C. J. SCHLOSSER
& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FREEBURG, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
MARCH 31, 2014

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VILLAGE OF FREEBURG, ILLINOIS

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CERTIFIED PUBLIC ACCOUNTANTS

J. Terry Dooling
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board
of Trustees of the Village of
Freeburg, Illinois:

We have audited the accompanying financial statements of the Village of Freeburg, Illinois as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the governmental funds financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the governmental fund financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the business-type and proprietary fund financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (accrual basis), each major fund and the non-major fund information of the Village of Freeburg, Illinois, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows (Governmental activities - modified cash basis, Business-type activities – accrual basis) thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, except for the Village's Proprietary Funds, which have been prepared on the accrual basis of accounting. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, the schedule of funding progress and employer contributions on page 38 and the budgetary comparison information on page 37, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Freeburg, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

C. J. Schlosser & Co., LLC

Certified Public Accountants
Alton, Illinois

August 15, 2014

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Freeburg, Illinois' (Village) annual audit presents a management's discussion and analysis of the Village's financial activity during the fiscal year ended March 31, 2014. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the Village.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the Village's basic financial statements. There are three components to the basic financial statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information/other information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude any fiduciary fund activities.

The government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, sanitation and development. The business-type activities include water, sewer, electric light and power, and swimming pool.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. Changes in net position are reported on the modified cash basis of accounting for the governmental activities and the accrual basis of accounting for the business-type activities.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and proprietary.

Governmental Funds. Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financial decisions. Both the governmental fund statement of assets, liabilities and fund balances arising from modified cash basis transactions and the governmental fund statement of revenues and expenditures arising from modified cash basis transactions provide a reconciliation to facilitate this comparison between the governmental funds and the government-wide governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental funds statement of assets, liabilities and fund balances arising from modified cash basis transactions and in the governmental fund statement of revenues and expenditures arising from modified cash basis transactions for the major fund: General Fund. Data for the other nonmajor governmental funds are combined in the supplementary information and reported in total in a separate column.

The Village adopts an annual budget for all governmental funds. A budgetary comparison schedule for the General Fund has been provided to demonstrate legal compliance with the adopted budget.

Proprietary funds. Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water, sewer, electric light and power, and swimming pool operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information/Other Information. The Village reports budgetary comparison and retirement funding progress related to IMRF as required supplementary information/other information following the notes to the financial statements.

Other supplementary information. The combining fund statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Village has presented its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local* Governments.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by $10,318,980 at the close of the most recent fiscal year.

The largest portion of the Village's net position (66%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The condensed statement of net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Current and other assets	$ 1,225,697	$ 1,134,548	$ 4,188,184	$ 4,054,112	$ 5,413,881	$ 5,188,660
Capital assets	744,455	642,475	12,089,558	12,232,451	12,834,013	12,874,926
Total assets	1,970,152	1,777,023	16,277,742	16,286,563	18,247,894	18,063,586
Long-term liabilities outstanding	1,360,000	1,520,000	5,745,934	5,683,557	7,105,934	7,203,557
Other liabilities	4,334	5,684	818,648	845,525	822,982	851,209
Total liabilities	1,364,334	1,525,684	6,564,582	6,529,082	7,928,916	8,054,766
Net position:						
Invested in capital assets, net of related debt	744,455	642,475	6,098,836	6,548,894	6,843,291	7,191,369
Restricted	620,509	581,086	-	-	620,509	581,086
Unrestricted	(759,146)	(972,222)	3,614,324	3,208,587	2,855,178	2,236,365
Total net position	$ 605,818	$ 251,339	$ 9,713,160	$ 9,757,481	$ 10,318,978	$ 10,008,820

Total net position increased $310,158 resulting in a balance of $10,318,978 as of March 31, 2014. Current assets, which include cash, investments and accounts receivable, increased $225,221. Non-current assets decreased $40,913, due to current year depreciation being in excess of additions. Total liabilities decreased $125,850 resulting in a balance of $7,928,916 as of March 31, 2014. Outstanding debt, including long-term and short-term portions, decreased $97,623 due to principal payments on the outstanding bonds exceeding the new notes payable. Other liabilities decreased $28,227, due to a decrease in accounts payable at the fiscal year end.

ANALYSIS OF NET POSITION

Analysis of Net Position	2014 Percent	2014 Amount	2013 Percent	2013 Amount
Net invested in capital assets	66.3%	$ 6,843,291	71.9%	$ 7,191,369
Restricted	6.0%	620,509	5.8%	581,086
Unrestricted	27.7%	2,855,178	22.3%	2,236,365
Total net position	100.0%	$ 10,318,978	100.0%	$ 10,008,820

Total net position balances increased by $310,158 in fiscal year 2014 to a total ending balance of $10,318,978. Capital net asset balances decreased by $348,078 in the current year due to debt reductions and depreciation expense exceeding capital asset activity. The unrestricted net position balances changed by the net income of operating activities. The revenue and expenditure comparisons that comprise the current year increase follow.

REVENUE COMPARISON BY TYPE

Governmental Activities	2014	2013
Property tax	$ 605,897	$ 587,375
Sales and use tax	449,523	449,057
State income tax	454,854	405,127
Replacement tax	5,921	5,165
Charges for services	314,623	299,882
Telecommunications tax	129,333	144,037
Motor fuel tax	108,795	104,579
Utility tax	244,177	233,012
Investment income	7,614	8,031
Operating grants	76,729	18,611
Miscellaneous	13,163	9,780
Total revenues	$ 2,410,629	$ 2,264,656

Total revenues for the governmental activities increased approximately $146,000 for the year ended March 31, 2014. The increase is mainly due to the increase in state income taxes with additional small variations between most categories.

Business-type Activities	2014	2013
Water charges	$ 853,866	$ 1,089,862
Sewer charges	473,464	500,660
Electric charges	4,993,978	4,739,346
Swimming pool charges	51,055	20,676
Capital/operating grants	90,400	236,430
Property taxes	54,162	53,895
Investment income	86,943	85,825
Total revenues	$ 6,603,868	$ 6,726,694

Total revenues for the business-type activities decreased approximately $123,000 for the year ended March 31, 2014. The Village had the largest increase in electric charges and the largest decreases in water charges and in capital/operating grants in the current year.

EXPENDITURES BY CATEGORY

Governmental Activities

Expenditures by category	2014 Percent	2014 Amount	2013 Percent	2013 Amount
General government	11.1%	$ 223,551	7.1%	$ 137,584
Public safety	50.9%	1,021,102	53.2%	1,031,066
Highways and streets	21.9%	438,393	22.0%	427,553
Sanitation	9.7%	195,243	10.7%	207,023
Development	2.9%	57,561	3.1%	59,513
Interest on long-term debt	3.5%	70,300	3.9%	76,594
Total expenditures	100.0%	$ 2,006,150	100.0%	$ 1,939,333

The Village reported an increase in expenses for governmental activities of $66,817. Public safety reported the highest expenditure category with almost 51% of all governmental expenditures.

The above expenditure categories include amounts for depreciation expense on assets purchased in the current and prior years. The breakdown by category is as follows:

	2014	2013
General government	$ 15,860	$ 12,185
Public safety	17,412	20,174
Highways and streets	23,303	17,812
Sanitation	1,335	1,335
Total depreciation	$ 57,910	$ 51,506

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled $159,890.

Business-type Activities

Operating Expenditures	2014 Percent	2014 Amount	2013 Percent	2013 Amount
Personal services	18.7%	$ 1,231,119	18.4%	$ 1,116,982
Contractual services	9.9%	652,588	10.4%	629,526
Electricity and water purchased	51.7%	3,402,224	52.5%	3,183,473
Supplies and materials	4.4%	290,463	4.3%	262,087
Heat, light and power	0.4%	29,055	0.4%	24,241
Depreciation	14.9%	977,655	14.0%	845,901
Total expenditures	100.0%	$ 6,583,104	100.0%	$ 6,062,210

Expenses in the business-type activities increased in total by $520,894. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased $218,751 in the current year.

FUNDS FINANCIAL ANALYSIS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2014, the Village's governmental funds reported combined ending fund balances of $1,221,363, an increase of $92,499 in comparison with the prior year. A large portion of this balance constitutes unreserved, undesignated fund balance, which is available for spending at the Village's discretion. However, $620,509 (TIF Fund and Special Revenue Funds) has been restricted for future debt payments and other restricted expenditures.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $600,854. This balance increased $53,076 during the current year.

The TIF Fund decreased $11,453 in the current year. The Motor Fuel Tax Fund reported an increase of $50,314 for an ending balance of $257,298. The Impact Fees Fund reported an increase of $562 in the current year for a fund balance of $27,003.

Proprietary fund. The Village's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Waterworks, Sewer, Electric Light and Power, and Swimming Pool funds at the end of the year amounted to $3,614,324, an increase of $405,737 in comparison with prior year. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's government-wide financial statements.

BUDGETARY HIGHLIGHTS

A comparison of budget and actual expenditures for the General Fund is as follows:

	Budget	Actual
General Fund	$ 2,674,014	$ 2,226,362

The budget was passed on April 1, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Land	$ 87,406	$ 87,406	$ 279,630	$ 279,630	$ 367,036	$ 367,036
Buildings and Improvements	579,145	553,685	7,250,899	7,215,994	7,830,044	7,769,679
Swimming Pool	-	-	1,064,420	1,001,428	1,064,420	1,001,428
Infrastructure	277,427	199,472	-	-	277,427	199,472
Distribution and Collection Systems	-	-	13,825,879	13,642,700	13,825,879	13,642,700
Vehicles and Equipment	617,189	607,838	2,014,324	1,596,649	2,631,513	2,204,487
	$ 1,561,167	$ 1,448,401	$ 24,435,152	$ 23,736,401	$ 25,996,319	$ 25,184,802

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2014, amounts to $12,834,013, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total outlay for capital assets for the current year was $994,653. The largest additions in the current year were electrical line additions, water tower renovations, sewer line additions, a bucket truck, and sewer storage shed. These additions were offset by current year depreciation expense of $1,035,566, thereby resulting in a net decrease in net capital assets for the current year. Additional information related to capital assets can be found in Note 9 of the financial statements.

Long-term Debt

At the end of 2014, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of $1,360,000 and $5,745,934, respectively, compared to $1,520,000 and $5,683,557 at the end of 2013.

	Governmental Activities		Business-type Activities		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Loans Payable	$ -	$ -	$ 817,767	$ 600,443	$ 817,767	$ 600,443
Notes Payable	-	-	238,167	48,114	238,167	48,114
Bonds Payable	1,360,000	1,520,000	4,690,000	5,035,000	6,050,000	6,555,000
Total Debt	$ 1,360,000	$ 1,520,000	$ 5,745,934	$ 5,683,557	$ 7,105,934	$ 7,203,557

The governmental activities reported decreases in long-term debt of $160,000. The business-type activities reported an increase in long-term debt of $62,377 that relates to a new note issued for a bucket truck and new debt additions for a sewer construction project. All reductions were due to scheduled debt retirements. Additional information related to long-term debt can be found in Note 6 of the financial statements. The Village has no debt that is subject to the debt limit of the Village as calculated by Illinois State Statutes.

Requests for Information

This financial report is designed to provide a general overview of the Village of Freeburg's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's Office, 14 Southgate Center, Freeburg, IL 62243.

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF NET POSITION
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
MARCH 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	$ 1,044,127	$ 1,421,736	$ 2,465,863
Investments	183,895	2,119,203	2,303,098
Receivables (Net of allowance for uncollectible):	-	592,745	592,745
Prepaid Expenses	-	52,175	52,175
Internal Balances	(2,325)	2,325	-
Capital Assets:			
Land	87,406	279,630	367,036
Buildings and Improvements	579,145	7,250,899	7,830,044
Swimming Pool	-	1,064,420	1,064,420
Infrastructure	277,427	-	277,427
Distribution and Collection Systems	-	13,825,879	13,825,879
Vehicles and Equipment	617,189	2,014,324	2,631,513
Less: Accumulated Depreciation	(816,712)	(12,345,594)	(13,162,306)
Net Capital Assets	744,455	12,089,558	12,834,013
Total Assets	$ 1,970,152	$ 16,277,742	$ 18,247,894
Liabilities			
Cash Deficit	$ -	$ 273,910	$ 273,910
Accounts Payable	4,334	321,432	325,766
Accrued Salaries	-	19,885	19,885
Accrued Interest	-	35,154	35,154
Customer Deposits	-	162,417	162,417
Unearned Revenue	-	5,850	5,850
Noncurrent Liabilities:			
Due Within One Year	-	460,817	460,817
Due In More Than One Year	1,360,000	5,285,117	6,645,117
Total Liabilities	1,364,334	6,564,582	7,928,916
Net Position			
Invested in Capital Assets, Net of Related Debt	744,455	6,098,836	6,843,291
Restricted	620,509	-	620,509
Unrestricted	(759,146)	3,614,324	2,855,178
Total Net Position	$ 605,818	$ 9,713,160	$ 10,318,978

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF ACTIVITIES
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
General Government	$ 223,551	$ 92,033	$ 7,427	$ -	$ (124,091)		$ (124,091)
Public Safety:							
Police	1,017,428	18,241	60	-	(999,127)		(999,127)
Civil Defense	3,674	-	-	-	(3,674)		(3,674)
Highways and Streets	438,393	-	69,242	-	(369,151)		(369,151)
Development	57,561	-	-	-	(57,561)		(57,561)
Sanitation	195,243	204,349	-	-	9,106		9,106
Interest on Long-Term Debt	70,300	-	-	-	(70,300)		(70,300)
Total Governmental Activities	2,006,150	314,623	76,729	-	(1,614,798)		(1,614,798)
Business-type Activities:							
Electric Light and Power	5,166,131	4,993,978	-	75,000		$ (97,153)	$ (97,153)
Waterworks	887,187	853,866	-	-		(33,321)	(33,321)
Sewer	494,969	473,464	-	-		(21,505)	(21,505)
Swimming Pool	149,902	51,055	-	15,400		(83,447)	(83,447)
Total Business-type Activities	6,698,189	6,372,363	-	90,400		(235,426)	(235,426)
Total Government	$ 8,704,339	$ 6,686,986	$ 76,729	$ 90,400	(1,614,798)	(235,426)	(1,850,224)
General Revenues:							
Property Tax, Levied for General Purposes					605,897	54,162	660,059
Sales and Use Tax					449,523	-	449,523
Replacement Tax					5,921	-	5,921
State Income Tax					454,854	-	454,854
Telecommunications Tax					129,333	-	129,333
Motor Fuel Tax					108,795	-	108,795
Utility Tax					244,177	-	244,177
Unrestricted Investment Earnings					7,614	86,943	94,557
Miscellaneous					13,163	-	13,163
Transfers					(50,000)	50,000	-
Total General Revenues					1,969,277	191,105	2,160,382
Change in Net Position					354,479	(44,321)	310,158
Net Position - Beginning					251,339	9,757,481	10,008,820
Net Position - Ending					$ 605,818	$ 9,713,160	$ 10,318,978

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
MARCH 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 558,989	$ 485,138	$ 1,044,127
Investments	40,608	143,287	183,895
Due from Other Funds	5,591	-	5,591
Total Assets	$ 605,188	$ 628,425	$ 1,233,613
Liabilities and Fund Equity			
Liabilities:			
Accounts Payable	$ 4,334	$ -	$ 4,334
Due to Other Funds	-	7,916	7,916
Total Liabilities	4,334	7,916	12,250
Fund Equity:			
Fund Balance:			
Restricted	-	620,509	620,509
Unassigned	600,854	-	600,854
Total Fund Balance	600,854	620,509	1,221,363
Total Liabilities and Fund Equity	$ 605,188	$ 628,425	$ 1,233,613

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES ARISING FROM MODIFIED
CASH BASIS TRANSACTIONS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	$ 1,221,363
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	744,455
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(1,360,000)
Net position of governmental activities	$ 605,818

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF REVENUES AND EXPENDITURES
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Tax	$ 384,962	$ 220,935	$ 605,897
Utility Tax	244,177	-	244,177
Intergovernmental:			
Replacement Tax	5,921	-	5,921
Sales Tax	374,517	-	374,517
State Income Tax	454,854	-	454,854
Local Use Tax	75,006	-	75,006
Telecommunications Tax	129,333	-	129,333
Grants	59,914	16,815	76,729
Motor Fuel Tax	-	108,795	108,795
Franchise Fees	27,864	-	27,864
Licenses and Permits	55,169	-	55,169
Fines and Penalties	18,241	-	18,241
Garbage Collection	204,349	-	204,349
Rental/Lease Income	9,000	-	9,000
Investment Earnings	2,033	5,581	7,614
Miscellaneous	13,163	-	13,163
Total Revenues	2,058,503	352,126	2,410,629
Expenditures:			
Current:			
General Government	207,691	-	207,691
Public Safety:			
Police	1,000,016	-	1,000,016
Civil Defense	3,674	-	3,674
Highways and Streets	334,775	80,315	415,090
Development	-	57,561	57,561
Sanitation	193,908	-	193,908
Debt Service:			
Principal	-	160,000	160,000
Interest	-	70,300	70,300
Capital Outlay	159,890	-	159,890
Total Expenditures	1,899,954	368,176	2,268,130
Excess (Deficiency) of Revenues Over Expenditures	158,549	(16,050)	142,499
Other Financing Sources (Uses):			
Transfer From (To) Other Funds	(105,473)	55,473	(50,000)
Total Other Financing Sources (Uses)	(105,473)	55,473	(50,000)
Excess of Revenues and Other Financing Sources Over Expenditures	53,076	39,423	92,499
Fund Balance, Beginning of Year	547,778	581,086	1,128,864
Fund Balance, End of Year	$ 600,854	$ 620,509	$ 1,221,363

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES AND EXPENDITURES ARISING FROM MODIFIED CASH BASIS TRANSACTIONS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	92,499
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Proceeds from asset sales are also reported as revenue in the governmental funds and offset against the remaining value of the asset in the government-wide statements. This balance represents the amount of these differences as reported in these financial statements.		101,980
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.		160,000
Change in net position of governmental activities	$	354,479

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2014

	Major Funds				
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 306,049	$ 687,178	$ 428,509	$ -	$ 1,421,736
Investments	1,689,000	295,547	134,656	-	2,119,203
Receivables:					
Customers	268,304	47,277	27,167	-	342,748
Unbilled Revenue	176,547	31,953	19,024	-	227,524
Other	12,778	9,695	-	-	22,473
Due From Other Funds	2,325	-	-	-	2,325
Prepaid Insurance	42,105	5,100	4,970	-	52,175
Total Current Assets	2,497,108	1,076,750	614,326	-	4,188,184
Capital Assets:					
Land	211,375	50,094	11,911	6,250	279,630
Buildings and Improvements	6,197,717	-	934,198	118,984	7,250,899
Swimming Pool	-	-	-	1,064,420	1,064,420
Distribution and Collection Systems	8,041,855	3,691,491	2,092,533	-	13,825,879
Vehicles and Equipment	1,240,758	410,820	322,687	40,059	2,014,324
	15,691,705	4,152,405	3,361,329	1,229,713	24,435,152
Less - Accumulated Depreciation	7,802,626	2,815,509	1,445,003	282,456	12,345,594
Net Capital Assets	7,889,079	1,336,896	1,916,326	947,257	12,089,558
Total Assets	$ 10,386,187	$ 2,413,646	$ 2,530,652	$ 947,257	$ 16,277,742
Liabilities					
Current Liabilities:					
Cash Deficit	$ -	$ -	$ -	$ 273,910	$ 273,910
Accounts Payable	280,147	33,612	7,645	28	321,432
Accrued Salaries	12,169	4,130	3,586	-	19,885
Accrued Interest	27,984	-	-	7,170	35,154
Unearned Revenue	5,850	-	-	-	5,850
Current Portion of Long Term Debt	361,719	6,234	62,864	30,000	460,817
Customer Deposits	98,754	36,223	27,440	-	162,417
Total Current Liabilities	786,623	80,199	101,535	311,108	1,279,465
Noncurrent Liabilities:					
Long Term Debt (Net of Current)	4,056,448	26,791	721,878	480,000	5,285,117
Total Noncurrent Liabilities	4,056,448	26,791	721,878	480,000	5,285,117
Total Liabilities	4,843,071	106,990	823,413	791,108	6,564,582
Net Position					
Invested in Capital Assets, Net of Related Debt	3,470,912	1,303,871	1,131,584	192,469	6,098,836
Unreserved	2,072,204	1,002,785	575,655	(36,320)	3,614,324
Total Net Position	5,543,116	2,306,656	1,707,239	156,149	9,713,160
Total Net Position	$ 10,386,187	$ 2,413,646	$ 2,530,652	$ 947,257	$ 16,277,742

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

	Major Funds				
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total
Operating Revenue:					
Charges for Services	$ 4,862,547	$ 828,482	$ 467,814	$ 39,968	$ 6,198,811
Connection Fees	6,350	9,820	5,250	-	21,420
Supplies Sold	12,950	15,612	-	11,087	39,649
Miscellaneous	112,131	(48)	400	-	112,483
Total Operating Revenue	4,993,978	853,866	473,464	51,055	6,372,363
Operating Expenses:					
Personal Services	698,998	257,971	229,219	44,863	1,231,051
Contractual Services and Other	496,389	63,262	90,644	2,360	652,655
Electricity and Water Purchased	3,076,550	325,674	-	-	3,402,224
Supplies and Materials	135,538	71,575	63,841	19,509	290,463
Heat, Light and Power	6,667	-	22,388	-	29,055
Depreciation	665,593	167,628	83,286	61,149	977,656
Total Operating Expenses	5,079,735	886,110	489,378	127,881	6,583,104
Operating Income (Loss)	(85,757)	(32,244)	(15,914)	(76,826)	(210,741)
Nonoperating Revenues (Expenses):					
Property Taxes	-	-	-	54,162	54,162
Capital Contribution	75,000	-	-	15,400	90,400
Interest Income	63,398	14,803	8,737	5	86,943
Interest Expense	(86,396)	(1,077)	(5,591)	(22,021)	(115,085)
Total Nonoperating Revenues (Expenses)	52,002	13,726	3,146	47,546	116,420
Operating Transfers	-	-	-	50,000	50,000
Change in Net Position	(33,755)	(18,518)	(12,768)	20,720	(44,321)
Net Position, Beginning of Year	5,576,871	2,325,174	1,720,007	135,429	9,757,481
Net Position, End of Year	$ 5,543,116	$ 2,306,656	$ 1,707,239	$ 156,149	$ 9,713,160

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

	Major Funds				
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total
Cash Flows from Operating Activities					
Cash Received from Customers	$ 5,015,280	$ 868,523	$ 476,444	$ 51,055	$ 6,411,302
Cash Paid to Suppliers	(3,881,692)	(543,552)	(327,419)	(26,599)	(4,779,262)
Cash Payments to Employees for Services	(502,973)	(183,566)	(160,147)	(38,979)	(885,665)
Net Cash Provided (Used) By Operating Activities	630,615	141,405	(11,122)	(14,523)	746,375
Cash Flows from Capital Financing Activities					
Purchase of Fixed Assets	(454,069)	(64,335)	(228,348)	(82,036)	(828,788)
Proceeds from Debt	225,618	-	243,345	-	468,963
Grant Proceeds	75,000	-	-	15,400	90,400
Principal Paid on Debt	(327,210)	(6,060)	(49,292)	(30,000)	(412,562)
Interest Paid on Debt	(87,050)	(1,077)	(5,591)	(22,245)	(115,963)
Net Cash Provided (Used) By Capital Financing Activities	(567,711)	(71,472)	(39,886)	(118,881)	(797,950)
Cash Flows from Investing Activities					
Purchase of Certificate of Deposit	-	(5,898)	-	-	(5,898)
Interest Income	63,398	14,803	8,737	5	86,943
Net Cash Provided (Used) By Investing Activities	63,398	8,905	8,737	5	81,045
Cash Flows from Non-Capital Financing Activities					
Payments From (To) Other Funds	-	-	-	50,000	50,000
Property Tax	-	-	-	54,162	54,162
Customer Deposits	1,740	506	660	-	2,906
Net Cash Provided By Non-Capital Financing Activities	1,740	506	660	104,162	107,068
Net Increase (Decrease) in Cash and Cash Equivalents	128,042	79,344	(41,611)	(29,237)	136,538
Cash and Cash Equivalents, Beginning of Year	178,007	607,834	470,120	(244,673)	1,011,288
Cash and Cash Equivalents, End of Year	$ 306,049	$ 687,178	$ 428,509	$ (273,910)	$ 1,147,826

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY OPERATING ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

	Major Funds				
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total
Operating Income (Loss)	$ (85,757)	$ (32,244)	$ (15,914)	$ (76,826)	$ (210,741)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	665,593	167,628	83,286	61,149	977,656
Decrease (Increase) in:					
Accounts Receivable	32,638	4,305	3,064	-	40,007
Other Receivables	(12,554)	9,870	-	-	(2,684)
Unbilled Revenue	(4,632)	482	(84)	-	(4,234)
Prepaid Insurance	2,320	146	888	1,159	4,513
Increase (Decrease) in:					
Accounts Payable	24,744	(9,425)	(82,672)	(5)	(67,358)
Unearned Revenue	5,850	-	-	-	5,850
Accrued Salaries	2,413	643	310	-	3,366
Net Cash Provided (Used) by Operating Activities	$ 630,615	$ 141,405	$ (11,122)	$ (14,523)	$ 746,375

The notes to the financial statements are an integral part of this statement

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Freeburg, Illinois have been prepared in conformity with the modified cash basis of accounting for the Governmental Fund Types and the accrual basis of accounting for the Proprietary Fund Types as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Financial reporting entity

The Village's combined financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

The Village has determined that no other outside agency meets the above criteria and therefore, no other agency has been included as a component unit in the Village's financial statements. In addition, the Village is not aware of any entity that would exercise such oversight, which would result in the Village being considered a component unit of the entity.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the government. Governmental

activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, properly not included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting and financial statement presentation

The proprietary fund 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 eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Accordingly, receipts are recorded when cash is received and disbursements are recorded when checks are written. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund. Property taxes are recognized as revenues in the year for which they are received.

The government-wide financial statements are reported using the same basis of accounting as used by the individual funds in the fund financial statements.

The government reports the following major governmental fund:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The Water Fund and the Sewer Fund accounts for all activities related to the billing, administration, distribution and collection processes of the water and sewer utilities. The Village operates the water distribution system as well as the sewage treatment plant, sewage pumping stations and collection systems.

The Electric Light and Power Fund accounts for all activities related to the billing, administration and distribution processes of the Village's electric and power operations.

The Swimming Pool Fund accounts for all activities related to administration and collection processes of the Village's swimming pool operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Assets, liabilities and net assets or equity

Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less.

The Village is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. Investment income is recognized as earned.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Unbilled electric, water, and sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to March 31 and prorating the applicable number of days to the current fiscal year.

The Village records accounts receivable in the Statement of Net Position for amounts that are due to the Village but have not been received at year-end. Accounts receivable are largely comprised of billed and unbilled amounts for utilities in the business-type activities. These balances are considered fully collectible at year-end.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Type of Property and Equipment	Estimated Useful Lives
Buildings and Improvements	15 – 40 Years
Infrastructure	40 Years
Swimming Pool	20 Years
Distribution and Collection Systems	15 - 50 Years
Vehicles and Equipment	5 - 10 Years

Compensated absences

Sick leave is accrued for all employees at the rate of 1 day per month. On January 1st of the year an employee celebrates their fifth year employment anniversary, and all years thereafter, employees shall be granted twelve sick days. Sick leave can be carried forward, but not to exceed 65 work days. All full-time employees of the Village who have been employed for at least one (1) full year shall become eligible for vacation as indicated by the following table:

Service	Vacation Allowed
Having Completed 1 Year	5 Working Days
2-8 Years Continuous	10 Working Days
9-17 Years Continuous	15 Working Days
18 or More Years Continuous	20 Working Days
	1 day for each year over 18 years of service

An employee separated from the service of the Village shall be compensated for all unused vacation leave accumulated prior to his/her effective date of separation but not for accumulated sick leave. Any liability at March 31, 2014 is immaterial.

Long-term obligations
In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund equity
In the fund financial statements, the Village classifies the governmental fund balances based upon the following criteria:

Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to remain intact.

Restricted – balances with constraints that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – balances that are to be only used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned – balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – the residual classification of the General Fund balance.

The following details the description and amount of all constraints recorded by the Village in the fund financial statements:

Governmental Funds	
Restricted:	
Tax Increment Financing District	$ 336,208
Motor Fuel Tax Fund	257,298
Impact Fees Fund	27,003
Total Restricted	$ 620,509

(e) Budgetary Control

Budgets are adopted on a basis consistent with the cash basis of accounting. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end.

On April 1, 2013 the Village Board approved an ordinance adopting the appropriations which is the budgetary data reflected in these financial statements. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

(f) Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

(g) Estimates

The Village uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2014, the carrying amount of the Village's deposits was $4,008,997 and the bank balance was $3,935,182. The deposits were comprised of checking, interest checking, money market funds and certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2014, none of the Village's bank balance was exposed to custodial credit risk as uninsured or uncollateralized. Deposits exceeded FDIC coverage but were collateralized by investments held in the Village's name.

Interest Rate Risk. The Village's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The Village only maintains investments in the Illinois Funds, which is an external investment pool.

The Illinois Funds are pooled investments that are operated by the State of Illinois as a not-for-profit common law trust and are not registered with the SEC. The funds are monitored regularly through the State by internal and external audits. The goals of the funds are to provide liquidity and to maintain balances that are equal to the par value of the invested shares with no loss to

market fluctuations. The fair value of the Village's position in the pool is the same as the value of the pool shares.

At March 31, 2014, the Village had the following investments:

Investment	Weighted Average Maturity (Days)	Fair Value
The Illinois Funds (external investment pool)	Daily	$ 149,281
Trust Funds	Daily	336,208
Petty Cash		565
Deposits as reported above		4,008,997
Total deposits and investments		$ 4,495,051
As Reported in the Statement of Net Position:		
Cash and Cash Equivalents		$ 2,465,863
Investments		2,303,098
Cash Deficit		(273,910)
		$ 4,495,051

Credit Risk. As of March 31, 2014, the credit rating of the Village's investment was as follows:

Investment	Standard & Poor's Rating	Moody's Investors Service Rating
The Illinois Funds (external investment pool)	AAAm	--

Concentration of Credit Risk. As of March 31, 2014, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2014, the Village has no foreign currency risk.

NOTE 3: RETIREMENT FUND COMMITMENTS

(a) Illinois Municipal Retirement Fund

Plan Description. The Village'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 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. The report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, members are required to contribute 4.50 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 employer annual required contribution rate for calendar year 2013 was 12.80 percent. The employer 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. The required contribution for calendar year 2013 was $186,902.

Three-Year Trend Information for IMRF

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
03/31/14	$ 189,126	100%	$ 5,872
03/31/13	182,594	100%	5,755
03/31/12	169,031	100%	5,634

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of 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 Village's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was 78.09 percent funded. The actuarial accrued liability for benefits was $3,666,344 and the actuarial value of assets was $2,862,966, resulting in an underfunded actuarial accrued liability (UAAL) of $803,378. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was $1,460,174 and the ratio of the UAAL to the covered payroll was 55 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.

(b) Social Security

All employees, including those qualifying for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security. The Village paid $125,962, the required contribution for the current fiscal year.

NOTE 4: INTERFUND BALANCES

The following funds have interfund balances as of March 31, 2014.

General Fund due from (to):	
Motor Fuel Tax Fund	$ 5,634
Electric Light and Power Fund	(43)
Electric Light and Power Fund due from (to):	
Motor Fuel Tax Fund	2,282
General Fund	43
Motor Fuel Tax Fund due from (to):	
General Fund	(5,634)
Electric Light and Power Fund	(2,282)

NOTE 5: INTERFUND TRANSFERS

The General Fund transferred $55,473 to the TIF Fund in the year ended March 31, 2014 to pay for TIF related development expenses and transfer sales taxes. The General Fund also transferred $50,000 to the Swimming Pool Fund.

NOTE 6: LONG-TERM DEBT

The Village has the following long-term debt as of March 31, 2014.

Bonds Payable

$2,050,000 Tax Increment Revenue Bonds, Series 2005 (North State Street Redevelopment Project Area) dated March 17, 2005, due in semi-annual installments of $50,000 to $255,000 through November 1, 2024; interest at 4.75% to 5.75%. The amount of bonds outstanding as of March 31, 2014 is $1,360,000. These bonds are being retired by the TIF Fund.

$550,000 General Obligation Bonds, Series 2011 dated July 20, 2011, due in annual installments of $30,000 to $50,000 through December 1, 2026; interest at 2.50% to 5.25%. The amount of bonds outstanding as of March 31, 2014 is $510,000. These bonds are being retired by the Swimming Pool Fund.

$4,780,000 General Obligation Refunding Bonds, Series 2012 dated September 13, 2012, due in annual installments of $320,000 to $395,000 through December 1, 2025; interest at 0.95% to 2.85%. The amount of bonds outstanding as of March 31, 2014 is $4,180,000. These bonds are being retired by the Electric Light and Power Fund. These bonds refunded the Series 2005 bonds.

Annual debt service requirements to maturity for bonds are as follows:

Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	$ -	$ 72,675	$ 350,000	$ 105,753
2016	5,000	71,437	350,000	101,962
2017	110,000	69,694	360,000	97,618
2018	110,000	63,919	365,000	92,667
2019	120,000	58,013	365,000	86,857
2020-2024	680,000	200,702	1,980,000	307,832
2025-2027	335,000	16,962	920,000	48,214
	$ 1,360,000	$ 553,402	$ 4,690,000	$ 840,903

EPA Loans

$104,816 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of $3,568 through March 2019, including interest at 2.865%. The loan was used to assist the Water Fund in the construction of a waterline extension. The balance outstanding as of March 31, 2014 is $33,025.

$479,822 loan with the Illinois Environmental Protection Agency to be repaid, by 39 semi-annual installments of $15,765, including interest at 2.535%. The loan was used to assist in the construction of sanitary sewer lines and an excess flow clarifier at the West Sewage Treatment Plant. The balance outstanding as of March 31, 2014 is $201,068.

$583,674 loan with the Illinois Environmental Protection Agency to be repaid by 39 semi-annual installments of $18,648, including interest at 2.925%. The loan was used to assist in the construction of sewer lines on North State Street. The balance outstanding as of March 31, 2014 is $583,674.

Annual debt service requirements to maturity for EPA Loans are as follows:

Year Ended April 30,	EPA Loans	
	Principal	Interest
2015	$ 69,098	$ 25,511
2016	58,568	17,394
2017	60,022	15,939
2018	61,514	14,447
2019	63,045	12,915
2020-2024	203,810	45,731
2025-2029	159,944	26,536
2030-2033	141,766	7,418
	$ 817,767	$ 165,891

Notes Payable

$36,712 loan with Citizens Community Bank to be repaid with annual payments of $12,865 through January 2015, including interest at 2.51%. The loan was used to purchase a Backhoe for the Electric Light and Power Fund. The balance outstanding as of March 31, 2013 is $12,549.

$225,618 loan with Citizens Community Bank to be repaid with annual payments of $36,464 through July 2020, including interest at 3.182%. The loan was used to purchase a Bucket/Pole Truck for the Electric Light and Power Fund. The balance outstanding as of March 31, 2014 is $225,618.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended April 30,	Notes Payable	
	Principal	Interest
2015	$ 41,719	$ 7,634
2016	30,113	6,351
2017	31,072	5,393
2018	32,091	4,373
2019	33,129	3,336
2020 - 2021	70,043	3,426
	$ 238,167	$ 30,513

The following is a summary of changes in long-term debt for the year ended March 31, 2014.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Bonds Payable	$5,035,000	$ -	$ 345,000	$4,690,000	$ 350,000
Notes Payable	48,114	225,618	35,565	238,167	41,719
EPA Loans	600,443	249,322	31,998	817,767	69,098
	$5,683,557	$474,940	$ 412,563	$5,745,934	$ 460,817
Governmental Activities:					
Bonds Payable	$1,520,000	$ -	$ 160,000	$1,360,000	$ -
	$1,520,000	$ -	$ 160,000	$1,360,000	$ -

NOTE 7: REDEVELOPMENT AGREEMENT

The Village entered into a redevelopment agreement to develop areas within the tax increment financing boundaries. The Village and the developers entered into the agreement by which the developer would incur reimbursable costs which would be submitted for payment through Tax Increment Finance Notes. The debt would then be retired with tax revenues generated from the increase in values of the developed properties. The notes are payable solely from the new revenues and do not constitute a debt of the Village.

The Village made payments of $55,061 to reduce the principal amount of the Tax Increment Financing notes during the year ended March 31, 2014. These payments are being reported as development expense in the financial statements. The outstanding note balances related to the two development projects are $51,113 and $248,062 as of March 31, 2014. These development notes are not reflected in the debt of the Village as of March 31, 2014. On April 29, 2014 these notes were paid off with the refinancing of the Bonds referred to in Note 10, becoming debt of the Village in the subsequent fiscal year.

NOTE 8: PROPERTY TAXES

The Village's property tax is levied each year on all taxable real property located in the Village on or before the second Tuesday in December. The Board passed the levy on December 16, 2013. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments. The County had not mailed tax bills as of March 31, 2014. Past mailing practices of the County have been subsequent to March 31 of each year. The Village begins to receive significant distributions of tax receipts in June and July after the bills are mailed by the County. The Village budgets and records property tax revenue in the year the property taxes are received.

The following are the tax rates applicable to the various levies per $100 of assessed valuation:

	Maximum Levy	2013	2012	2011
Tax Rates:				
General	$ 0.2500	$ 0.1554	$ 0.1453	$ 0.1392
Bonds and Interest	None	0.0667	0.0662	0.0633
IMRF	None	0.1793	0.1668	0.1598
Police Protection	0.0750	0.0739	0.0378	0.0362
Audit	None	0.0118	0.0081	0.0077
Civil Defense (ESDA)	0.0500	0.0026	0.0022	0.0021
Total		$ 0.4897	$ 0.4264	$ 0.4083
Assessed Valuations		$ 79,921,537	$ 81,648,135	$ 85,214,526
Tax Extensions:				
General		$ 124,198	$ 118,635	$ 118,619
Bonds and Interest		53,308	54,051	53,941
IMRF		143,299	136,189	136,173
Police Protection		59,062	30,863	30,848
Audit		9,431	6,614	6,561
Civil Defense (ESDA)		2,078	1,796	1,789
Total		$ 391,376	$ 348,148	$ 347,931
Tax Collections		$ -	$ 348,850	$ 347,627
Percent Collected		0.00%	100.20%	99.91%

NOTE 9: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 87,406	$ -	$ -	$ 87,406
Capital assets, being depreciated:				
Buildings and improvements	553,685	25,460	-	579,145
Infrastructure	199,472	77,955	-	277,427
Vehicles and equipment	607,838	56,475	47,124	617,189
Total capital assets being depreciated	1,360,995	159,890	47,124	1,473,761
Less accumulated depreciation for:				
Building and improvements	270,400	17,421	-	287,821
Infrastructure	21,236	6,842	-	28,078
Vehicles and equipment	514,290	33,647	47,124	500,813
Total accumulated depreciation	805,926	57,910	47,124	816,712
Total capital assets, being depreciated, net	555,069	101,980	-	657,049
Governmental activities capital assets, net	$ 642,475	$ 101,980	$ -	$ 744,455
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 279,630	$ -	$ -	$ 279,630
Capital assets, being depreciated:				
Buildings and improvements	7,215,994	34,905	-	7,250,899
Swimming pool	1,001,428	62,992	-	1,064,420
Distribution and collection system	13,642,700	319,191	136,012	13,825,879
Vehicles and equipment	1,596,649	417,675	-	2,014,324
Total capital assets, being depreciated	23,456,771	834,763	136,012	24,155,522
Less accumulated depreciation for:				
Buildings and improvements	3,917,189	221,544	-	4,138,733
Swimming pool	158,637	49,103	-	207,740
Distribution and collection system	6,380,911	563,668	136,012	6,808,567
Vehicles and equipment	1,047,213	143,341	-	1,190,554
Total accumulated depreciation	11,503,950	977,656	136,012	12,345,594
Total capital assets, being depreciated, net	11,952,821	(142,893)	-	11,809,928
Business-type activities capital assets, net	$ 12,232,451	$ (142,893)	$ -	$ 12,089,558

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

Governmental activities:	
General government	$ 15,860
Public safety	17,412
Highways and streets	23,303
Sanitation	1,335
Total depreciation expense - governmental activities	$ 57,910
Business-type activities:	
Electric light and power	$ 665,593
Water	167,628
Sewer	83,286
Swimming pool	61,149
Total depreciation expense - business-type activities	$ 977,656

NOTE 10: SUBSEQUENT EVENT

The Village has evaluated events occurring after the financial statement date through August 15, 2014 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

On April 29, 2014 the Village refinanced the Tax Increment Revenue Bonds, Series 2005 (North State Street Redevelopment Project Area)that were being retired by the TIFG Fund. The amount of bonds outstanding as of March 31, 2014 that were refinanced was $1,360,000.

VILLAGE OF FREEBURG, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2014

	Budgeted Amounts		Actual (Budget Basis)
	Original	Final	
Revenues:			
Property Tax	$ 593,800	$ 593,800	$ 605,897
Replacement Tax	5,200	5,200	5,921
Sales Tax	400,000	400,000	374,517
State Income Tax	405,000	405,000	454,854
Local Use Tax	65,000	65,000	75,006
Telecommunications Tax	145,000	145,000	129,333
Franchise Tax	30,500	30,500	27,864
Utility Tax	230,000	230,000	244,177
Licenses and Permits	33,650	33,650	55,169
Fines and Penalties	13,350	13,350	18,241
Garbage Collection	205,614	205,614	204,349
Rental/Lease Income	12,915	12,915	9,000
Investment Earnings	2,500	2,500	2,033
Grants	471,100	471,100	59,914
Miscellaneous	63,230	63,230	13,163
Total Revenues	2,676,859	2,676,859	2,279,438
Expenditures:			
Current:			
General Government	463,000	463,000	484,099
Public Safety:			
Police	1,061,340	1,061,340	1,000,016
Civil Defense	4,021	4,021	3,674
Highways and Streets	323,313	323,313	334,775
Sanitation	203,000	203,000	193,908
Capital Outlay	569,340	569,340	159,890
Transfers	50,000	50,000	50,000
Total Expenditures	2,674,014	2,674,014	2,226,362
Net Change in Fund Balances	$ 2,845	$ 2,845	53,076
No change for modified cash basis reporting			-
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			$ 53,076

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
MARCH 31, 2014

	Calendar Year					
	2013	2012	2011	2010	2009	2008
Actuarial Value of Assets	$ 2,862,966	$ 2,764,210	$ 2,361,731	$ 2,030,891	$ 2,177,881	$ 1,980,186
Actuarial Accrued Liability (AAL)	3,666,344	3,859,604	3,423,406	3,072,278	3,183,624	2,808,978
Unfunded AAL (UAAL)	803,378	1,095,394	1,061,675	1,041,387	1,005,743	828,792
Funded Ratio	78.09%	71.62%	68.99%	66.10%	68.41%	70.49%
Covered Payroll	1,460,174	1,422,899	1,332,823	1,338,574	1,390,880	1,355,164
UAAL as a % of Covered Payroll	55.02%	76.98%	79.66%	77.80%	72.31%	61.16%
Employer Contributions:						
Required	186,902	177,720	161,538	155,810	142,009	144,731
Made	186,902	177,720	161,538	150,322	142,009	144,731
Percentage of Employer Contributions Made to Required Contributions	100.00%	100.00%	100.00%	96.00%	100.00%	100.00%

On a market value basis, the actuarial value of assets as of December 31, 2013 is $3,385,145.
On a market basis, the funded ratio would be 92.33 percent.

The actuarial valuations presented are prepared by the Illinois Municipal Retirement Fund using the following parameters:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost
Amortization Method:	Level Percentage of Projected Payroll
Remaining Amortization Period:	Open 30 Year Basis
Asset Valuation Method:	Techniques that smooth the effects of volatility over a 5 year period with a 20% corridor
Actuarial Assumptions:	
Interest Rate	7.5 %
Salary Progression	4.4 - 14.0 %
Cost of Living Adjustments	3.0 %

VILLAGE OF FREEBURG, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
MARCH 31, 2014

	Impact Fees	Motor Fuel Tax	TIF	Total
Assets				
Cash and Cash Equivalents	$ 7,716	$ 141,214	$ 336,208	$ 485,138
Investments	19,287	124,000	-	143,287
Total Assets	$ 27,003	$ 265,214	$ 336,208	$ 628,425
Liabilities and Fund Balance				
Liabilities:				
Due to Other Funds	$ -	$ 7,916	$ -	$ 7,916
Total Liabilities	-	7,916	-	7,916
Fund Balance:				
Restricted	27,003	257,298	336,208	620,509
Total Fund Balance	27,003	257,298	336,208	620,509
Total Liabilities and Fund Balance	$ 27,003	$ 265,214	$ 336,208	$ 628,425

VILLAGE OF FREEBURG, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2014

	Impact Fees	Motor Fuel Tax	TIF	Total
Revenues:				
Property Tax	$ -	$ -	$ 220,935	$ 220,935
Motor Fuel Tax	-	108,795	-	108,795
Grants	-	16,815	-	16,815
Investment Income	562	5,019	-	5,581
Total Revenues	562	130,629	220,935	352,126
Expenditures:				
Current:				
Highways and Streets	-	80,315	-	80,315
Development	-	-	57,561	57,561
Debt Service:				
Principal	-	-	160,000	160,000
Interest	-	-	70,300	70,300
Total Expenditures	-	80,315	287,861	368,176
Excess (Deficiency) of Revenues Over Expenditures	562	50,314	(66,926)	(16,050)
Other Financing Sources (Uses):				
Transfers from (to) Other Funds	-	-	55,473	55,473
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	562	50,314	(11,453)	39,423
Fund Balance, Beginning of Year	26,441	206,984	347,661	581,086
Fund Balance, End of Year	$ 27,003	$ 257,298	$ 336,208	$ 620,509

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& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH TAX INCREMENT FINANCING ACT

To the Honorable Mayor and Board
of Trustees of the Village of
Freeburg, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Freeburg, Illinois as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village of Freeburg, Illinois' Tax Increment Financing District, as referred to in the first paragraph, as of March 31, 2014 and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

Other Matters

The management of the Village of Freeburg, Illinois 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 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

The results of our tests indicate that for the items tested, the Village of Freeburg, Illinois, complied with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act". Nothing came to our attention that caused us to believe that, for the items not tested, the Village of Freeburg, Illinois was not in compliance with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

C. J. Schlosser & Co., LLC

Certified Public Accountants
Alton, Illinois

August 15, 2014