,322	245,619	25,085	71,377
-	-	-	-	-
-	-	114,929	20,553	-
-	-	-	-	-
<u>\$ 374,783</u>	<u>\$ 106,045</u>	<u>\$ 360,548</u>	<u>\$ 45,638</u>	<u>\$ 71,377</u>
\$ -	\$ -	\$ 977	\$ 8,650	\$ 3,650
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>977</u>	<u>8,650</u>	<u>3,650</u>
374,783	106,045	359,571	36,988	67,727
<u>-</u>	<u>106,045</u>	<u>359,571</u>	<u>36,988</u>	<u>67,727</u>
<u>374,783</u>	<u>106,045</u>	<u>359,571</u>	<u>36,988</u>	<u>67,727</u>
<u>\$ 374,783</u>	<u>\$ 106,045</u>	<u>\$ 360,548</u>	<u>\$ 45,638</u>	<u>\$ 71,377</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2006

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 492,971	\$ 136,665	\$ -	\$ -
Fees	286,633	-	-	-
Intergovernmental	1,913,586	-	892,019	-
Interest	56,820	5,522	19,075	3,840
Other	140,371	-	-	-
Total revenues	<u>2,890,381</u>	<u>142,187</u>	<u>911,094</u>	<u>3,840</u>
Expenditures:				
General government	1,831,568	226,832	-	-
Public safety	57,335	-	-	-
Public works	633,881	-	-	-
Debt service	552,459	-	-	-
Total expenditures	<u>3,075,243</u>	<u>226,832</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(184,862)</u>	<u>(84,645)</u>	<u>911,094</u>	<u>3,840</u>
Other financing sources (uses):				
Sale of fixed assets	15,275	-	-	-
Operating transfers in	1,401,825	34,000	-	-
Operating transfers out	<u>(922,629)</u>	<u>-</u>	<u>(624,375)</u>	<u>-</u>
Total other financing sources (uses)	<u>494,471</u>	<u>34,000</u>	<u>(624,375)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	309,609	(50,645)	286,719	3,840
Fund balance - May 1, 2005	<u>1,783,013</u>	<u>127,476</u>	<u>454,798</u>	<u>67,439</u>
Fund balance - April 30, 2006	<u>\$ 2,092,622</u>	<u>\$ 76,831</u>	<u>\$ 741,517</u>	<u>\$ 71,279</u>

Revenue

Tourism Promotion	Motor Vehicle	Insurance Reserve	Neighborhood Housing Service	All Veterans Memorial	Fire Public Safety
\$ 144,852	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
48	424	2,448	-	-	264
-	6,000	-	-	23,523	550
<u>144,900</u>	<u>6,424</u>	<u>2,448</u>	<u>-</u>	<u>23,523</u>	<u>814</u>
143,639	-	-	75,000	12,938	482
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>143,639</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>12,938</u>	<u>482</u>
<u>1,261</u>	<u>6,424</u>	<u>2,448</u>	<u>(75,000)</u>	<u>10,585</u>	<u>332</u>
-	-	-	-	-	-
-	-	-	75,000	-	-
-	-	(65,000)	-	-	-
<u>-</u>	<u>-</u>	<u>(65,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
1,261	6,424	(62,552)	-	10,585	332
<u>26,212</u>	<u>7,899</u>	<u>64,871</u>	<u>-</u>	<u>33,997</u>	<u>6,970</u>
<u>\$ 27,473</u>	<u>\$ 14,323</u>	<u>\$ 2,319</u>	<u>\$ -</u>	<u>\$ 44,582</u>	<u>\$ 7,302</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2006

	Special Revenue			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
Revenues:				
Taxes	\$ -	\$ 198,623	\$ 12,831	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	-	761,132
Interest	299	7,548	229	-
Other	7,036	-	-	-
Total revenues	<u>7,335</u>	<u>206,171</u>	<u>13,060</u>	<u>761,132</u>
Expenditures:				
General government	12,126	127,613	13,495	882,962
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>12,126</u>	<u>127,613</u>	<u>13,495</u>	<u>882,962</u>
Excess of revenues over (under) expenditures	<u>(4,791)</u>	<u>78,558</u>	<u>(435)</u>	<u>(121,830)</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	121,830
Operating transfers out	-	(63,871)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(63,871)</u>	<u>-</u>	<u>121,830</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(4,791)</u>	<u>14,687</u>	<u>(435)</u>	<u>-</u>
Fund balance - May 1, 2005	<u>41,292</u>	<u>110,981</u>	<u>148</u>	<u>-</u>
Fund balance - April 30, 2006	<u>\$ 36,501</u>	<u>\$ 125,668</u>	<u>\$ (287)</u>	<u>\$ -</u>

Debt Service	Capital Projects			
Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	286,633	-	-
-	-	-	260,435	-
6,163	-	6,762	1,488	2,710
99,793	2,944	525	-	-
<u>105,956</u>	<u>2,944</u>	<u>293,920</u>	<u>261,923</u>	<u>2,710</u>
-	100,621	-	235,860	-
-	-	57,335	-	-
-	-	-	-	633,881
552,459	-	-	-	-
<u>552,459</u>	<u>100,621</u>	<u>57,335</u>	<u>235,860</u>	<u>633,881</u>
<u>(446,503)</u>	<u>(97,677)</u>	<u>236,585</u>	<u>26,063</u>	<u>(631,171)</u>
-	-	-	15,275	-
541,154	5,466	-	-	624,375
-	-	(118,870)	(50,513)	-
<u>541,154</u>	<u>5,466</u>	<u>(118,870)</u>	<u>(35,238)</u>	<u>624,375</u>
94,651	(92,211)	117,715	(9,175)	(6,796)
<u>280,132</u>	<u>198,256</u>	<u>241,856</u>	<u>46,163</u>	<u>74,523</u>
<u>\$ 374,783</u>	<u>\$ 106,045</u>	<u>\$ 359,571</u>	<u>\$ 36,988</u>	<u>\$ 67,727</u>

CITY OF FREEPORT, ILLINOIS
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
April 30, 2006

<u>ASSETS</u>	Total Non-major Enterprise Funds	Health and Environment	Storm Sewer
Current assets:			
Cash	\$ 217	\$ -	\$ 217
Investments	74,489	74,489	-
Receivables, net of allowance for uncollectible:			
Accounts	34,218	-	34,218
Due from other funds	131,213	131,213	-
Restricted cash accounts:			
Bond and interest	<u>1,215,372</u>	<u>-</u>	<u>1,215,372</u>
Total current assets	<u>1,455,509</u>	<u>205,702</u>	<u>1,249,807</u>
Bond issuance costs	186,702	-	186,702
Property, plant and equipment (net of accumulated depreciation)	<u>8,279,391</u>	<u>-</u>	<u>8,279,391</u>
 Total assets	 <u>9,921,602</u>	 <u>205,702</u>	 <u>9,715,900</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	96,698	96,698	-
Due to other funds	339,875	-	339,875
Accrued interest payable	152,542	-	152,542
Current portion long term debt	<u>152,383</u>	<u>-</u>	<u>152,383</u>
Total current liabilities	<u>741,498</u>	<u>96,698</u>	<u>644,800</u>
Noncurrent liabilities:			
Bonds payable	8,560,363	-	8,560,363
Market premium on bonds payable	<u>203,565</u>	<u>-</u>	<u>203,565</u>
Total liabilities	<u>9,505,426</u>	<u>96,698</u>	<u>9,408,728</u>
 <u>NET ASSETS</u>			
Unrestricted	<u>\$ 416,176</u>	<u>\$ 109,004</u>	<u>\$ 307,172</u>

CITY OF FREEPORT, ILLINOIS
NON-MAJOR ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
Year ended April 30, 2006

	<u>Total Non-Major Enterprise Total</u>	<u>Health and Environment</u>	<u>Storm Sewer</u>
Operating revenues:			
Charges for services	\$ 1,825,144	\$ 1,152,700	\$ 672,444
Operating expenses:			
Operating	1,185,058	1,087,255	97,803
Depreciation	<u>145,061</u>	<u>-</u>	<u>145,061</u>
Total operating expenses	<u>1,330,119</u>	<u>1,087,255</u>	<u>242,864</u>
Operating income (loss)	<u>495,025</u>	<u>65,445</u>	<u>429,580</u>
Nonoperating revenues (expenses):			
Interest income	11,315	38	11,277
Interest and fiscal charges	<u>(455,750)</u>	<u>-</u>	<u>(455,750)</u>
Total nonoperating revenues	<u>(444,435)</u>	<u>38</u>	<u>(444,473)</u>
Net income (loss)	50,590	65,483	(14,893)
Net assets - May 1, 2005	<u>365,586</u>	<u>43,521</u>	<u>322,065</u>
Net assets - April 30, 2006	<u>\$ 416,176</u>	<u>\$ 109,004</u>	<u>\$ 307,172</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2006

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ 4,838	\$ -	\$ 4,838
Investments	100,700	52,626	48,074
Loans receivable	<u>309,917</u>	<u>-</u>	<u>309,917</u>
Total assets	<u>415,455</u>	<u>52,626</u>	<u>362,829</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>655</u>	<u>655</u>	<u>-</u>
Net assets	<u>\$ 414,800</u>	<u>\$ 51,971</u>	<u>\$ 362,829</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2006

	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Additions:			
Foreign fire insurance	\$ 43,426	\$ 43,426	\$ -
Interest	<u>11,841</u>	<u>1,725</u>	<u>10,116</u>
Total additions	<u>55,267</u>	<u>45,151</u>	<u>10,116</u>
Deductions:			
Contractual services	3,261	3,261	-
Supplies	2,355	2,355	-
Capital outlay	<u>27,033</u>	<u>27,033</u>	<u>-</u>
Total deductions	<u>32,649</u>	<u>32,649</u>	<u>-</u>
Net increase	22,618	12,502	10,116
Net assets held in trust for other purposes			
Net assets, May 1, 2005	<u>392,182</u>	<u>39,469</u>	<u>352,713</u>
Net assets, April 30, 2006	<u>\$ 414,800</u>	<u>\$ 51,971</u>	<u>\$ 362,829</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2006

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 942,745	\$ 455,190	\$ 487,555
Receivables:			
Accrued interest	184,430	72,287	112,143
Investments, at fair value			
U.S. government obligations	19,546,213	6,439,029	13,107,184
Common stock	5,489,423	3,003,486	2,485,937
Mutual funds	10,464,806	2,182,714	8,282,092
Certificates of deposit	2,304,974	2,175,000	129,974
Total investments	<u>37,805,416</u>	<u>13,800,229</u>	<u>24,005,187</u>
Total assets	<u>38,932,591</u>	<u>14,327,706</u>	<u>24,604,885</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 38,932,591</u>	<u>\$ 14,327,706</u>	<u>\$ 24,604,885</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2006

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 1,510,980	\$ 800,743	\$ 710,237
Contributions - employees	501,703	266,783	234,920
Net appreciation (depreciation) in fair value of investments	-	-	-
Other investment income	<u>3,589,255</u>	<u>951,735</u>	<u>2,637,520</u>
 Total additions	 <u>5,601,938</u>	 <u>2,019,261</u>	 <u>3,582,677</u>
Deductions:			
Benefits and refunds	2,297,527	1,063,415	1,234,112
Other charges and services	<u>149,755</u>	<u>22,785</u>	<u>126,970</u>
 Total deductions	 <u>2,447,282</u>	 <u>1,086,200</u>	 <u>1,361,082</u>
 Net increase	 3,154,656	 933,061	 2,221,595
Net assets held in trust for pension benefits			
Net assets, May 1, 2005	<u>35,777,935</u>	<u>13,394,645</u>	<u>22,383,290</u>
Net assets, April 30, 2006	<u>\$ 38,932,591</u>	<u>\$ 14,327,706</u>	<u>\$ 24,604,885</u>

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CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
 Year ended April 30, 2006

Year ended <u>April 30</u>	2003 General Obligation Bonds	
	Principal	Interest
2007	\$ 75,000	\$ 133,544
2008	70,000	131,293
2009	70,000	129,019
2010	80,000	126,568
2011	85,000	123,369
2012	90,000	119,862
2013	90,000	116,038
2014	90,000	112,100
2015	100,000	107,262
2016	100,000	101,888
2017	110,000	96,513
2018	120,000	90,601
2019	125,000	84,150
2020	130,000	77,275
2021	135,000	70,125
2022	145,000	62,700
2023	155,000	54,725
2024	160,000	46,200
2025	120,000	37,400
2026	130,000	30,800
2027	135,000	23,650
2028	145,000	16,225
2029	150,000	8,250
	\$ 2,610,000	\$ 1,899,557

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2006

Year ended <u>April 30</u>	2000 <u>General Obligation Bonds</u>		2003 <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 305,000	\$ 109,946	\$ 170,000	\$ 510,531
2008	320,000	94,238	180,000	505,431
2009	335,000	77,597	185,000	499,581
2010	355,000	60,010	190,000	493,106
2011	375,000	41,195	195,000	485,506
2012	395,000	21,132	205,000	477,463
2013	-	-	215,000	468,750
2014	-	-	225,000	459,344
2015	-	-	235,000	447,250
2016	-	-	250,000	434,619
2017	-	-	260,000	421,181
2018	-	-	275,000	407,206
2019	-	-	290,000	392,425
2020	-	-	305,000	376,475
2021	-	-	325,000	359,700
2022	-	-	340,000	341,825
2023	-	-	360,000	323,125
2024	-	-	380,000	303,325
2025	-	-	400,000	282,425
2026	-	-	420,000	260,425
2027	-	-	445,000	237,325
2028	-	-	470,000	212,850
2029	-	-	495,000	187,000
2030	-	-	520,000	159,775
2031	-	-	550,000	131,175
2032	-	-	580,000	100,925
2033	-	-	610,000	69,025
2034	-	-	645,000	35,475
	<u>\$ 2,085,000</u>	<u>\$ 404,118</u>	<u>\$ 9,720,000</u>	<u>\$ 9,383,243</u>

2004 General Obligation Bonds		2005 General Obligation Bonds	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 60,000	\$ 356,618	\$ 25,000	\$ 255,748
60,000	355,118	25,000	255,098
65,000	353,468	25,000	254,424
65,000	351,518	25,000	253,736
70,000	349,566	30,000	252,986
70,000	347,292	30,000	252,012
490,000	344,842	30,000	250,992
510,000	322,792	30,000	249,912
530,000	299,843	30,000	248,786
555,000	275,992	35,000	247,646
575,000	253,793	35,000	246,158
600,000	230,792	35,000	244,672
625,000	206,793	35,000	243,184
645,000	181,792	40,000	241,696
675,000	155,993	40,000	239,996
700,000	128,318	40,000	238,296
735,000	98,918	45,000	236,546
760,000	67,680	45,000	234,578
800,000	35,000	50,000	232,608
-	-	915,000	230,422
-	-	960,000	189,246
-	-	1,000,000	146,046
-	-	1,045,000	99,796
-	-	1,095,000	51,466
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 8,590,000</u>	<u>\$ 4,716,128</u>	<u>\$ 5,665,000</u>	<u>\$ 5,396,050</u>

FEDERAL COMPLIANCE SECTION

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended April 30, 2006

	<u>CFDA*</u> <u>Number</u>	<u>Federal</u> <u>Grant</u> <u>Number</u>	<u>Expenditures</u>
<u>Federal Grantor/Pass-Through</u>			
<u>Grantor/Program Title:</u>			
<u>U.S Department of Justice:</u>			
Police Computers (COPS More)	16.710	2001-CMWX-0157	\$ 26,191
Universal Hiring Grant	16.592	2003-LBBX-2456	25,126
Police Technology Grant	16.710	2005-CKWX-0081	34,533
Bulletproof Vest Partnership Program	16.607	N/A	680
 <u>U.S. Department of Housing and Urban Development:</u>			
Passed through Illinois Department of Commerce and Economic Opportunity:			
Community Development Block Grant	14.228	04-24221	114,345
Brownfield – HUD	14.246	B-01-SP-IL-0186	72,738
 <u>Office of Juvenile Justice and Delinquency Prevention:</u>			
Juvenile Accountability	16.523	501031	61,893
 <u>U.S. Environmental Protection Agency:</u>			
Brownfield - USEPA Assessment	66.818	BF96519901	62,332
Brownfield - CMC Clean-Up	66.818	BF96564101	155,950
 <u>U.S Department of Transportation:</u>			
Passed through Illinois Department of Transportation:			
Section 5311 Transportation	20.509	N/A	57,000
Juvenile Incentive Block Grant	20.605	PT3-2070-069	2,581
Airport Improvement Program	20.106	N/A	<u>35,266</u>
 Total Federal Grant Activity			 <u>\$648,635</u>

* Catalog of Federal Domestic Assistance Number.

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2006

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 Brownfield - USEPA Assessment and Brownfield - CMC Clean-Up
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, 2006

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, 2006

ALL MAJOR PROGRAMS

Finding 2005-1: 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.