

CITY OF FREEPORT, ILLINOIS



ANNUAL FINANCIAL REPORT

April 30, 2009



CITY OF FREEPORT, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Freeport, Illinois as of and for the year ended April 30, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2009, on our consideration of the City of Freeport, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis that precedes the basic financial statements as well as the Schedule of Funding Progress for the Illinois Municipal Retirement Fund and Retiree Health Plan on page 60, the Actuarial Valuations for the Police and Firefighter's Pension Systems on page 61, and the Schedule of Revenues and Expenditures Compared with Budget on pages 62 through 76, 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.

Lindgren, Callihan, Van Osdel & Co., Ltd.

Freeport, Illinois
November 12, 2009



**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, 2009, and have issued our report thereon dated November 12, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Freeport, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Freeport, Illinois' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Freeport, Illinois' 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lindgren, Callihan, Van Osdol & Co., Ltd.

Freeport, Illinois
November 12, 2009



**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 the City of Freeport, Illinois, with the types of compliance requirements described in the 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, 2009. The City of Freeport, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Freeport, Illinois' management. Our responsibility is to express an opinion on the City of Freeport, Illinois' compliance based on our audit

We conducted our audit of compliance 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 Governments, 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 the 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 of the City of Freeport, Illinois' compliance with those requirements.

In our opinion, the 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, 2009.

Internal Control Over Compliance

The management of the City of Freeport, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Freeport, Illinois' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Freeport, Illinois' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lindgren, Callihan, Van Osdol & Co., Ltd

Freeport, Illinois
November 12, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2009

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, 2009.

The MD&A is provided at the beginning of the report to provide an overview of the City's financial position at April 30, 2009 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, 2009

Fund Financial Statements

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

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

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

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

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

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

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2009

Condensed Financial Information

Net assets are summarized in the table below.

Condensed Statement of Net Assets as of April 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current Assets	\$11,556,105	\$12,394,170	\$ 4,586,036	\$ 5,037,552	\$16,142,141	\$17,431,722
Non-current Assets	<u>16,081,245</u>	<u>16,191,004</u>	<u>53,249,724</u>	<u>54,610,003</u>	<u>69,330,969</u>	<u>70,801,007</u>
Total Assets	<u>27,637,350</u>	<u>28,585,174</u>	<u>57,835,760</u>	<u>59,647,555</u>	<u>85,473,110</u>	<u>88,232,729</u>
Liabilities:						
Current Liabilities	5,409,195	5,352,150	2,224,741	2,758,021	7,633,936	8,110,171
Non-current Liabilities	<u>11,055,840</u>	<u>9,390,448</u>	<u>30,097,191</u>	<u>32,495,939</u>	<u>41,153,031</u>	<u>41,886,387</u>
Total liabilities	<u>16,465,035</u>	<u>14,742,598</u>	<u>32,321,932</u>	<u>35,253,960</u>	<u>48,786,967</u>	<u>49,996,558</u>
Net Assets:						
Investments in capital assets, net of debt	12,069,335	11,631,083	24,778,217	25,185,642	36,847,552	36,816,725
Restricted	345,029	428,539	1,582,533	1,593,014	1,927,562	2,021,553
Unrestricted	<u>(1,242,049)</u>	<u>1,782,954</u>	<u>(846,922)</u>	<u>(2,385,061)</u>	<u>(2,088,971)</u>	<u>(602,107)</u>
Total net assets	<u>\$11,172,315</u>	<u>\$13,842,576</u>	<u>\$25,513,828</u>	<u>\$24,393,595</u>	<u>\$36,686,143</u>	<u>\$38,236,171</u>

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

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

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

General obligation bonds, notes payable, lease obligations, landfill liability, and net pension and OPEB obligations constitute the City's long-term liabilities.

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

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2009

Condensed Financial Information (Continued)

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

**Condensed Statement of Activities
For Fiscal Years Ending April 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program:						
Charges for services	\$ 1,486,958	\$ 1,576,157	\$8,175,232	\$ 8,032,626	\$ 9,662,190	\$ 9,608,783
Operating grants & contributions	1,268,258	445,435	-	-	1,268,258	445,435
General:						
Property & other taxes	16,561,424	16,099,566	-	-	16,561,424	16,099,566
Other	<u>2,777,584</u>	<u>3,235,825</u>	<u>39,488</u>	<u>156,267</u>	<u>2,817,072</u>	<u>3,392,092</u>
Total revenues	<u>22,094,224</u>	<u>21,356,983</u>	<u>8,214,720</u>	<u>8,188,893</u>	<u>30,308,944</u>	<u>29,545,876</u>
Expenses:						
General government	12,298,051	9,514,674	-	-	12,298,051	9,514,674
Public safety	8,148,954	7,430,686	-	-	8,148,954	7,430,686
Public works	2,545,064	3,060,396	-	-	2,545,064	3,060,396
Health	43,695	38,137	-	-	43,695	38,137
Culture and recreation	1,636,681	1,581,639	-	-	1,636,681	1,581,639
Interest on long-term debt	92,040	116,217	-	-	92,040	116,217
Water	-	-	2,143,082	1,843,130	2,143,082	1,843,130
Sewer	-	-	4,438,958	4,032,294	4,438,958	4,032,294
Storm Sewer	-	-	631,042	640,264	631,042	640,264
Landfill Closure	-	-	334,030	1,100,607	334,030	1,100,607
Health and Environment	-	-	<u>1,350,127</u>	<u>1,286,753</u>	<u>1,350,127</u>	<u>1,286,753</u>
Total expenses	<u>24,764,485</u>	<u>21,741,749</u>	<u>8,897,239</u>	<u>8,903,048</u>	<u>33,661,724</u>	<u>30,644,797</u>
Special item	-	-	<u>1,802,752</u>	-	<u>1,802,752</u>	-
Change in net assets	<u>\$ (2,670,261)</u>	<u>\$ (384,766)</u>	<u>\$1,120,233</u>	<u>\$ (714,155)</u>	<u>\$ (1,550,028)</u>	<u>\$ (1,098,921)</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, 2009

Management's Analysis of the City's Overall Financial Position and Results of Operations

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,883,391 as of April 30, 2009. This is a decrease of \$3,352,780 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, 2009 were \$3,245,106. Of this total, \$1,537,249 was cash and investments available for future spending. This is a decrease of \$924,639 from the previous year.

General Fund Budgetary Comparison

The City adopted the budget in May 2008. 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 \$682,050 less than budgeted. General Fund expenses were \$1,300,372 under budget. Not including Inter-Fund Transfers, the General Fund had a net gain of \$22,740 for the fiscal year. Including Inter-Fund Transfers the General Fund had a decrease in the fund balance of \$508,936.

Capital Assets/Long-Term Debt

During the fiscal year the City purchased 13 various types of vehicles for a total expenditure of \$566,317. These vehicles included 4 police cars, 4 Street Department trucks, 1 Fire Department vehicle and 4 vans for the Pretzel City Transit program. (See Note E for further information on capital assets.)

No new long term debt was issued during fiscal year 2009. (See Note G for additional information on long-term debt.)

Factors or Conditions Impacting Future Periods

During this fiscal year commercial growth continued in our southern retail area. A nationally franchised furniture store began remodeling of an existing facility. In addition, an existing retail outlet relocated to larger facilities and is offering an expanded selection of shopping choices. Finally, we created a second TIF district on the southern fringes of the City that will enable us to offer expanded relocation opportunities to potential retailers consistent with our existing strategy of expanding our retail base and creating a retail destination in Freeport.

As with all cities, we continue to experience upward pressure on our expenses including health care, wages and pension contributions. These factors have had a negative impact on our results in the past. It would appear these pressures, along with challenges to our revenue, will continue into the foreseeable future.

CITY OF FREEPORT, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS
April 30, 2009

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,420,578	\$ 581,983	\$ 3,002,561
Investments	2,317,547	1,569,417	3,886,964
Receivables (net of allowances):			
Property taxes	3,652,284	-	3,652,284
Accounts	2,721,232	737,196	3,458,428
Interest	-	1,428	1,428
Internal balances	57,583	(57,583)	-
Inventories	-	160,212	160,212
Deposits	-	10,850	10,850
Prepaid expenses	386,881	-	386,881
Restricted cash accounts	-	1,582,533	1,582,533
Total current assets	11,556,105	4,586,036	16,142,141
Bond issuance costs	-	278,234	278,234
Deferred charges	-	11,067	11,067
Prepaid interest	408,613	3,308,588	3,717,201
Capital Assets (net of accumulated depreciation):			
Buildings	7,588,338	19,730,140	27,318,478
Infrastructure	6,023,261	26,761,346	32,784,607
Equipment	307,820	2,665,275	2,973,095
Vehicles	1,753,213	-	1,753,213
Work in process	-	495,074	495,074
Total noncurrent assets	16,081,245	53,249,724	69,330,969
Total assets	27,637,350	57,835,760	85,473,110

LIABILITIES

Current liabilities:			
Accounts payable	628,207	515,966	1,144,173
Accrued payroll	509,321	81,605	590,926
Deposits and escrow amounts	-	486,494	486,494
Unearned grant revenue	27,344	-	27,344
Deferred revenue	3,652,284	-	3,652,284
Claims payable	105,379	-	105,379
Accrued interest	39,133	412,058	451,191
Current portion long term debt	447,527	728,618	1,176,145
Total current liabilities	<u>5,409,195</u>	<u>2,224,741</u>	<u>7,633,936</u>
Noncurrent liabilities:			
General obligation bonds payable	2,565,000	24,145,000	26,710,000
Market premium on bonds payable	-	80,306	80,306
Deferred gain	149,519	1,228,237	1,377,756
Notes payable	425,103	-	425,103
Leases payable	165,667	-	165,667
Net pension obligation	6,057,142	-	6,057,142
Net OPEB obligation	1,285,593	-	1,285,593
Accrued compensated absences	407,816	143,648	551,464
Landfill closure liability	-	4,500,000	4,500,000
Total noncurrent liabilities	<u>11,055,840</u>	<u>30,097,191</u>	<u>41,153,031</u>
Total liabilities	<u>16,465,035</u>	<u>32,321,932</u>	<u>48,786,967</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,069,335	24,778,217	36,847,552
Restricted	345,029	1,582,533	1,927,562
Unrestricted	<u>(1,242,049)</u>	<u>(846,922)</u>	<u>(2,088,971)</u>
Total net assets	<u>\$ 11,172,315</u>	<u>\$ 25,513,828</u>	<u>\$ 36,686,143</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 12,298,051	\$ 292,889	\$ 870,438	\$ -
Public safety	8,148,954	939,993	353,829	-
Public works	2,545,064	219,960	-	-
Health	43,695	-	-	-
Culture and recreation	1,636,681	34,116	43,991	-
Interest	92,040	-	-	-
Total governmental activities	<u>\$ 24,764,485</u>	<u>\$ 1,486,958</u>	<u>\$ 1,268,258</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 2,143,082	\$ 1,822,214	\$ -	\$ -
Sewer	4,438,958	4,114,647	-	-
Storm Sewer	631,042	723,936	-	-
Landfill Closure	334,030	262,256	-	-
Health and Environment	1,350,127	1,252,179	-	-
Total business-type activities	<u>\$ 8,897,239</u>	<u>\$ 8,175,232</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:
 Property taxes
 State taxes
 Miscellaneous taxes
 Unrestricted investment earnings
 Miscellaneous
 Special item (See Note K)
 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
\$ (11,134,724)	\$ -	\$ (11,134,724)
(6,855,132)	-	(6,855,132)
(2,325,104)	-	(2,325,104)
(43,695)	-	(43,695)
(1,558,574)	-	(1,558,574)
(92,040)	-	(92,040)
<u>(22,009,269)</u>	<u>-</u>	<u>(22,009,269)</u>
-	(320,868)	(320,868)
-	(324,311)	(324,311)
-	92,894	92,894
-	(71,774)	(71,774)
-	(97,948)	(97,948)
<u>-</u>	<u>(722,007)</u>	<u>(722,007)</u>
3,959,011	-	3,959,011
10,276,144	-	10,276,144
2,326,269	-	2,326,269
134,186	39,488	173,674
2,643,398	-	2,643,398
-	1,802,752	1,802,752
<u>19,339,008</u>	<u>1,842,240</u>	<u>21,181,248</u>
(2,670,261)	1,120,233	(1,550,028)
<u>13,842,576</u>	<u>24,393,595</u>	<u>38,236,171</u>
<u>\$ 11,172,315</u>	<u>\$ 25,513,828</u>	<u>\$ 36,686,143</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 27,391	\$ 240,326	\$ 267,717
Investments	1,509,858	2,898,036	4,407,894
Receivables, net of allowances			
Property tax	2,371,512	1,280,772	3,652,284
Accounts	-	950,785	950,785
Other	654,842	-	654,842
Due from other governments	1,095,988	-	1,095,988
Due from other funds	596,716	94,842	691,558
Prepaid expenses	360,220	-	360,220
Total assets	\$ 6,616,527	\$ 5,464,761	\$ 12,081,288
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable	\$ 413,845	\$ 214,362	\$ 628,207
Accrued payroll	465,937	43,384	509,321
Due to other funds	92,783	536,659	629,442
Unearned grant revenue	27,344	-	27,344
Deferred revenue	2,371,512	1,280,772	3,652,284
Total liabilities	3,371,421	2,075,177	5,446,598
Fund balances:			
Reserved for debt service	-	306,753	306,753
Reserved for restricted tax levies	-	38,276	38,276
Unreserved, reported in:			
General funds	3,245,106	-	3,245,106
Special revenue funds	-	2,144,918	2,144,918
Capital projects funds	-	899,637	899,637
Total fund balances	3,245,106	3,389,584	6,634,690
Total liabilities and fund balances	\$ 6,616,527	\$ 5,464,761	\$ 12,081,288

See Notes to Financial Statements.

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

April 30, 2009

Total fund balances - governmental funds	\$ 6,634,690
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 \$27,508,725 and the accumulated depreciation is \$11,836,093.	15,672,632
Bond issuance costs and prepaid interest used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. This is the amount of bond issuance costs and prepaid interest.	408,613
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.	(1,120)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,542,500)</u>
Total net assets - governmental activities	<u>\$ 11,172,315</u>

CITY OF FREEPORT, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2009

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 13,603,242	\$ 1,914,010	\$ 15,517,252
Fees	880,051	558,884	1,438,935
Intergovernmental	255,801	2,321,683	2,577,484
Interest	47,549	99,647	147,196
Other	177,944	61,995	239,939
Total revenues	14,964,587	4,956,219	19,920,806
EXPENSES			
Current:			
General government	6,054,445	2,600,361	8,654,806
Public safety	7,396,767	131,693	7,528,460
Public works	1,348,373	1,043,363	2,391,736
Health	43,695	-	43,695
Culture and recreation	98,567	1,401,045	1,499,612
Debt service	-	608,164	608,164
Total expenses	14,941,847	5,784,626	20,726,473
Excess (deficiency) of revenues over expenses	22,740	(828,407)	(805,667)
OTHER FINANCING SOURCES (USES)			
Sale of fixed assets	200	11,320	11,520
Transfers in	162,645	2,342,220	2,504,865
Transfers out	(694,521)	(1,810,344)	(2,504,865)
Total other financing sources and uses	(531,676)	543,196	11,520
Net change in fund balances	(508,936)	(285,211)	(794,147)
Fund balances - beginning	3,754,042	3,674,795	7,428,837
Fund balances - ending	\$ 3,245,106	\$ 3,389,584	\$ 6,634,690

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, 2009

Excess (deficiency) of revenues received and other sources over (under)
expenditures disbursed and other uses - Governmental funds \$ (794,147)

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

A grant receivable to reimburse costs incurred in the prior period was
not received within 60 days so it was not recorded as revenue within
the governmental funds. This is the amount that was recorded in the
governmental funds in the current period that was already recorded
in the statement of activities in the prior period. (77,105)

Capital outlays are reported in governmental funds as expenditures. However,
in the statement of activities, the cost of those assets is allocated over their
useful lives as depreciation expense. This is the amount by which depreciation
expense \$(688,450) exceeds capitalized fixed assets \$(597,625) in the period. (90,825)

Accrued compensated absences are recorded as a liability in the governmental
activities. However, these amounts are expensed when paid in the governmental
funds. This is the amount that was expensed in the governmental activities in
the period. (53,428)

An internal service fund is used to charge to costs of health insurance
The net revenue of the internal service fund is reported with governmental
activities. (110,745)

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. 516,124

The increase in the net pension and OPEB obligations recorded on the government-
wide statements are not recorded in the governmental funds because it does not
affect current expenditures. This is the increase in the period. (2,060,135)

Change in net assets of governmental activities \$ (2,670,261)

CITY OF FREEPORT, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2009

	Business-type Activities-Enterprise Funds							Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total		
ASSETS								
Current assets:								
Cash	\$ 581,398	\$ 462	\$ -	\$ 123	\$ -	\$ 581,983	\$ -	
Investments	-	-	1,569,417	-	-	1,569,417	62,514	
Receivables, net of allowance for uncollectible:								
Accounts	321,837	335,923	-	79,436	-	737,196	19,617	
Interest	254	1,174	-	-	-	1,428	-	
Due from other funds	1,906,000	-	-	-	149,748	2,055,748	-	
Inventories	19,635	140,577	-	-	-	160,212	-	
Deposits	10,490	360	-	-	-	10,850	-	
Prepaid expenses	-	-	-	-	-	-	26,661	
Restricted cash accounts:								
Revolving fund	-	1,660	-	-	-	1,660	-	
Bond and interest	-	581,196	-	761,001	-	1,342,197	-	
Capital improvements	140,049	98,627	-	-	-	238,676	-	
Total current assets	<u>2,979,663</u>	<u>1,159,979</u>	<u>1,569,417</u>	<u>840,560</u>	<u>149,748</u>	<u>6,699,367</u>	<u>108,792</u>	
Bond issuance costs	-	167,967	-	110,267	-	278,234	-	
Prepaid interest & market discount	-	2,337,332	-	971,256	-	3,308,588	-	
Property, plant and equipment (net of accumulated depreciation)	12,686,930	28,334,633	-	8,630,272	-	49,651,835	-	
Deferred charges	11,067	-	-	-	-	11,067	-	
Total noncurrent assets	<u>12,697,997</u>	<u>30,839,932</u>	<u>-</u>	<u>9,711,795</u>	<u>-</u>	<u>53,249,724</u>	<u>-</u>	
Total assets	<u>15,677,660</u>	<u>31,999,911</u>	<u>1,569,417</u>	<u>10,552,355</u>	<u>149,748</u>	<u>59,949,091</u>	<u>108,792</u>	

LIABILITIES

Current liabilities:

Accounts payable	322,712	53,187	24,420	7,939	107,708	515,966	105,379
Accrued payroll	33,319	46,208	-	2,078	-	81,605	-
Due to other funds	149,748	1,638,088	-	267,912	57,583	2,113,331	4,533
Deposits and escrow amounts	486,409	85	-	-	-	486,494	-
Accrued interest payable	-	290,043	-	122,015	-	412,058	-
Current portion long term debt	-	429,823	-	240,177	-	670,000	-
Total current liabilities	992,188	2,457,434	24,420	640,121	165,291	4,279,454	109,912

Noncurrent liabilities:

Landfill closure liability	-	-	4,500,000	-	-	4,500,000	-
Deferred gain	-	640,967	-	587,270	-	1,228,237	-
Accrued compensated absences	57,808	84,154	-	1,686	-	143,648	-
Note payable	-	58,618	-	-	-	58,618	-
General obligation bonds payable	-	15,328,866	-	8,816,134	-	24,145,000	-
Market premium on bonds payable	-	57,168	-	23,138	-	80,306	-
Total noncurrent liabilities	57,808	16,169,773	4,500,000	9,428,228	-	30,155,809	-
Total liabilities	1,049,996	18,627,207	4,524,420	10,068,349	165,291	34,435,263	109,912

NET ASSETS

Restricted due to bond ordinance	140,049	681,483	-	761,001	-	1,582,533	-
Unrestricted	14,487,615	12,691,221	(2,955,003)	(276,995)	(15,543)	23,931,295	(1,120)
Total net assets	\$ 14,627,664	\$ 13,372,704	\$ (2,955,003)	\$ 484,006	\$ (15,543)	\$ 25,513,828	\$ (1,120)

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, 2009

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
Operating revenues:							
Charges for services	\$ 2,138,049	\$ 3,798,812	\$ 262,256	\$ 723,936	\$ 1,252,179	\$ 8,175,232	\$ 2,241,832
Operating expenses:							
Operating	1,747,669	2,637,576	334,030	60,348	1,350,127	6,129,750	2,356,234
Depreciation	356,586	933,928	-	168,121	-	1,458,635	-
Total operating expenses	2,104,255	3,571,504	334,030	228,469	1,350,127	7,588,385	2,356,234
Operating income (loss)	33,794	227,308	(71,774)	495,467	(97,948)	586,847	(114,402)
Nonoperating revenues (expenses):							
Interest income	2,323	9,645	22,182	5,313	25	39,488	3,657
Interest and fiscal charges	(38,827)	(867,454)	-	(402,573)	-	(1,308,854)	-
Total nonoperating revenues	(36,504)	(857,809)	22,182	(397,260)	25	(1,269,366)	3,657
Special item (See Note K)	-	-	1,802,752	-	-	1,802,752	-
Net income (loss)	(2,710)	(630,501)	1,753,160	98,207	(97,923)	1,120,233	(110,745)
Net assets - May 1, 2008	14,630,374	14,003,205	(4,708,163)	385,799	82,380	24,393,595	109,625
Net assets - April 30, 2009	\$ 14,627,664	\$ 13,372,704	\$ (2,955,003)	\$ 484,006	\$ (15,543)	\$ 25,513,828	\$ (1,120)

See Notes to Financial Statements.

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CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended April 30, 2009

Business-type Activities-Enterprise Funds

	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Receipts from customers and users	\$ 1,945,085	\$ 3,799,279	\$ 262,256	\$ 690,649	\$ 1,269,187	\$ 7,966,456	\$ 2,298,634
Payments to suppliers	(1,635,794)	(1,596,703)	(378,351)	(77,910)	(1,299,806)	(4,988,564)	(2,440,807)
Payments to employees	(557,409)	(843,726)	-	(38,540)	-	(1,439,675)	-
Net cash provided by (used in) operations	(248,118)	1,358,850	(116,095)	574,199	(30,619)	1,538,217	(142,173)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Purchase of investments	(6,188)	(1,174,991)	(444,172)	-	(30,951)	(1,656,302)	-
Sale of investments	3,989	1,172,869	538,085	-	61,545	1,776,488	138,516
Interest received	2,344	9,509	22,182	5,313	25	39,373	3,657
Net cash provided by (used in) investing activities	145	7,387	116,095	5,313	30,619	159,559	142,173

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid	(38,827)	(790,470)	-	(376,487)	-	(1,205,784)	-
Principal payments on general obligation bonds	-	(576,063)	-	(203,638)	-	(779,701)	-
Proceeds from sale of general obligation bonds	-	-	-	-	-	-	-
Purchase of property and equipment	(36,196)	-	-	-	-	(36,196)	-
Net cash provided by (used in) capital and related financing activities	(75,023)	(1,366,533)	-	(580,125)	-	(2,021,681)	-
Net increase (decrease) in cash and cash equivalents	(322,996)	(296)	-	(613)	-	(323,905)	-
Beginning cash and cash equivalents	904,394	758	-	736	-	905,888	-
Ending cash and cash equivalents	\$ 581,398	\$ 462	\$ -	\$ 123	\$ -	\$ 581,983	\$ -

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year ended April 30, 2009

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Water Department	Sewer Department	Landfill Closure	Storm Sewer	Other Enterprise Funds	Total	
\$ 33,794	\$ 227,308	\$ (71,774)	\$ 495,467	\$ (97,948)	\$ 586,847	\$ (114,402)	
356,586	933,928	-	168,121	-	1,458,635	-	
(144,612)	(52,446)	-	(38,255)	-	(235,313)	-	
(33,398)	467	-	(33,287)	-	(66,218)	(13,367)	
1,373	-	-	-	-	1,373	-	
(249,000)	-	-	-	17,008	(231,992)	70,169	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(298,495)	(30,744)	(44,321)	7,939	(7,262)	(372,883)	(89,106)	
5,609	2,067	-	670	-	8,346	-	
7,599	3,182	-	(368)	-	10,413	-	
89,434	-	-	-	-	89,434	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(17,008)	275,088	-	(26,088)	57,583	289,575	4,533	
\$ (248,118)	\$ 1,358,850	\$ (116,095)	\$ 574,199	\$ (30,619)	\$ 1,538,217	\$ (142,173)	

Reconciliation of operating income to net provided (used) by operating activities:
 Operating income (loss)
 Adjustments to reconcile operating income to net cash provided by (used in) operations:
 Depreciation
 Loss on disposal of fixed assets
 Changes in assets and liabilities:
 Accounts receivable
 Inventory
 Due from other funds
 Other assets
 Deposits
 Accounts payable
 Accrued payroll
 Accrued compensated absences
 Deposits and escrow amounts
 Other liabilities
 Deferred charges
 Due to other funds

Net cash provided by (used in) operations

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2009

<u>ASSETS</u>	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Cash	\$ -	\$ 1,251,672
Investments	104,708	35,619,634
Receivables, net of allowance for uncollectible:		
Loan	311,560	-
Interest	<u>-</u>	<u>115,402</u>
Total assets	<u>416,268</u>	<u>36,986,708</u>
<u>LIABILITIES</u>		
Accounts payable	<u>1,102</u>	<u>-</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits and other purposes	<u>\$ 415,166</u>	<u>\$ 36,986,708</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2009

	<u>Private- Purpose Trust Funds</u>	<u>Pension Trust Funds</u>
Additions:		
Foreign fire insurance	\$ 20,413	\$ -
Contributions-employer taxes	-	1,646,544
Contributions-employee	-	572,072
Investment income	<u>10,108</u>	<u>(4,364,871)</u>
Total additions	<u>30,521</u>	<u>(2,146,255)</u>
Deductions:		
Benefits and refunds	-	2,808,998
Other charges and services	<u>28,720</u>	<u>185,314</u>
Total deductions	<u>28,720</u>	<u>2,994,312</u>
Net increase	1,801	(5,140,567)
Net assets - beginning	<u>413,365</u>	<u>42,127,275</u>
Net assets - ending	<u>\$ 415,166</u>	<u>\$ 36,986,708</u>

See Notes to Financial Statements.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies:

REPORTING ENTITY

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

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

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

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies (Continued):

REPORTING ENTITY (CONTINUED)

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

GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies (Continued):

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

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The following is a description of the governmental funds of the City:

1. **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a particular purpose.
3. **Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business type/proprietary funds).

Proprietary Fund

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies (Continued):

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

Proprietary Fund (Continued)

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

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

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

The City reports the following major funds:

Governmental Funds:

General Fund

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies (Continued):

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

Enterprise Funds:

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

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

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

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

BUDGETS

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2009. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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, 2009 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

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

PROPERTY TAXES

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

Property tax revenue in the current year relates to the 2007 levy. Property taxes related to the 2008 levy are collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

A. Summary of Significant Accounting Policies (Continued):

PROPERTY TAXES (CONTINUED)

Effective in December 2008, the City levied its 2008 taxes which will be recognized as revenue in 2010. The amounts of taxes levied are:

General Fund	\$2,395,467
Special Revenue Funds:	
IMRF	168,022
Library	<u>1,125,687</u>
	<u>\$3,689,176</u>

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

INVENTORY

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

FUND EQUITY

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

COMPENSATED ABSENCES

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

ESTIMATES

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

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

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>
Special Revenue:	
Downtown T.I.F. District	<u>\$(3,523)</u>
Enterprise:	
Landfill Closure Fund	<u>\$(2,955,003)</u>
Health and Environment Fund	<u>\$(15,543)</u>

C. Deposits and Investments:

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

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

C. Deposits and Investments (Continued):

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. As of April 30, 2009, there were no funds that had an overdraft.

Deposits. At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$6,445,772 and the bank balance was \$6,542,017. Of the bank balance, \$6,542,017 was covered by Federal Depository Insurance or by collateral held by pledging bank's trust department or by its agent in the City's name and \$0 was uninsured.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. As of April 30, 2009, \$0 of the City's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The City has no foreign currency risk for deposits at year end.

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

Investments. As of April 30, 2009, the City's investments were as follows:

	<u>Fair Value</u>
<i>Governmental Activities:</i>	
Investments in State Investment Pool	\$3,337,615
U.S. Government Obligations	<u>43,829</u>
Total	<u><u>\$3,381,444</u></u>
 <i>Pension Trust Funds:</i>	
U.S. Government Obligations	\$ 9,898,904
State and Local Obligations	66,225
Equity Mutual Funds	20,748,088
Common Stock	<u>4,906,417</u>
Total	<u><u>\$35,619,634</u></u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

C. Deposits and Investments (Continued):

Interest Rate Risk:

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

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

	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	<u>Total</u>
<i>Governmental activities:</i>				
Investments in State				
Investment Pool	\$3,337,615	\$ -	\$ -	\$3,337,615
U.S. Government obligations	-	-	43,829	43,829
Total	<u>\$3,337,615</u>	<u>\$ -</u>	<u>\$ 43,829</u>	<u>\$3,381,444</u>
<i>Pension Trust Funds:</i>				
U.S. Government Obligations	\$ 355,250	\$1,533,975	\$8,009,679	\$9,898,904
State and Local Obligations	-	-	66,225	66,225
Total	<u>\$ 355,250</u>	<u>\$1,533,975</u>	<u>\$8,075,904</u>	<u>\$9,965,129</u>

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations and State and Local Obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

C. Deposits and Investments (Continued):

Credit Risk (Continued):

Presented below is the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

	<u>Total as of</u> <u>April 30, 2009</u>	<u>AAAm</u>	<u>Unrated</u>
<i>Governmental activities:</i>			
Investments in State			
Investment Pool	<u>\$3,337,615</u>	<u>\$3,337,615</u>	<u>\$ -</u>

Concentration of Credit Risk:

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

Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of April 30, 2009 there are no investments with custodial credit risk in that all of its investments are insured.

Foreign Currency Risk:

The City has no foreign currency risk for investments at year end.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

D. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2009:

Special Revenue:

Library Fund:	
Reserved for restricted tax levies	<u>\$38,276</u>
Debt Service Fund:	
Reserved for debt service	<u>\$306,753</u>

Enterprise:

Water Fund:	
Reserved due to bond ordinance	<u>\$140,049</u>
Sewer Fund:	
Reserved due to bond ordinance	<u>\$681,483</u>
Storm Sewer Fund:	
Reserved due to bond ordinance	<u>\$761,001</u>

Fiduciary:

Non Expendable Trust Fund:	
Revolving Loan Fund:	
Reserved for revolving loan	<u>\$394,862</u>

Pension Trust Funds:

Police Pension Fund:	
Reserved for employees retirement system	<u>\$14,443,123</u>
Firefighters Pension Fund:	
Reserved for employees retirement system	<u>\$22,543,585</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
April 30, 2009

E. Property, Plant and Equipment:

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

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

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

The governmental activities capital asset activity for the year ended April 30, 2009 is as follows:

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</u>
Cost:				
Buildings	\$11,291,330	\$ -	\$ -	\$11,291,330
Infrastructure	9,069,495	-	-	9,069,495
Equipment	1,597,439	31,308	-	1,628,747
Vehicles	<u>5,066,467</u>	<u>566,317</u>	<u>113,631</u>	<u>5,519,153</u>
	<u>\$27,024,731</u>	<u>\$597,625</u>	<u>\$113,631</u>	<u>\$27,508,725</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</u>
Accumulated Depreciation:				
Buildings	\$ 3,526,318	\$176,674	\$ -	\$ 3,702,992
Infrastructure	2,864,844	181,390	-	3,046,234
Equipment	1,252,822	68,105	-	1,320,927
Vehicles	<u>3,617,290</u>	<u>262,281</u>	<u>113,631</u>	<u>3,765,940</u>
	<u>\$11,261,274</u>	<u>\$688,450</u>	<u>\$113,631</u>	<u>\$11,836,093</u>
Total Capital Assets, Net:				
Buildings	\$ 7,765,012	\$(176,674)	\$ -	\$ 7,588,338
Infrastructure	6,204,651	(181,390)	-	6,023,261
Equipment	344,617	(36,797)	-	307,820
Vehicles	<u>1,449,177</u>	<u>304,036</u>	<u>-</u>	<u>1,753,213</u>
	<u>\$15,763,457</u>	<u>\$(90,825)</u>	<u>\$ -</u>	<u>\$15,672,632</u>

The business-type activities capital asset activity for the year ended April 30, 2009 is as follows:

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</u>
Cost:				
Buildings	\$27,290,624	\$ -	\$1,463,921	\$25,826,703
Infrastructure	37,762,251	-	556,799	37,205,472
Equipment	6,431,519	36,196	1,141,559	5,326,156
Work in process	<u>495,074</u>	<u>-</u>	<u>-</u>	<u>495,074</u>
	<u>\$71,979,468</u>	<u>\$ 36,196</u>	<u>\$3,162,279</u>	<u>\$68,853,405</u>
Accumulated Depreciation:				
Buildings	\$ 6,337,228	\$ 567,501	\$ 808,166	\$ 6,096,563
Infrastructure	10,452,598	726,990	735,462	10,444,126
Equipment	<u>4,350,681</u>	<u>164,144</u>	<u>1,853,944</u>	<u>2,660,881</u>
	<u>\$21,140,507</u>	<u>\$1,458,635</u>	<u>\$3,397,572</u>	<u>\$19,201,570</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</u>
Total Capital Assets, Net:				
Buildings	\$20,953,396	\$ (567,501)	\$ 655,755	\$19,730,140
Infrastructure	27,309,653	(726,970)	(178,663)	26,761,346
Equipment	2,080,838	(127,948)	(712,385)	2,665,275
Work in process	<u>495,074</u>	<u>-</u>	<u>-</u>	<u>495,074</u>
	<u>\$50,838,961</u>	<u>\$(1,422,419)</u>	<u>\$(235,293)</u>	<u>\$49,651,835</u>

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

Governmental activities:

General government	\$ 33,581
Public safety	202,359
Public works	315,441
Culture and recreation	<u>137,069</u>
Total depreciation expense, governmental activities	<u>\$688,450</u>

Business-type activities:

Water Department	\$ 356,586
Sewer Department	933,928
Storm Sewer Department	<u>168,121</u>
Total depreciation expense, business-type activities	<u>\$1,458,635</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, 2009 was \$10,000. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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 2009, the City's claims did not exceed its stop loss limits. Settled claims in each of the prior three fiscal years did not exceed commercial coverage.

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

	<u>Fiscal Year Ended</u> <u>April 30,</u> <u>2009</u>
Unpaid claims - beginning	\$ 194,485
Incurred claims including IBNR, net of claims in excess of stop loss	1,929,926
Claim payments	<u>2,019,032</u>
Unpaid claims - ending	<u>\$ 105,379</u>

G. Long-Term Debt:

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

LEASE OBLIGATIONS

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

G. Long-Term Debt (Continued):

LEASE OBLIGATIONS (CONTINUED)

On February 1, 2003, the City entered into a capital lease for the purchase of a Fire Truck in the amount of \$643,899. The City agreed to pay 10 annual payments of \$88,411 at an interest rate of 4.5% with final payment on February 1, 2012. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of April 30, 2009.

Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 77,571	\$10,840
2011	81,028	7,383
2012	<u>84,639</u>	<u>3,772</u>
Total	<u>\$243,238</u>	<u>\$21,995</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	\$ 109,342	\$ -	\$ 26,613	\$ 82,729
Midwest Bank, payable monthly with interest at 4.13% due November 9, 2011	Debt Service	483,014	-	127,857	355,157
US Bank, payable monthly with interest at 5.71% due January 11, 2022	Debt Service	107,995	-	5,301	102,694
US Bank, payable monthly with interest at 5.37%, due January 31, 2022	Debt Service	58,648	-	2,953	55,695

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

G. Long-Term Debt (Continued):

INSTALLMENT CONTRACTS/NOTES PAYABLE (CONTINUED)

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
Amcore Bank, payable monthly with interest at 5.31% due December 22, 2009	Debt Service	235,357	-	138,882	96,475
Amcore Bank, payable annually with interest at 3.88%, due July 12, 2008	Debt Service	48,347	-	48,347	-
Fifth Third Bank, payable monthly with interest at 3.7%, due September 21, 2009	Debt Service	30,172	-	22,863	7,309
Bank One, payable monthly with interest at 3.34%, due September 21, 2009	Sewer	<u>195,319</u>	<u>-</u>	<u>136,701</u>	<u>58,618</u>
		<u>\$1,268,194</u>	<u>\$ -</u>	<u>\$509,517</u>	<u>\$758,677</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$333,574	\$26,475
2011	177,734	16,624
2012	116,692	9,416
2013	10,332	7,152
2014	10,933	6,551
2015 - 2019	64,979	22,441
2020 - 2022	<u>44,433</u>	<u>3,697</u>
Total	<u>\$758,677</u>	<u>\$92,356</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

G. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS

2000 Issue

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

2003 Issue

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

2004 Issue

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

2005 Issue

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

2006 Issue

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

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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	\$ 1,460,000	\$ -	\$335,000	\$ 1,125,000
\$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	815,000	-	70,000	745,000
\$10,070,000 General Obligation Bond Series 2003, dated July 15, 2003 due in annual installments of \$180,000 to \$650,000 plus interest at 2.00% to 5.50% through January 1, 2034.	Storm sewer and sewer	1,875,000	-	185,000	1,690,000
\$8,665,000 General Obligation Bond Series 2004, dated December 15, 2004 due in annual installments of \$60,000 to \$800,000 plus interest at 2.50% to 4.375% through December 1, 2024	Sewer	8,470,000	-	65,000	8,405,000
\$5,735,000 General Obligation Bond Series 2005, dated January 15, 2005 due in annual installments of \$25,000 to \$1,095,000 plus interest at 2.25% to 4.70% through December 1, 2024	Sewer	5,615,000	-	25,000	5,590,000

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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>
\$10,000,000 General Obligation Bond Series 2006, dated December 21, 2006 due in annual installments of \$35,000 to \$645,000 plus interest at 4.00% to 4.20% through January 1, 2034	TIF, Library, Storm Sewer, and Sewer	9,965,000	-	45,000	9,920,000
		<u>\$28,200,000</u>	<u>\$ -</u>	<u>\$ 725,000</u>	<u>\$27,475,000</u>

Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 765,000	\$ 1,183,864
2011	805,000	1,149,547
2012	845,000	1,112,686
2013	880,000	1,073,346
2014	910,000	1,034,673
2015 - 2019	5,230,000	4,507,217
2020 - 2024	6,405,000	3,340,943
2025 - 2029	7,760,000	1,890,562
2030 - 2034	<u>3,875,000</u>	<u>411,023</u>
Total	<u>\$27,475,000</u>	<u>\$15,703,861</u>

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

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	\$ 1,268,194	\$ -	\$ 509,517	\$ 758,677
Capitalized leases	317,499	-	74,261	243,238
General obligation bonds Payable	<u>28,200,000</u>	<u>-</u>	<u>725,000</u>	<u>27,475,000</u>
Total	<u>\$29,785,693</u>	<u>\$ -</u>	<u>\$1,308,778</u>	<u>\$28,476,915</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 prior years, the City defeased a portion of the 2000 and 2003 General Obligation bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City’s financial statements. As of April 30, 2009, the amount of defeased debt from the 2000 and 2003 issues outstanding but removed from the City’s financial statements amounted to \$21,740,000.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

I. Interfund Assets/Liabilities:

At April 30, 2009, the following interfund receivables/payables existed:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General	\$ 596,716	\$ 92,783
Non-major governmental funds	94,842	536,659
Proprietary funds:		
Water	1,906,000	149,748
Sewer	-	1,638,088
Storm Sewer	-	267,912
Internal Service	-	4,533
Non-major proprietary funds	<u>149,748</u>	<u>57,583</u>
	<u>\$2,747,306</u>	<u>\$2,747,306</u>

The purpose of the interfund loans is to fund temporary cash deficits in each of the borrowing funds. The loans will be paid back when sufficient cash amounts exist in those funds.

J. Conduit Debt:

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

The City entered into an agreement described above with Freeport Regional Health Care Foundation on June 16, 2008. \$8,000,000 of Health Care Facilities Revenue Bonds (Freeport Regional Health Care Foundation Project) Series 2008 were issued in the City's name. At the same time a mortgage agreement was signed between the City and Freeport Regional Health Care. Freeport Regional Health Care used the proceeds to build a new hospital facility. The mortgage agreement is set up to cover the payments of the mortgage revenue bonds. At April 30, 2009, there was \$8,000,000 of Health Care Facilities Revenue Bonds (Freeport Regional Health Care Foundation Project) Series 2008 outstanding.

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

K. Solid Waste Landfill Closure and Postclosure Care Costs:

The City owns and operated a landfill site that was closed in 2003. State and federal laws require the City to close the landfill and to monitor and maintain the site for thirty subsequent years. The City recognized a portion of the closure and postclosure care costs in each operating period even though actual payouts will occur as the landfill is capped and monitored. As of April 30, 2009, the Government has incurred a liability of \$4,500,000 which represents the estimated costs of capping and monitoring the landfill. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables. The amount significantly decreased over the liability recorded in the prior year as the current estimate to cap the liability was reduced by \$1,802,752. This decrease has been shown as a special item on the current financial statements.

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, 2009, assets reported on the combined balance sheet which total \$1,569,417 are held for this purpose.

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

L. Segment Information-Enterprise Funds:

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

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
Operating revenues	\$1,252,179	\$2,138,049	\$3,798,812	\$723,936	\$ 262,256
Depreciation and amortization expense	\$ -	\$356,586	\$933,928	\$168,121	\$ -
Operating income (loss)	\$(97,948)	\$33,794	\$227,308	\$495,467	\$(71,774)
Net income (loss)	\$(97,923)	\$(2,710)	\$(630,501)	\$98,207	\$(49,592)

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

L. Segment Information-Enterprise Funds (Continued):

	<u>Health and Environment</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	<u>Landfill Closure</u>
Plant, property, and equipment:					
Additions	\$ -	\$ 36,196	\$ -	\$ -	\$ -
Deletions	\$ -	\$1,427,135	\$1,735,144	\$ -	\$ -
Allowance for uncollectible Accounts	\$ -	\$(4,000)	\$(5,000)	\$ -	\$ -
Total assets	\$149,748	\$15,677,660	\$31,999,911	\$10,552,355	\$1,569,417
Net working capital	\$(15,543)	\$1,987,475	\$(1,297,455)	\$200,439	\$1,544,997
Bonds and other long-Term liabilities:					
Payable from operating revenues	\$ -	\$ 57,808	\$16,169,773	\$9,428,228	\$4,500,000

M. Pension Plan:

PLAN DESCRIPTION

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

FUNDING POLICY

As set by statute, the City's Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2008 was 7.14 percent of annual

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

M. Pension Plan (Continued):

FUNDING POLICY (CONTINUED)

covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

ANNUAL PENSION COST

For 2008, the City's **annual pension cost** of \$314,805 for the Regular plan was equal to the City's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC (Contributed)</u>	<u>Net Pension Obligation</u>
12/31/08	\$314,805	100%	\$-0-
12/31/07	332,571	100%	-0-
12/31/06	357,507	100%	-0-

The required contribution for 2008 was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from .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 the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006, was 24 years.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

M. Pension Plan (Continued):

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 86.33 percent funded. The actuarial accrued liability for benefits was \$13,185,371 and the actuarial value of assets was \$11,382,992 resulting in an underfunded actuarial accrued liability (UAAL) of \$1,802,379. The covered payroll (annual payroll of active employees covered by the plan) was \$4,409,034 and the ratio of the UAAL to the covered payroll was 41 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police Pension

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2009, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	40
Current employees	
Vested	38
Nonvested	<u>20</u>
Total	<u>98</u>

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Police Pension (Continued)

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.

Firefighter's Pension

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

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

M. Pension Plan (Continued):

PLAN DESCRIPTIONS AND PROVISIONS (CONTINUED)

Firefighter's Pension (Continued)

At April 30, 2009, the Firefighter's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	52
Current employees	
Vested	37
Nonvested	<u>14</u>
Total	<u>103</u>

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

The Firefighter's Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75 percent of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3 percent of the original pension and 3 percent annually thereafter.

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

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS

Police Pension

The City's net pension obligation to the Police Pension Plan as of April 30, 2009 was as follows:

Annual required contribution	\$ 433,364
Interest adjustment	243,509
Adjustment to amortize unfunded liability	<u>699,909</u>
Annual pension cost	1,376,782
Contributions made	<u>894,363</u>
Increase (decrease) in net pension obligation	482,419
Net pension obligation, beginning	<u>3,478,703</u>
Net pension obligation, ending	<u><u>\$3,961,122</u></u>

The annual required contribution for the current year was determined as part of the April 30, 2008 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, 2008, was 25 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>
4/30/08	\$1,376,782	64.96%	\$3,961,122
4/30/07	1,245,361	66.20%	3,478,703
4/30/06	1,129,045	70.92%	3,057,728

As of April 30, 2008, the most recent actuarial valuation date, the Police Pension plan was 50.9 percent funded. The actuarial accrued liability for benefits was \$30,000,084 and the actuarial value of assets was \$15,278,332 resulting in an underfunded actuarial accrued liability (UAAL) of \$14,721,752. The covered payroll (annual payroll of active employees covered by the plan) was \$3,042,379 and the ratio of the UAAL to the covered payroll was 483.9 percent.

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Police Pension

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Firefighters' Pension

The City's net pension obligation to the Firefighter's Pension Plan as of April 30, 2009 was as follows:

Annual required contribution	\$ 594,806
Interest adjustment	126,273
Adjustment to amortize unfunded liability	<u>308,184</u>
Annual pension cost	1,029,263
Contributions made	<u>737,140</u>
Increase (decrease) in net pension obligation	292,123
Net pension obligation, beginning	<u>1,803,897</u>
Net pension obligation, ending	<u>\$2,096,020</u>

The annual required contribution for the current year was determined as part of the April 30, 2008, 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, 2008, was 25 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>
4/30/08	\$1,029,263	71.62%	\$2,096,020
4/30/07	832,232	83.47%	1,803,897
4/30/06	817,711	86.86%	1,666,331

CITY OF FREEPORT, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

M. Pension Plan (Continued):

ANNUAL PENSION COST, FUNDING STATUS AND PROGRESS (CONTINUED)

Firefighters' Pension (Continued)

As of April 30, 2008, the most recent actuarial valuation date, the Fire Pension plan was 80.2 percent funded. The actuarial accrued liability for benefits was \$32,705,508 and the actuarial value of assets was \$26,223,233 resulting in an underfunded actuarial accrued liability (UAAL) of \$6,482,275. The covered payroll (annual payroll of active employees covered by the plan) was \$2,735,484 and the ratio of the UAAL to the covered payroll was 237.0 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

N. Other Post-Employment Benefits

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

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

Membership. At April 30, 2009, membership consisted of:

Retirees and beneficiaries currently receiving benefits	36
Terminated employees entitled to benefits but not yet receiving benefits	-
Active vested plan members	37
Active non-vested plan members	<u>165</u>
Total	<u>238</u>
Number of participating employers	<u>1</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

N. Other Post-Employment Benefits (Continued)

Funding policy. For the fiscal year ending April 30, 2009, retirees contributed approximately \$375,785. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

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

<u>Fiscal Year ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2009	\$1,661,378	\$375,785	22.6%	\$1,285,593

The net OPEB obligation as of April 30, 2009, was calculated as follows:

Annual required contribution	\$1,661,378
Interest of net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,661,378
Contributions made	<u>(375,785)</u>
Increase (decrease) in net OPEB obligation	1,285,593
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$1,285,593</u>

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

N. Other Post-Employment Benefits (Continued)

Funded Status and Funding in Process. The funded status of the plan as of April 30, 2009, was as follows:

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

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

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

In the April 30, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return and an initial healthcare cost trend rate of 9.0% with an ultimate healthcare inflation rate of 5.0%. Both rates include a 5.0% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at April 30, 2009, was 30 years.

CITY OF FREEPORT, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2009

O. Transfers:

Below are the interfund transfers as of April 30, 2009:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Governmental Funds:		
General	\$ 162,645	\$ (694,521)
Non-Major Governmental Funds	<u>2,342,220</u>	<u>(1,810,344)</u>
Total all funds	<u>\$2,504,865</u>	<u>\$(2,504,865)</u>

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

P. Contingencies

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

Q. Pending GASB Statements:

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

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF FREEPORT, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2009

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

Actuarial Valuation Date <u>December 31</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/(c)</u>
12/31/08	\$11,382,992	\$13,185,371	\$1,802,379	86.33%	\$4,409,034	40.88%
12/31/07	13,636,271	12,691,010	(945,261)	107.45%	4,131,315	0.00%
12/31/06	12,407,319	11,591,984	(815,335)	107.03%	3,937,304	0.00%

**Retiree Health Plan
 Schedule of Funding Progress**

Actuarial Valuation Date <u>April 30</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/(c)</u>
4/30/08	\$0	\$15,839,465	\$15,839,465	0.0%	\$9,203,549	172.00%

CITY OF FREEPORT, ILLINOIS
Required Supplementary Information
April 30, 2009

ACTUARIAL VALUATIONS FOR POLICE AND FIREFIGHTERS PENSION SYSTEMS

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2009.

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>
2008	\$15,278,332	\$30,000,084	50.9%	\$14,721,752	\$3,042,379	483.9%
2007	15,345,387	28,989,967	52.9%	13,644,580	2,819,378	484.0%
2006	14,881,332	27,125,601	54.9%	12,244,269	2,742,792	446.4%
2005	13,380,026	25,286,329	52.9%	11,906,303	2,640,390	450.9%
2004	12,670,887	23,604,453	53.7%	10,933,566	2,503,876	436.7%
2003	11,668,468	22,361,295	52.2%	10,692,827	2,482,238	430.8%

Fire Pension Fund

Analysis of funding progress for the year ended April 30, 2009.

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>
2008	\$26,223,233	\$32,705,508	80.2%	\$6,482,275	\$2,735,484	237.0%
2007	26,230,887	30,088,786	87.2%	3,857,899	2,421,933	159.3%
2006	24,528,748	28,028,435	87.5%	3,499,687	2,493,336	140.4%
2005	22,217,155	26,671,984	83.3%	4,454,829	2,457,127	181.3%
2004	21,427,558	25,571,834	83.8%	4,144,276	2,335,930	177.4%
2003	19,277,607	24,379,255	79.1%	5,101,648	2,247,783	227.0%

CITY OF FREEPORT, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues:				
Property taxes	\$ 2,315,137	\$ 2,315,137	\$ 2,315,064	\$ (73)
Property transfer tax	240,000	240,000	127,593	(112,407)
Retailers occupation tax	5,600,000	5,600,000	5,216,908	(383,092)
Income tax	2,480,000	2,480,000	2,328,717	(151,283)
Replacement tax	495,000	495,000	451,734	(43,266)
Food, drink tax	840,000	840,000	974,256	134,256
Utility tax	460,000	460,000	440,710	(19,290)
Special use tax	390,000	390,000	380,731	(9,269)
Natural gas tax	325,000	325,000	322,988	(2,012)
Telephone utility tax	900,000	900,000	859,541	(40,459)
Water and sewer payment	185,000	185,000	185,000	-
	<u>14,230,137</u>	<u>14,230,137</u>	<u>13,603,242</u>	<u>(626,895)</u>
Total taxes				
Fees:				
Cable TV franchise fees	260,000	260,000	292,362	32,362
Circuit clerk fines and fees	276,000	276,000	305,068	29,068
Building fees and permits	225,000	225,000	196,708	(28,292)
Transfer station rent	-	-	-	-
911 dispatching fees	86,000	86,000	85,913	(87)
	<u>847,000</u>	<u>847,000</u>	<u>880,051</u>	<u>33,051</u>
Total fees				
Intergovernmental:				
Grant administration reimbursements	27,000	27,000	29,577	2,577
IDOT reimbursement	50,000	50,000	49,171	(829)
Federal grant for SLANT officer	70,000	70,000	38,626	(31,374)
Airport hangar rent	110,000	110,000	104,854	(5,146)
Fire training reimbursement	10,000	10,000	2,967	(7,033)
Police training reimbursement	10,000	10,000	21,077	11,077
Traffic signal maintenance reimbursement	2,500	2,500	9,529	7,029
	<u>279,500</u>	<u>279,500</u>	<u>255,801</u>	<u>(23,699)</u>
Total intergovernmental				

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues (Continued):				
Interest	140,000	140,000	47,549	(92,451)
Other:				
Miscellaneous local sources	40,000	40,000	47,991	7,991
Miscellaneous other charges for services	110,000	110,000	129,953	19,953
Total other revenues	150,000	150,000	177,944	27,944
Total revenues	\$ 15,646,637	\$ 15,646,637	\$ 14,964,587	\$ (682,050)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures:				
General government:				
City Council:				
Elected officials	\$ 30,400	\$ 30,400	\$ 30,399	\$ (1)
Ordinance codification	7,500	7,500	5,465	(2,035)
Education, training and travel	<u>3,000</u>	<u>3,000</u>	<u>983</u>	<u>(2,017)</u>
Total city council	<u>40,900</u>	<u>40,900</u>	<u>36,847</u>	<u>(4,053)</u>
Commissions:				
Commissions stipends	4,325	4,325	3,975	(350)
Legal advertising	3,500	3,500	-	(3,500)
Education, training and travel	11,500	11,500	12,466	966
Books, periodicals, and memberships	<u>500</u>	<u>500</u>	<u>375</u>	<u>(125)</u>
Total commissions	<u>19,825</u>	<u>19,825</u>	<u>16,816</u>	<u>(3,009)</u>
City Clerk:				
Non-bargaining	-	-	-	-
Elected officials	48,135	48,135	48,135	-
Title searches and recording fees	200	200	-	(200)
Contracted equipment repairs	500	500	-	(500)
Printing	500	500	115	(385)
Publication expense	8,000	8,000	6,853	(1,147)
Education, training and travel	1,500	1,500	1,922	422
Insurance other than employee benefits	100	100	25	(75)
Books, periodicals and memberships	750	750	255	(495)
Office supplies	1,000	1,000	716	(284)
Equipment, furniture and fixtures	<u>2,500</u>	<u>2,500</u>	<u>1,033</u>	<u>(1,467)</u>
Total city clerk	<u>63,185</u>	<u>63,185</u>	<u>59,054</u>	<u>(4,131)</u>
Mayor:				
Non-bargaining	43,446	43,446	41,009	(2,437)
Elected officials	81,937	81,937	81,937	-
Overtime, non-bargaining	-	-	-	-

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	<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	450	450	108	(342)
Contracted equip. repair and maintenance	450	450	-	(450)
Telephone and communications	2,000	2,000	1,407	(593)
Printing	200	200	96	(104)
Education, training and travel	4,500	4,500	7,020	2,520
Other supply expense	1,700	1,700	243	(1,457)
Books, periodicals and memberships	1,000	1,000	345	(655)
Office supplies	1,250	1,250	448	(802)
Gasoline	3,000	3,000	4,100	1,100
Total mayor	<u>139,933</u>	<u>139,933</u>	<u>136,713</u>	<u>(3,220)</u>
Office of Management and Budget:				
Non-bargaining	192,091	192,091	189,007	(3,084)
Bank service charges	150	150	195	45
Telephone	200	200	123	(77)
Printing	1,500	1,500	1,118	(382)
Education, training and travel	500	500	100	(400)
Books, periodicals and memberships	500	500	390	(110)
Office supplies	1,200	1,200	1,114	(86)
Equipment, furniture and fixtures	2,000	2,000	130	(1,870)
Total Office of Management and Budget	<u>198,141</u>	<u>198,141</u>	<u>192,177</u>	<u>(5,964)</u>
Treasurer:				
Elected officials	49,465	49,465	49,465	-
Contracted equipment repairs	100	100	42	(58)
Printing	400	400	310	(90)
Seminar, training and travel	2,000	2,000	1,187	(813)
Insurance other than employee benefits	425	425	366	(59)
Gasoline	450	450	482	32
Books, periodicals and memberships	125	125	40	(85)
Office supplies	2,500	2,500	794	(1,706)
Total Treasurer	<u>55,465</u>	<u>55,465</u>	<u>52,686</u>	<u>(2,779)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
General government (Continued):				
Legal:				
Non-bargaining	134,143	134,143	130,548	(3,595)
Overtime, non-bargaining	-	-	-	-
Title searches and recording fees	1,500	1,500	599	(901)
Outside legal	80,000	80,000	74,072	(5,928)
Outside legal - prosecutorial	30,000	30,000	31,020	1,020
Court report, witness and service fees	5,000	5,000	3,572	(1,428)
Other technical services	-	-	-	-
Contracted equipment repair	600	600	-	(600)
Printing	1,000	1,000	420	(580)
Education	2,000	2,000	1,196	(804)
Books, periodicals and memberships	5,500	5,500	5,138	(362)
Office supplies	500	500	332	(168)
Equipment, furniture and fixtures	1,500	1,500	-	(1,500)
Total legal	<u>261,743</u>	<u>261,743</u>	<u>246,897</u>	<u>(14,846)</u>
Department of Public Works:				
Non-bargaining	83,214	83,214	79,050	(4,164)
Engineering	4,000	5,000	6,850	1,850
Other technical services	500	500	-	(500)
Title searches	100	100	-	(100)
Contracted vehicle repair and maintenance	500	500	-	(500)
Telephone and communications	1,000	1,000	488	(512)
Printing	200	200	16	(184)
Publication expense	700	700	542	(158)
Education, training and travel	500	500	-	(500)
Other supplies	100	100	-	(100)
Books, periodicals and memberships	500	500	285	(215)
Postage and freight	200	200	-	(200)
Office supplies	500	500	25	(475)
Gasoline	700	700	786	86
Equipment supplies	100	100	-	(100)
Computer hardware	5,500	4,500	-	(4,500)
Total department of public works	<u>98,314</u>	<u>98,314</u>	<u>88,042</u>	<u>(10,272)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Traffic engineering:				
Contracted equipment repairs	10,000	10,000	4,132	(5,868)
Telephone and communications	3,000	3,000	2,468	(532)
Equipment supplies	<u>15,000</u>	<u>15,000</u>	<u>8,092</u>	<u>(6,908)</u>
Total traffic engineering	<u>28,000</u>	<u>28,000</u>	<u>14,692</u>	<u>(13,308)</u>
Street lights:				
Contracted equipment repairs	10,000	10,000	1,638	(8,362)
Equipment supplies	4,000	4,000	3,712	(288)
Electricity	350,000	350,000	262,215	(87,785)
Machinery and equipment	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total street lights	<u>369,000</u>	<u>369,000</u>	<u>267,565</u>	<u>(101,435)</u>
General Government Building:				
Custodial	22,500	22,500	14,300	(8,200)
Contracted building repair and maintenance	30,000	30,000	20,731	(9,269)
Contracted equipment repair and maintenance	10,000	10,000	11,094	1,094
Other supply expense	500	500	34	(466)
Building supplies	1,000	1,000	394	(606)
Equipment and janitorial supplies	4,500	4,500	1,371	(3,129)
Natural gas	15,000	15,000	8,243	(6,757)
Water and sewer	<u>2,500</u>	<u>2,500</u>	<u>1,673</u>	<u>(827)</u>
Total general government building	<u>86,000</u>	<u>86,000</u>	<u>57,840</u>	<u>(28,160)</u>
City Cemetery:				
Salaries, AFSCME	46,996	46,996	46,862	(134)
Overtime, AFSCME	2,000	2,000	1,177	(823)
Contracted equipment repair and maintenance	1,000	1,000	-	(1,000)
Telephone and communications	600	600	484	(116)
Education	500	500	-	(500)
Other supply expense	1,100	1,100	198	(902)
Equipment rental	500	500	-	(500)
Equipment supplies	3,000	3,000	729	(2,271)
Building supplies	450	450	113	(337)
Equipment, furniture, and fixtures	2,000	2,000	1,650	(350)
Computer hardware & software	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total city cemetery	<u>60,146</u>	<u>60,146</u>	<u>51,213</u>	<u>(8,933)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
General government (Continued):				
Hearings Administration:				
Other professional services	3,400	3,400	3,056	(344)
Other technical services	200	200	-	(200)
Emergency expenses	100	100	186	86
Total hearings administration	<u>3,700</u>	<u>3,700</u>	<u>3,242</u>	<u>(458)</u>
Management information systems:				
Computer and network consulting	500	500	588	88
Contracted equipment repairs	5,000	5,000	1,531	(3,469)
Books, periodicals and memberships	4,750	4,750	4,188	(562)
Office supplies	-	-	-	-
Hardware	15,000	15,000	(1,086)	(16,086)
Software	2,000	2,000	-	(2,000)
Total management information systems	<u>27,250</u>	<u>27,250</u>	<u>5,221</u>	<u>(22,029)</u>
Community development:				
Salaries, non-bargaining	138,943	138,943	133,263	(5,680)
Other professional services	15,000	15,000	(22,039)	(37,039)
Other technical services	4,000	4,000	2,894	(1,106)
Emergency expenses	10,000	10,000	10,582	582
Telephone and communications	2,000	2,000	285	(1,715)
Printing	1,200	1,200	1,988	788
Legal advertising	900	900	1,960	1,060
Education, training, and travel	4,000	4,000	5,621	1,621
Economic Development Foundation	-	-	-	-
Books, periodicals, and memberships	1,000	1,000	422	(578)
Office supplies	1,800	1,800	1,661	(139)
Machinery	3,800	3,800	1,101	(2,699)
Total community development	<u>182,643</u>	<u>182,643</u>	<u>137,738</u>	<u>(44,905)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
General government (Continued):				
Airport authority:				
Engineering authority	19,000	19,000	5,339	(13,661)
Airport management	62,000	62,000	58,729	(3,271)
Lawn care	500	500	-	(500)
Disposal and recycling services	800	800	858	58
Contracted building repairs and maintenance	4,000	4,000	650	(3,350)
Contracted vehicle repair and maintenance	1,900	1,900	52	(1,848)
Contracted equipment repair and maintenance	8,500	8,500	15,089	6,589
Contracted infrastructure repair and maintenance	14,000	14,000	10,902	(3,098)
Telephone and communications	5,000	5,000	5,021	21
Equipment rental	1,700	1,700	3,783	2,083
Other supply expense	900	900	1,226	326
Office supplies	200	200	150	(50)
Vehicle supplies	400	400	465	65
Other technical services	6,200	6,200	8,218	2,018
Postage and freight	200	200	-	(200)
Insurance other than employee benefits	5,500	5,500	3,500	(2,000)
Building supplies	1,500	1,500	922	(578)
Equipment supplies	2,000	2,000	2,282	282
Maintenance and janitorial supplies	300	300	(113)	(413)
Natural gas	8,000	8,000	5,401	(2,599)
Electricity	25,000	25,000	20,706	(4,294)
Gasoline	2,000	2,000	1,532	(468)
Diesel fuel	4,000	4,000	3,913	(87)
Improvements	34,500	34,500	-	(34,500)
Machinery	100,000	100,000	117,468	17,468
Property taxes	10,000	10,000	7,510	(2,490)
Total airport authority	<u>318,100</u>	<u>318,100</u>	<u>273,603</u>	<u>(44,497)</u>
Human resources:				
Non-bargaining	41,708	41,708	37,706	(4,002)
Medical and veterinary services	4,500	4,500	685	(3,815)
Other professional and admin	-	-	-	-
Printing	-	-	-	-
Legal advertising	500	500	240	(260)
Recruitment advertising	10,000	10,000	534	(9,466)
Education, training and travel	650	650	928	278
Books, periodicals and memberships	-	-	180	180
Office and maintenance supplies	750	750	262	(488)
Equipment	1,500	1,500	159	(1,341)
Total human resources	<u>59,608</u>	<u>59,608</u>	<u>40,694</u>	<u>(18,914)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Other:				
Interdepartmental expenses:				
Temporary, non-bargaining	-	-	1,234	1,234
Social security contribution	191,000	191,000	150,413	(40,587)
Contribution to Fire Pension Fund	708,591	708,591	708,590	(1)
Contribution to Police Pension Fund	937,985	937,985	937,954	(31)
Medicare contribution	98,000	98,000	108,502	10,502
Group health insurance	1,914,000	1,914,000	1,480,979	(433,021)
PEHP contributions	145,000	145,000	105,921	(39,079)
Unemployment insurance	26,000	26,000	21,641	(4,359)
Worker compensation	383,000	383,000	293,742	(89,258)
Auditing city records	40,000	40,000	33,750	(6,250)
Other consulting services	50,000	50,000	34,475	(15,525)
Equipment rental	7,500	7,500	4,627	(2,873)
Contracted equipment repair and maintenance	60,000	60,000	46,128	(13,872)
Telephone and communications	20,000	20,000	18,985	(1,015)
Printing	1,500	1,500	370	(1,130)
Legal advertising	500	500	784	284
Training	-	-	45	45
Postage	12,000	12,000	13,152	1,152
Insurance	285,000	285,000	302,113	17,113
Celebrate summer	20,000	20,000	20,861	861
Fuel for resale	68,000	68,000	77,218	9,218
Other indirect governmental services	-	-	1,828	1,828
Books, periodical and memberships	4,000	4,000	2,415	(1,585)
Other supply expense	1,000	1,000	3,097	2,097
Office supplies	5,000	5,000	3,429	(1,571)
Property taxes	-	-	1,152	1,152
Annexation payments	-	-	-	-
Total interdepartmental expenses	<u>4,978,076</u>	<u>4,978,076</u>	<u>4,373,405</u>	<u>(604,671)</u>
Total general government	<u>6,990,029</u>	<u>6,990,029</u>	<u>6,054,445</u>	<u>(935,584)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety:				
Police department:				
Non-bargaining	788,264	788,264	780,788	(7,476)
Salaries, AFSCME	638,062	638,062	615,798	(22,264)
Police salaries	2,195,175	2,215,175	2,295,696	80,521
Overtime, non-bargaining	12,500	12,500	13,500	1,000
Overtime, AFSCME	72,500	72,500	48,877	(23,623)
Overtime, police	130,000	130,000	76,404	(53,596)
Clothing allowance	50,525	50,525	52,185	1,660
Medical and veterinary services	3,680	3,680	3,551	(129)
Other prof/admin services consulting	2,000	2,000	1,621	(379)
Custodial services	12,240	12,240	9,600	(2,640)
Laundry and cleaning	150	150	483	333
Lawn care	-	-	-	-
Contracted building repairs	55,000	35,000	30,350	(4,650)
Contracted vehicle repair and maintenance	21,500	21,500	13,825	(7,675)
Contracted equipment repair and maintenance	52,500	45,500	41,694	(3,806)
Rental of equipment	4,300	4,300	2,501	(1,799)
Telephone and communications	39,500	29,500	27,765	(1,735)
Printing	6,500	6,500	3,275	(3,225)
Publication expense	2,000	2,000	-	(2,000)
Education, training and travel	45,000	32,000	38,071	6,071
Postage	600	600	781	181
Books, periodicals and memberships	3,600	3,600	1,537	(2,063)
Other supply expense	1,000	1,000	1,073	73
Office supplies	8,200	8,200	9,138	938
Educational supplies	7,500	7,500	2,556	(4,944)
Animal supplies	3,000	3,000	509	(2,491)
Extinguisher supplies	800	800	370	(430)
Departmental gear and clothing	8,400	8,400	4,695	(3,705)
Vehicle supplies	21,000	21,000	17,767	(3,233)
Building supplies	1,100	1,100	2,125	1,025
Ammunition	6,000	6,000	2,698	(3,302)
Equipment supplies	2,000	2,000	822	(1,178)
Investigation and patrol supplies	5,500	5,500	5,662	162

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Police department (Continued):				
Maintenance and janitorial supplies	2,600	2,600	3,333	733
Gasoline	75,000	75,000	73,997	(1,003)
Water/sewer	1,000	1,000	968	(32)
Equipment, furniture and fixtures	2,000	2,000	-	(2,000)
Computer hardware	35,000	15,000	8,306	(6,694)
Total police department	<u>4,315,696</u>	<u>4,265,696</u>	<u>4,192,321</u>	<u>(73,375)</u>
Fire department:				
Non-bargaining	459,459	459,459	457,239	(2,220)
Fire	2,260,634	2,330,634	2,357,857	27,223
Overtime, non-bargaining	2,000	2,000	11,901	9,901
Overtime, fire	95,000	95,000	39,211	(55,789)
Clothing allowance	21,000	21,000	19,185	(1,815)
Medical services	10,000	1,000	131	(869)
Laundry and cleaning	10,000	10,000	11,796	1,796
Contracted building repairs	10,000	8,000	4,804	(3,196)
Contracted vehicle repair and maintenance	20,000	18,000	11,488	(6,512)
Contracted equipment repair and maintenance	15,000	13,000	5,496	(7,504)
Telephone and communications	9,000	9,000	6,393	(2,607)
Printing	500	500	-	(500)
Publication expense	500	500	113	(387)
Education, training and travel	25,000	20,000	19,624	(376)
Postage and freight	500	500	445	(55)
Books, periodicals and memberships	4,000	4,000	3,911	(89)
Other supply expense	500	500	255	(245)
Office supplies	1,500	1,500	1,314	(186)
Ambulance supplies	7,500	7,500	9,357	1,857
Educational supplies	1,000	1,000	180	(820)
Extinguisher supplies	1,000	1,000	39	(961)
Department clothing gear supplies	10,000	10,000	7,151	(2,849)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Fire department (Continued):				
Vehicle supplies	21,000	21,000	13,321	(7,679)
Building supplies	3,500	3,500	3,020	(480)
Equipment supplies	7,500	7,500	3,792	(3,708)
Investigation and patrol supplies	1,000	1,000	92	(908)
Maintenance and janitorial supplies	4,000	4,000	5,330	1,330
Gasoline	5,000	5,000	3,571	(1,429)
Diesel fuel	10,000	10,000	16,555	6,555
Water/sewer	2,250	2,250	2,183	(67)
Equipment	5,000	5,000	-	(5,000)
Total fire department	3,023,343	3,073,343	3,015,754	(57,589)
Buildings:				
Non-bargaining	102,375	102,375	97,992	(4,383)
Title searches and recording fees	2,800	2,800	3,630	830
Other professional services	800	800	-	(800)
Court report, witness and service fees	200	200	-	(200)
Other technical services	30,000	30,000	-	(30,000)
Lawn care	8,500	8,500	8,449	(51)
Contracted vehicle repairs	900	900	128	(772)
Contracted equip repairs	2,700	2,700	499	(2,201)
Demolition	195,000	68,000	65,590	(2,410)
Telephone and communications	1,700	1,700	1,238	(462)
Printing	700	700	174	(526)
Publication expense	400	400	497	97
Education, training and travel	1,500	1,500	3,449	1,949
Other supply expense	100	100	69	(31)
Books, periodicals and memberships	1,000	1,000	455	(545)
Office and maintenance supplies	800	800	149	(651)
Investigation and patrol supplies	600	600	231	(369)
Gasoline	2,100	2,100	1,678	(422)
Equipment, furniture, and fixtures>1000	25,800	5,800	1,648	(4,152)
Software	-	-	2,816	2,816
Total buildings	377,975	230,975	188,692	(42,283)
Total public safety	7,717,014	7,570,014	7,396,767	(173,247)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Highway and streets/transportation:				
Street department:				
Non-bargaining	64,056	64,056	61,478	(2,578)
Salaries, AFSCME	540,579	562,579	562,512	(67)
Temporary, non-bargaining	-	-	722	722
Overtime, AFSCME	55,000	55,000	56,195	1,195
Medical services	2,000	2,000	1,601	(399)
Laboratory testing	500	500	-	(500)
Contracted building repairs and maintenance	50,000	50,000	8,844	(41,156)
Contracted vehicles repairs and maintenance	17,000	17,000	12,425	(4,575)
Contracted equipment repairs and maintenance	20,000	20,000	22,105	2,105
Contracted infrastructure repairs and maintenance	65,000	80,000	72,794	(7,206)
Equipment rental	1,000	1,000	6	(994)
Excavation	500	500	-	(500)
Telephone and communications	4,000	4,000	3,914	(86)
Printing	300	300	419	119
Education, training, and travel	500	500	525	25
Postage and freight	1,500	1,500	17	(1,483)
Other supplies	3,000	3,000	4,194	1,194
Books, periodicals, and memberships	500	500	212	(288)
Office supplies	1,200	1,200	1,298	98
Departmental gear and clothing	6,000	6,000	1,922	(4,078)
Vehicle supplies	45,000	45,000	32,048	(12,952)
Rock and road	60,000	60,000	31,019	(28,981)
Street marking supplies	50,000	50,000	34,556	(15,444)
Snow removal supplies	85,000	285,000	300,712	15,712
Building supplies	15,000	15,000	6,807	(8,193)
Equipment supplies	40,000	40,000	43,945	3,945
Maintenance and janitorial supplies	2,500	2,500	6,342	3,842
Gasoline	80,000	80,000	16,422	(63,578)
Diesel fuel	65,000	65,000	65,339	339
Equipment, furniture, and fixtures	8,000	8,000	-	(8,000)
Computer hardware	3,000	3,000	-	(3,000)
Total highways and streets/transportation	1,286,135	1,523,135	1,348,373	(174,762)

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (Continued):				
Health:				
Dog pound:				
Salaries, AFSCME	33,696	33,696	33,356	(340)
Overtime, AFSCME	6,000	6,000	3,996	(2,004)
Medical and veterinary services	10,000	9,000	5,175	(3,825)
Cleaning kennels	400	400	-	(400)
Contractual equipment	700	700	-	(700)
Education	-	-	-	-
Departmental gear and clothing	150	150	266	116
Office and maintenance	50	50	18	(32)
Animal supplies	300	300	358	58
Dog pound license	50	50	25	(25)
Maintenance and janitorial supplies	200	1,200	423	(777)
Equipment, furniture and fixtures <1000	300	300	78	(222)
Total health	<u>51,846</u>	<u>51,846</u>	<u>43,695</u>	<u>(8,151)</u>
Culture and recreation:				
Forestry:				
Salaries, AFSCME	84,745	84,745	84,202	(543)
Overtime, AFSCME	3,000	3,000	1,469	(1,531)
Other technical services	10,000	10,000	8,500	(1,500)
Contracted vehicle repairs and maintenance	1,000	1,000	-	(1,000)
Contracted equip. repairs and maintenance	500	500	258	(242)
Postage	50	50	-	(50)
Tree assistance	3,000	3,000	-	(3,000)
Other supplies	200	200	1,697	1,497
Vehicle supplies	500	500	117	(383)
Equipment supplies	1,000	4,000	2,324	(1,676)
Equipment, furniture and fixtures	3,200	200	-	(200)
Total culture and recreation	<u>107,195</u>	<u>107,195</u>	<u>98,567</u>	<u>(8,628)</u>
Total expenditures	<u>\$16,152,219</u>	<u>\$16,242,219</u>	<u>\$14,941,847</u>	<u>\$ (1,300,372)</u>

CITY OF FREEPORT, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF OTHER FINANCING SOURCES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2009

	Original Budget	Final Budget	Actual	Over (Under) Budget
Other financing sources (uses):				
Operating transfers in:				
Insurance Reserve	\$ 160,000	\$ 160,000	\$ 137,645	\$ (22,355)
Library Fund	25,000	25,000	25,000	-
Total operating transfers in	\$ 185,000	\$ 185,000	\$ 162,645	\$ (22,355)
Operating transfers out:				
IMRF Fund	\$ (43,000)	\$ (43,000)	\$ (43,000)	\$ -
Capital Improvement Fund	(310,000)	(310,000)	(145,220)	164,780
Grant Administration Fund	(194,750)	(104,750)	(15,449)	89,301
NHS Fund	(75,000)	(75,000)	(70,049)	4,951
Debt Service Fund	(392,500)	(392,500)	(390,803)	1,697
Economic Development Fund	(30,000)	(30,000)	(30,000)	-
Total operating transfers out	\$(1,045,250)	\$ (955,250)	\$ (694,521)	\$ 260,729

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2009

	Total Nonmajor Governmental Funds	Special		
		Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
<u>ASSETS</u>				
Cash	\$ 240,326	\$ -	\$ 109,087	\$ -
Investments, at cost	2,898,036	124,333	221,132	88,704
Receivables:				
Property tax	1,280,772	166,342	-	-
Accounts	950,785	-	52,804	-
Prepaid expenses	-	-	-	-
Due from other funds	94,842	-	-	-
Total assets	<u>\$ 5,464,761</u>	<u>\$ 290,675</u>	<u>\$ 383,023</u>	<u>\$ 88,704</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 214,362	\$ -	\$ -	\$ -
Accrued payroll	43,384	-	-	-
Due to other funds	536,659	-	-	-
Deferred revenues	1,280,772	166,342	-	-
Total liabilities	<u>2,075,177</u>	<u>166,342</u>	<u>-</u>	<u>-</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	345,029	-	-	-
Fund balances, unreserved	3,044,555	124,333	383,023	88,704
Total fund balances	<u>3,389,584</u>	<u>124,333</u>	<u>383,023</u>	<u>88,704</u>
Total liabilities and fund equity	<u>\$ 5,464,761</u>	<u>\$ 290,675</u>	<u>\$ 383,023</u>	<u>\$ 88,704</u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 89,762	\$ 2,664	\$ -	\$ -	\$ -	\$ -
-	141,031	35,095	2,903	-	9,761
-	-	-	-	-	-
-	-	-	-	-	-
-	2,059	-	-	12,200	-
<u>\$ 89,762</u>	<u>\$ 145,754</u>	<u>\$ 35,095</u>	<u>\$ 2,903</u>	<u>\$ 12,200</u>	<u>\$ 9,761</u>
\$ -	\$ 12,361	\$ -	\$ -	\$ 12,200	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,361	-	-	12,200	-
-	-	-	-	-	-
89,762	133,393	35,095	2,903	-	9,761
89,762	133,393	35,095	2,903	-	9,761
<u>\$ 89,762</u>	<u>\$ 145,754</u>	<u>\$ 35,095</u>	<u>\$ 2,903</u>	<u>\$ 12,200</u>	<u>\$ 9,761</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2009

	Special			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
<u>ASSETS</u>				
Cash	\$ 38,369	\$ -	\$ -	\$ -
Investments, at cost	-	111,623	117,402	-
Receivables:				
Property tax	-	-	-	-
Accounts	-	-	-	548,956
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	12,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 38,369</u>	<u>\$ 111,623</u>	<u>\$ 117,402</u>	<u>\$ 561,539</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 4,796	\$ 142,085
Accrued payroll	-	-	-	-
Due to other funds	-	115,146	-	419,454
Deferred revenues	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>115,146</u>	<u>4,796</u>	<u>561,539</u>
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	<u>38,369</u>	<u>(3,523)</u>	<u>112,606</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>38,369</u>	<u>(3,523)</u>	<u>112,606</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 38,369</u>	<u>\$ 111,623</u>	<u>\$ 117,402</u>	<u>\$ 561,539</u>

Revenue	Debt Service	Capital Projects			
Public Library	Debt Service	Capital Improvements	Fire Capital Improvements	Equipment Capital Projects	Street Capital Projects
\$ -	\$ -	\$ -	\$ 444	\$ -	\$ -
1,210,883	306,753	118,404	277,539	82,084	50,389
1,114,430	-	-	-	-	-
41,569	-	-	282,855	24,601	-
-	-	-	-	-	-
-	-	-	-	-	68,000
<u>\$ 2,366,882</u>	<u>\$ 306,753</u>	<u>\$ 118,404</u>	<u>\$ 560,838</u>	<u>\$ 106,685</u>	<u>\$ 118,389</u>
\$ 40,300	\$ -	\$ -	\$ 2,620	\$ -	\$ -
43,384	-	-	-	-	-
-	-	2,059	-	-	-
1,114,430	-	-	-	-	-
<u>1,198,114</u>	<u>-</u>	<u>2,059</u>	<u>2,620</u>	<u>-</u>	<u>-</u>
38,276	306,753	-	-	-	-
1,130,492	-	116,345	558,218	106,685	118,389
<u>1,168,768</u>	<u>306,753</u>	<u>116,345</u>	<u>558,218</u>	<u>106,685</u>	<u>118,389</u>
<u>\$ 2,366,882</u>	<u>\$ 306,753</u>	<u>\$ 118,404</u>	<u>\$ 560,838</u>	<u>\$ 106,685</u>	<u>\$ 118,389</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2009

	Total	Special		
	Nonmajor Governmental Funds	Illinois Municipal Retirement	Motor Fuel Tax	Cemetery Care
Revenues:				
Taxes	\$ 1,914,010	\$ 171,992	\$ -	\$ -
Fees	558,884	-	-	-
Intergovernmental	2,321,683	-	747,038	-
Interest	99,647	1,473	6,238	8,071
Other	61,995	-	-	-
Total revenues	<u>4,956,219</u>	<u>173,465</u>	<u>753,276</u>	<u>8,071</u>
Expenditures:				
General government	2,600,361	190,546	-	-
Public safety	131,693	-	-	-
Public works	1,043,363	-	-	-
Culture and recreation	1,401,045	-	-	-
Debt service	608,164	-	-	-
Total expenditures	<u>5,784,626</u>	<u>190,546</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(828,407)</u>	<u>(17,081)</u>	<u>753,276</u>	<u>8,071</u>
Other financing sources (uses):				
Sale of fixed assets	11,320	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	2,342,220	43,000	-	-
Operating transfers out	<u>(1,810,344)</u>	<u>-</u>	<u>(1,034,333)</u>	<u>-</u>
Total other financing sources (uses)	<u>543,196</u>	<u>43,000</u>	<u>(1,034,333)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(285,211)</u>	<u>25,919</u>	<u>(281,057)</u>	<u>8,071</u>
Fund balance - May 1, 2008	<u>3,674,795</u>	<u>98,414</u>	<u>664,080</u>	<u>80,633</u>
Fund balance - April 30, 2009	<u>\$ 3,389,584</u>	<u>\$ 124,333</u>	<u>\$ 383,023</u>	<u>\$ 88,704</u>

Revenue

<u>Tourism Promotion</u>	<u>Economic Development</u>	<u>Motor Vehicle</u>	<u>Insurance Reserve</u>	<u>Neighborhood Housing Service</u>	<u>Fire Public Safety</u>
\$ 168,360	\$ 51,510	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
775	3,032	365	34	-	115
-	-	5,500	-	-	470
<u>169,135</u>	<u>54,542</u>	<u>5,865</u>	<u>34</u>	<u>-</u>	<u>585</u>
155,600	242,799	-	-	70,049	671
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>155,600</u>	<u>242,799</u>	<u>-</u>	<u>-</u>	<u>70,049</u>	<u>671</u>
<u>13,535</u>	<u>(188,257)</u>	<u>5,865</u>	<u>34</u>	<u>(70,049)</u>	<u>(86)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	321,650	-	-	70,049	-
-	-	-	-	-	-
<u>-</u>	<u>321,650</u>	<u>-</u>	<u>-</u>	<u>70,049</u>	<u>-</u>
13,535	133,393	5,865	34	-	(86)
<u>76,227</u>	<u>-</u>	<u>29,230</u>	<u>2,869</u>	<u>-</u>	<u>9,847</u>
<u>\$ 89,762</u>	<u>\$ 133,393</u>	<u>\$ 35,095</u>	<u>\$ 2,903</u>	<u>\$ -</u>	<u>\$ 9,761</u>

CITY OF FREEPORT, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2009

	Special			
	Drug Forfeiture	Downtown T.I.F. District	Lamm Road T.I.F. District	Grants
Revenues:				
Taxes	\$ -	\$ 220,005	\$ 158,996	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	-	1,289,372
Interest	117	1,709	1,529	-
Other	9,671	-	-	-
Total revenues	<u>9,788</u>	<u>221,714</u>	<u>160,525</u>	<u>1,289,372</u>
Expenditures:				
General government	15,159	84,389	81,644	1,401,852
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>15,159</u>	<u>84,389</u>	<u>81,644</u>	<u>1,401,852</u>
Excess of revenues over (under) expenditures	<u>(5,371)</u>	<u>137,325</u>	<u>78,881</u>	<u>(112,480)</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	-	-
Debt proceeds	-	-	-	-
Operating transfers in	-	-	-	112,480
Operating transfers out	-	(62,484)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(62,484)</u>	<u>-</u>	<u>112,480</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(5,371)</u>	<u>74,841</u>	<u>78,881</u>	<u>-</u>
Fund balance - May 1, 2008	<u>43,740</u>	<u>(78,364)</u>	<u>33,725</u>	<u>-</u>
Fund balance - April 30, 2009	<u>\$ 38,369</u>	<u>\$ (3,523)</u>	<u>\$ 112,606</u>	<u>\$ -</u>

Revenue	Debt	Capital Projects			
	Service	Capital	Fire	Equipment	Street
Public	Debt	Improvements	Capital	Capital	Capital
Library	Service		Improvements	Projects	Projects
\$ 1,143,147	\$ -	\$ -	\$ -	\$ -	\$ -
27,775	-	-	531,109	-	-
43,991	-	-	-	241,282	-
55,766	3,957	-	4,945	10,838	683
15,489	-	505	30,360	-	-
<u>1,286,168</u>	<u>3,957</u>	<u>505</u>	<u>566,414</u>	<u>252,120</u>	<u>683</u>
-	-	46,619	-	311,033	-
-	-	-	131,693	-	-
-	-	-	-	-	1,043,363
1,401,045	-	-	-	-	-
-	608,164	-	-	-	-
<u>1,401,045</u>	<u>608,164</u>	<u>46,619</u>	<u>131,693</u>	<u>311,033</u>	<u>1,043,363</u>
<u>(114,877)</u>	<u>(604,207)</u>	<u>(46,114)</u>	<u>434,721</u>	<u>(58,913)</u>	<u>(1,042,680)</u>
-	-	-	-	11,320	-
-	-	-	-	-	-
-	615,488	145,220	-	-	1,034,333
<u>(25,000)</u>	<u>(91,121)</u>	<u>(291,650)</u>	<u>(255,546)</u>	<u>(50,210)</u>	<u>-</u>
<u>(25,000)</u>	<u>524,367</u>	<u>(146,430)</u>	<u>(255,546)</u>	<u>(38,890)</u>	<u>1,034,333</u>
(139,877)	(79,840)	(192,544)	179,175	(97,803)	(8,347)
<u>1,308,645</u>	<u>386,593</u>	<u>308,889</u>	<u>379,043</u>	<u>204,488</u>	<u>126,736</u>
<u>\$ 1,168,768</u>	<u>\$ 306,753</u>	<u>\$ 116,345</u>	<u>\$ 558,218</u>	<u>\$ 106,685</u>	<u>\$ 118,389</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET ASSETS
 April 30, 2009

<u>ASSETS</u>	<u>Total</u>	<u>Foreign Fire Insurance</u>	<u>Revolving Loan</u>
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	104,708	21,406	83,302
Loans receivable	<u>311,560</u>	<u>-</u>	<u>311,560</u>
Total assets	<u>416,268</u>	<u>21,406</u>	<u>394,862</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	<u>1,102</u>	<u>1,102</u>	<u>-</u>
Net assets	<u>\$ 415,166</u>	<u>\$ 20,304</u>	<u>\$ 394,862</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PRIVATE-PURPOSE TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN NET ASSETS
 Year ended April 30, 2009

	Total	Foreign Fire Insurance	Revolving Loan
Additions:			
Foreign fire insurance	\$ 20,413	\$ 20,413	\$ -
Interest	10,108	283	9,825
	30,521	20,696	9,825
Deductions:			
Contractual services	2,540	2,540	-
Supplies	16,890	16,890	-
Capital outlay	9,290	9,290	-
	28,720	28,720	-
Net increase	1,801	(8,024)	9,825
Net assets held in trust for other purposes			
Net assets, May 1, 2008	413,365	28,328	385,037
Net assets, April 30, 2009	\$ 415,166	\$ 20,304	\$ 394,862

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING STATEMENT OF PLAN NET ASSETS
 April 30, 2009

<u>ASSETS</u>	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Cash and cash equivalents	\$ 1,251,672	\$ 891,823	\$ 359,849
Receivables:			
Accrued interest	115,402	2,380	113,022
Investments, at fair value			
U.S. government obligations	9,898,904	-	9,898,904
State and local obligations	66,225	-	66,225
Common stock	4,906,417	859,017	4,047,400
Mutual funds	20,748,088	12,689,903	8,058,185
Certificates of deposit	-	-	-
Total investments	<u>35,619,634</u>	<u>13,548,920</u>	<u>22,070,714</u>
Total assets	<u>36,986,708</u>	<u>14,443,123</u>	<u>22,543,585</u>
<u>LIABILITIES AND NET ASSETS</u>			
Net assets	<u>\$ 36,986,708</u>	<u>\$ 14,443,123</u>	<u>\$ 22,543,585</u>

CITY OF FREEPORT, ILLINOIS
 FIDUCIARY FUNDS
 PENSION TRUST FUNDS
 COMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
 Year ended April 30, 2009

	<u>Total</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:			
Contributions - employer	\$ 1,646,544	\$ 937,954	\$ 708,590
Contributions - employees	572,072	304,038	268,034
Other investment income	<u>(4,364,871)</u>	<u>(916,717)</u>	<u>(3,448,154)</u>
 Total additions	 <u>(2,146,255)</u>	 <u>325,275</u>	 <u>(2,471,530)</u>
Deductions:			
Benefits and refunds	2,808,998	1,309,986	1,499,012
Other charges and services	<u>185,314</u>	<u>79,039</u>	<u>106,275</u>
 Total deductions	 <u>2,994,312</u>	 <u>1,389,025</u>	 <u>1,605,287</u>
 Net increase	 (5,140,567)	 (1,063,750)	 (4,076,817)
 Net assets held in trust for pension benefits			
Net assets, May 1, 2008	<u>42,127,275</u>	<u>15,506,873</u>	<u>26,620,402</u>
Net assets, April 30, 2009	<u>\$ 36,986,708</u>	<u>\$ 14,443,123</u>	<u>\$ 22,543,585</u>

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
FREEPORT SEWER SYSTEM
April 30, 2009**

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>
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	\$1.74	\$2,799,819
2006	\$4.90/month	\$2.21	\$3,072,732
2007	\$4.90/month	\$2.29	\$3,249,700
2008	\$5.15/month	\$2.63	\$3,837,360
2009	\$5.15/month	\$2.63	\$4,114,647

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2009**

Assessment of Property

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

Equalized Assessed Valuation

The City’s EAV has increased \$27,554,812 or approximately 11.9% between 2004 and 2008 (see table following). The EAV is net of Senior Citizen’s Homestead and General Homestead exemptions. The Senior Citizen’s Homestead, effective for tax years 1983 and following, has reduced the EAV of real property owned and occupied by a person 65 years of age or older. The General Homestead Exemption is valuable to owner-occupied residential property; the amount of the exemption is the increase in the current year’s equalized assessed valuation above the 1977 tax year equalized assessed valuation, with a maximum of \$1,500 in 1978, \$3,000 between 1979 and 1982 and \$3,500 thereafter.

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

<u>Tax Levy Year</u>	<u>Equalized Assessed Valuation</u>	<u>Percent Increase Over Prior Year</u>
2008	\$258,416,227	1.398%
2007	\$254,852,880	3.430%
2006	\$246,401,399	3.659%
2005	\$237,703,078	2.964%
2004	\$230,861,415	1.993%
Per Capita EAV	<u>\$9,786.92</u>	

CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2009

Equalized Assessed Valuation (Continued)

Components of the EAV for the 2008 levy year are approximately as follows:

<u>Use</u>	<u>EAV</u>	<u>Percentage</u>
Residential	\$177,928,811	68.855%
Farm	73,562	0.028%
Commercial	67,540,672	26.136%
Industrial	12,500,195	4.837%
Railroad	<u>372,987</u>	<u>0.144%</u>
	<u>\$258,416,227</u>	<u>100.000%</u>

Overlapping Debt

The following table reflects the City's direct and overlapping debt as of April 30, 2009 including the Bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
General Obligation Bonds	<u>\$27,475,000</u>	<u>\$27,475,000</u>	<u>\$-0-</u>
Total	<u>\$27,475,000</u>	<u>\$27,475,000</u>	<u>\$-0-</u>
Per Capita City Direct Debt			\$-0-
Percent of Direct Debt to 2008 EAV			-0%

<u>Overlapping Debt</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Stephenson County	\$14,213,313	44%	\$ 6,253,858
School District #145	20,833,782	76%	15,833,674
Freeport Park District	2,674,565	99%	2,647,819
Community College District #519	<u>6,495,000</u>	18%	<u>1,169,100</u>

Total \$44,216,660 \$25,904,451

Per capita net overlapping debt \$981.23
Percent of net overlapping debt to 2008 EAV 10.02%

**CITY OF FREEPORT
ANNUAL FINANCIAL INFORMATION
PROPERTY ASSESSMENT AND TAX INFORMATION
April 30, 2009**

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 2004 through 2008 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Corporate	0.38616	0.39155	0.38094	0.39529	0.40701
Police Pension	0.31928	0.29444	0.29097	0.27651	0.27640
Public Library	0.43561	0.42887	0.42984	0.43095	0.43186
Municipal Retirement	0.06502	0.06749	0.07306	0.08246	0.05891
Firefighter's Pension	<u>0.22154</u>	<u>0.22244</u>	<u>0.23982</u>	<u>0.23300</u>	<u>0.24516</u>
Total	<u>1.42761</u>	<u>1.40479</u>	<u>1.41463</u>	<u>1.41821</u>	<u>1.41934</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 2008 were as follows:

<u>Taxing Unit</u>	<u>2008 Tax Levy</u>
City of Freeport	1.42761
Stephenson County	1.13045
Freeport Township	.39558
Community College District #519	.48494
School District #145	5.69613
Freeport Park District	.92693
Freeport MOSQ Abate	.04256

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CITY OF FREEPORT, ILLINOIS
SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
Year ended April 30, 2009

Year ended <u>April 30</u>	<u>2003</u> General Obligation Bonds		<u>2006</u> General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 80,000	\$ 38,970	\$ 15,000	\$ 72,683
2011	85,000	32,057	15,000	75,743
2012	90,000	28,580	17,000	75,085
2013	90,000	24,806	17,000	74,355
2014	90,000	22,947	17,000	71,632
2015	100,000	15,694	18,000	73,665
2016	100,000	10,273	17,000	73,387
2017	110,000	4,611	19,000	73,386
2018	-	-	140,000	72,124
2019	-	-	143,000	66,665
2020	-	-	148,000	60,990
2021	-	-	151,000	55,107
2022	-	-	161,000	49,009
2023	-	-	169,000	42,496
2024	-	-	170,000	35,645
2025	-	-	127,000	28,738
2026	-	-	136,000	23,580
2027	-	-	138,000	18,033
2028	-	-	147,000	12,376
2029	-	-	150,000	6,262
	<u>\$ 745,000</u>	<u>\$ 177,938</u>	<u>\$ 1,915,000</u>	<u>\$ 1,060,961</u>

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2009

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>
2010	\$ 355,000	\$ 60,010	\$ 190,000	\$ 78,330
2011	375,000	41,195	195,000	74,443
2012	395,000	21,132	205,000	66,370
2013	-	-	215,000	57,606
2014	-	-	225,000	46,122
2015	-	-	235,000	36,444
2016	-	-	250,000	23,858
2017	-	-	175,000	10,708
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
	<u>\$ 1,125,000</u>	<u>\$ 122,337</u>	<u>\$ 1,690,000</u>	<u>\$ 393,881</u>

2004		2005		2006	
General Obligation Bonds		General Obligation Bonds		General Obligation Bonds	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 65,000	\$ 351,518	\$ 25,000	\$ 253,736	\$ 35,000	\$ 328,617
70,000	349,566	30,000	252,986	35,000	323,557
70,000	347,292	30,000	252,012	38,000	322,215
490,000	344,842	30,000	250,992	38,000	320,745
510,000	322,792	30,000	249,912	38,000	321,268
530,000	299,843	30,000	248,786	42,000	317,035
555,000	275,992	35,000	247,646	43,000	314,913
575,000	253,793	35,000	246,158	131,000	312,514
600,000	230,792	35,000	244,672	320,000	308,151
625,000	206,793	35,000	243,184	332,000	296,130
645,000	181,792	40,000	241,696	347,000	283,280
675,000	155,993	40,000	239,996	364,000	269,858
700,000	128,318	40,000	238,296	374,000	255,356
735,000	98,918	45,000	236,546	391,000	240,469
760,000	67,680	45,000	234,578	405,000	224,920
800,000	35,000	50,000	232,608	423,000	208,827
-	-	915,000	230,422	439,000	191,985
-	-	960,000	189,246	457,000	174,532
-	-	1,000,000	146,046	478,000	156,389
-	-	1,045,000	99,796	495,000	136,722
-	-	1,095,000	51,466	510,000	116,377
-	-	-	-	535,000	95,340
-	-	-	-	555,000	72,870
-	-	-	-	575,000	49,560
-	-	-	-	605,000	25,410
\$ 8,405,000	\$ 3,650,924	\$ 5,590,000	\$ 4,630,780	\$ 8,005,000	\$ 5,667,040

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

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Freeport, Illinois for the year ended April 30, 2009, and have issued our report thereon dated November 12, 2009. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the Downtown TIF district and Lamm Road TIF District pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

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

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

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

Lindgren, Callihan, Van Osdel & Co., Ltd.

Freeport, Illinois
November 12, 2009

ANNUAL FEDERAL FINANCIAL-COMPLIANCE SECTION

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title:</u>	<u>CFDA* Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>			
<u>Passed through Illinois Housing Development Authority</u>			
HUD Small Rental Property Grant	14.219	\$190,705	\$190,705
<u>U.S Department of Justice:</u>			
Bulletproof Vest Partnership Program	16.607	1,840	1,840
<u>U.S. Department of Transportation</u>			
<u>Passed through Illinois Department of Transportation</u>			
Airport Improvement Grant	20.106	472,334	472,334
Transportation Grant	20.509	129,973	129,973
<u>U.S. Environmental Protection Agency</u>			
<u>Passed through Illinois Environmental Protection Agency</u>			
Brownfield Grants	66.818	92,058	92,058
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response	97.083	75,900	75,900
Fire Department Health and Wellness Grant	97.105	<u>61,340</u>	<u>61,340</u>
Total Federal Grant Activity		<u>\$1,024,150</u>	<u>\$1,024,150</u>

* Catalog of Federal Domestic Assistance Number.
See Notes to Schedule of Federal Awards.

CITY OF FREEPORT, ILLINOIS
NOTES TO SCHEDULE OF FEDERAL AWARDS
For the year ended April 30, 2009

Note A Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Freeport, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations.

Note B Subrecipients

For the year ended April 30, 2009, the City had no sub recipients of federal funds.

Note C Nonmonetary Assistance

For the year ended April 30, 2009, the City received no federal funds in the form of nonmonetary assistance.

CITY OF FREEPORT, ILLINOIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended April 30, 2009

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	___ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	___ <u>X</u> none reported
Noncompliance material to financial statements noted?	___ yes	___ <u>X</u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	___ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes	___ <u>X</u> none reported

Type of auditor’s report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes	___ <u>X</u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<i>Name of Federal Program or Cluster</i>
20.106	Airport Improvements
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ yes ___ X no

CITY OF FREEPORT, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the year ended April 30, 2009

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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CITY OF FREEPORT, ILLINOIS
CORRECTIVE ACTION PLAN
For the year ended April 30, 2009

N/A

CITY OF FREEPORT, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended April 30, 2009

None