



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, 2008

233 East Center Drive
P.O. Box 416
Alton, Illinois 62002
(618) 465-7717 St. Louis (314) 355-2586
Fax (618) 465-7710



PCPS
THE AICPA ALLIANCE FOR CPA FIRMS

One Westbury Drive
Suite 420
St. Charles, Missouri 63301-2567
(636) 723-7611 St. Louis (636) 947-1008
Fax (636) 947-4558

VILLAGE OF FREEBURG, ILLINOIS

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J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Tefeller
Kevin J. Tepen

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 governmental activities, the business-type activities, each major fund and the non-major fund information of the Village of Freeburg, Illinois as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's administration. 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 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 the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Freeburg, Illinois prepares its financial statements on the modified cash basis, which is a comprehensive 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.

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, 2008, and the respective changes in financial position (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.

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Fax (636) 947-4558

The management's discussion and analysis, pension funding progress information and budgetary comparison information on pages 3 through 10 and 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

C. J. Schlosser & Co., LLC

Certified Public Accountants

December 1, 2008

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, 2008. 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 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 assets presents information on all of the Village'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 Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. Changes in net assets 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. Budgetary comparison schedules for the General Fund have 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. The Village reports budgetary comparison and retirement funding progress related to IMRF as required supplementary information following the notes to the financial statements.

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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$8,451,069 at the close of the most recent fiscal year.

The largest portion of the Village's net assets (89%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are 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 assets is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Current and other assets	\$ 819,756	\$ 632,858	\$ 2,874,808	\$ 4,465,998	\$ 3,694,564	\$ 5,098,856
Capital assets	<u>661,591</u>	<u>711,767</u>	<u>12,590,814</u>	<u>11,914,379</u>	<u>13,252,405</u>	<u>12,626,146</u>
Total assets	<u>1,481,347</u>	<u>1,344,625</u>	<u>15,465,622</u>	<u>16,380,377</u>	<u>16,946,969</u>	<u>17,725,002</u>
Long-term liabilities						
outstanding	2,050,000	2,050,000	5,985,938	6,230,880	8,035,938	8,280,880
Other liabilities	<u>1,603</u>	<u>9,710</u>	<u>458,359</u>	<u>1,251,044</u>	<u>459,962</u>	<u>1,260,754</u>
Total liabilities	<u>2,051,603</u>	<u>2,059,710</u>	<u>6,444,297</u>	<u>7,481,924</u>	<u>8,495,900</u>	<u>9,541,634</u>
Net assets:						
Invested in capital assets, net of related debt	661,591	711,767	6,835,646	6,445,398	7,497,237	7,157,165
Unrestricted	<u>(1,231,847)</u>	<u>(1,426,852)</u>	<u>2,185,679</u>	<u>2,453,055</u>	<u>953,832</u>	<u>1,026,203</u>
Total net assets	<u>\$ (570,256)</u>	<u>\$ (715,085)</u>	<u>\$ 9,021,325</u>	<u>\$ 8,898,453</u>	<u>\$ 8,451,069</u>	<u>\$ 8,183,368</u>

Total net assets increased \$268,000 resulting in a balance of \$8,451,069 as of March 31, 2008. Current assets, which include cash, investments and accounts receivable, decreased \$1,404,000, largely due to spending down bond proceeds from the prior year. Non-current assets increased \$626,000, due to increases in current year additions exceeding accumulated depreciation. Total liabilities decreased \$1,045,000 resulting in a balance of \$8,495,900 as of March 31, 2008. Outstanding debt, including long-term and short-term portions, decreased \$245,000, due to principle payments on the bonds. Accounts payable and other accrued expenses decreased \$800,000, primarily due to a decrease in accounts payable for the prior year's acquisition of fixed assets.

ANALYSIS OF NET ASSETS

<u>Analysis of Net Assets</u>	<u>2008</u>		<u>2007</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net invested in capital assets	88.7%	\$ 7,497,237	87.5%	\$ 7,157,165
Unrestricted	11.3%	953,832	12.5%	1,026,203
Total net assets	<u>100.0%</u>	<u>\$ 8,451,069</u>	<u>100.0%</u>	<u>\$ 8,183,368</u>

Total net asset balances increased by \$268,000 in fiscal year 2008 to a total ending balance of \$8,451,069. Capital net asset balances increased by \$340,000 in the current year due to net capital acquisitions and restricted cash for construction exceeding depreciation. The unrestricted net asset 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

<u>Governmental Activities</u>	<u>2008</u>	<u>2007</u>
Property tax	\$ 330,052	\$ 295,134
Sales and use tax	417,622	389,443
State income tax	352,372	321,536
Replacement tax	6,648	5,563
Charges for services	288,589	269,405
Telecommunications tax	140,768	133,822
Motor fuel tax	109,529	111,566
Other state/local taxes	189,072	175,762
Investment income	45,356	49,943
Operating grants	49,598	2,361
Miscellaneous	17,434	13,530
Total revenues	<u>\$ 1,947,040</u>	<u>\$ 1,768,065</u>

Total revenues for the governmental activities increased approximately \$179,000 for the year ended March 31, 2008. The increase is mainly due to the increase in the sales tax and state income tax, as well as receiving property taxes on the TIF Redevelopment Project.

<u>Business-type Activities</u>	<u>2008</u>	<u>2007</u>
Water charges	\$ 679,654	\$ 682,947
Sewer charges	357,030	357,789
Electric charges	3,901,675	3,649,101
Swimming pool charges	48,817	49,267
Capital grants	35,619	674,305
Investment income	92,917	212,781
Total revenues	<u>5,115,712</u>	<u>5,626,190</u>

Total revenues for the business-type activities decreased approximately \$510,000 for the year ended March 31, 2008. The decrease was primarily related to the Village receiving large capital grants in the prior year. Investment income also decreased due to the spending of resources on construction projects.

EXPENDITURES BY CATEGORY

Governmental Activities

<u>Expenditures by category</u>	<u>2008</u>		<u>2007</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	14.5%	\$ 262,176	13.6%	\$ 246,804
Public safety	47.4%	854,139	45.1%	816,623
Highways and streets	24.2%	436,285	28.5%	515,355
Sanitation	8.8%	159,222	7.9%	142,545
Development	0.1%	2,500	0.2%	2,741
Interest on long-term debt	4.9%	87,889	4.8%	87,125
Total expenditures	<u>100.0%</u>	<u>\$1,802,211</u>	<u>100.0%</u>	<u>\$1,811,193</u>

The Village reported decreases in expenses for governmental activities of \$9,000. Public safety reported the highest expenditure category with over 47% of all governmental expenditures. The majority of the increase in public safety is associated with salaries and the related benefits. Highways and streets expenditures decreased largely due to the reallocation of salaries from this department to the water and sewer departments.

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:

	<u>2008</u>	<u>2007</u>
General government	\$ 18,117	\$ 16,115
Public safety	21,522	16,795
Highways and streets	21,132	15,333
Total depreciation	<u>\$ 60,771</u>	<u>\$ 48,243</u>

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled \$20,245.

Business-type Activities

<u>Operating Expenditures</u>	<u>2008</u>		<u>2007</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	20.2%	\$ 979,510	21.5%	\$ 867,717
Contractual services	10.8%	522,746	9.4%	380,447
Electricity and water purchased	48.9%	2,374,220	51.9%	2,092,158
Supplies and materials	5.3%	257,071	4.6%	187,138
Heat, light and power	0.4%	17,822	0.2%	8,405
Depreciation	14.6%	707,110	12.3%	497,456
Total expenditures	<u>100.0%</u>	<u>\$ 4,858,479</u>	<u>100.0%</u>	<u>\$ 4,033,321</u>

Expenses in the business-type activities increased in total by \$825,000. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased \$282,000 in the current year. Personal services increased due to different salary allocations as reflected in the decrease in the highways and streets. Additional increases in supplies relates to the purchase of materials in the Water fund for general improvements. Medical expenses also reported significant increases due to the change in levels of medical reimbursements.

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 2008, the Village's governmental funds reported combined ending fund balances of \$768,274, an increase of \$195,769 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, \$265,731 (TIF fund balance) has been reserved for future debt payments.

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 \$187,106. This balance increased \$158,289 during the current year.

The TIF Fund increased \$40,619 in the current year, due to the additional sales tax received in the current year. The Motor Fuel Tax Fund reported a decrease of \$3,000 for an ending balance of \$300,437. The Impact Fund reported no change in the current year to the fund balance of \$15,000.

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

Unrestricted net assets of the Waterworks, Sewer, Electric Light and Power, and Swimming Pool funds at the end of the year amounted to \$9,021,325, an increase of \$123,000 or 1.4% 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 appropriations and actual expenditures for the General Fund is as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 1,547,170	\$ 1,545,344

The appropriations ordinance was passed on May 21, 2007 and was not amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Land	\$ 145,220	\$ 154,870	\$ 240,867	\$ 240,867	\$ 386,087	\$ 395,737
Buildings and Improvements	500,284	500,284	6,373,777	6,077,549	6,874,061	6,577,833
Swimming Pool	-	-	109,116	109,116	109,116	109,116
Infrastructure	50,738	50,738	-	-	50,738	50,738
Distribution and Collection Systems	-	-	12,887,720	12,004,251	12,887,720	12,004,251
Vehicles and Equipment	514,066	503,596	1,050,984	857,298	1,565,050	1,360,894
	<u>\$ 1,210,308</u>	<u>\$ 1,209,488</u>	<u>\$ 20,662,464</u>	<u>\$ 19,289,081</u>	<u>\$ 21,872,772</u>	<u>\$ 20,498,569</u>

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$13,250,405, 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 \$1,401,790. The largest additions in the current year were additional improvements made to the plant and lines for the electric system in excess of \$883,000 and additional electric fund equipment of \$183,000. These additions were offset by current year depreciation expense of \$767,881, thereby resulting in a net increase in net capital assets for the current year. Additional information related to capital assets can be found in Note 6 of the financial statements.

Long-term Debt

At the end of 2008, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of \$2,050,000 and \$5,985,938, respectively, compared to \$2,050,000 and \$6,230,880 at the end of 2007.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Notes Payable	\$ -	\$ -	\$ 455,938	\$ 490,880	\$ 455,938	\$ 490,880
Bonds Payable	2,050,000	2,050,000	5,530,000	5,740,000	7,580,000	7,790,000
Total Debt	<u>\$ 2,050,000</u>	<u>\$ 2,050,000</u>	<u>\$ 5,985,938</u>	<u>\$ 6,230,880</u>	<u>\$ 8,035,938</u>	<u>\$ 8,280,880</u>

There was no additional debt incurred in the current year. The business-type activities reported decreases in long-term debt of \$244,942. All reductions were due to scheduled debt retirements. Additional information related to long-term debt can be found in Note 4 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 ASSETS
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
MARCH 31, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 252,502	\$ 609,374	\$ 861,876
Investments	254,215	1,560,312	1,814,527
Receivables (Net of allowance for uncollectible):	-	399,184	399,184
Prepaid Insurance	-	72,597	72,597
Internal Balances	(2,571)	2,571	-
Restricted Cash and Cash Equivalents	265,731	-	265,731
Capital Assets:			
Land	145,220	240,867	386,087
Buildings and Improvements	500,284	6,373,777	6,874,061
Swimming Pool	-	109,116	109,116
Infrastructure	50,738	-	50,738
Distribution and Collection Systems	-	12,887,720	12,887,720
Vehicles and Equipment	514,066	1,050,984	1,565,050
Less: Accumulated Depreciation	(548,717)	(8,073,650)	(8,622,367)
Unamortized Bond Issuance Costs	49,879	232,770	282,649
Total Assets	<u>\$ 1,481,347</u>	<u>\$ 15,465,622</u>	<u>\$ 16,946,969</u>
<u>Liabilities</u>			
Accounts Payable	\$ 1,603	\$ 212,512	\$ 214,115
Accrued Salaries	-	24,124	24,124
Accrued Interest	-	74,115	74,115
Customer Deposits	-	147,608	147,608
Noncurrent Liabilities:			
Due Within One Year	80,000	255,914	335,914
Due In More Than One Year	1,970,000	5,730,024	7,700,024
Total Liabilities	<u>2,051,603</u>	<u>6,444,297</u>	<u>8,495,900</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	661,591	6,835,646	7,497,237
Unrestricted	(1,231,847)	2,185,679	953,832
Total Net Assets	<u>\$ (570,256)</u>	<u>\$ 9,021,325</u>	<u>\$ 8,451,069</u>

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, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 262,176	\$ 103,940	\$ 450	\$ -	\$ (157,786)		\$ (157,786)
Public Safety:							
Police	851,958	18,258	1,800	-	(831,900)		(831,900)
Civil Defense	2,181	-	-	-	(2,181)		(2,181)
Highways and Streets	436,285	-	47,348	-	(388,937)		(388,937)
Development	2,500	-	-	-	(2,500)		(2,500)
Sanitation	159,222	166,391	-	-	7,169		7,169
Interest on Long-Term Debt	87,889	-	-	-	(87,889)		(87,889)
Total Governmental Activities	1,802,211	288,589	49,598	-	(1,464,024)		(1,464,024)
Business-type Activities:							
Electric Light and Power	3,694,353	3,901,675	-	9,779		\$ 217,101	\$ 217,101
Waterworks	857,558	679,654	-	840		(177,064)	(177,064)
Sewer	358,932	357,030	-	-		(1,902)	(1,902)
Swimming Pool	81,997	48,817	-	25,000		(8,180)	(8,180)
Total Business-type Activities	4,992,840	4,987,176	-	35,619		29,955	29,955
Total Government	\$ 6,795,051	\$ 5,275,765	\$ 49,598	\$ 35,619	(1,464,024)	29,955	(1,434,069)

General Revenues:	Property Tax, Levied for General Purposes	Sales and Use Tax	Replacement Tax	State Income Tax	Telecommunications Tax	Motor Fuel Tax	Utility Tax	Unrestricted Investment Earnings	Miscellaneous	Total General Revenues	Change in Net Assets	Net Assets - Beginning - As Restated	Net Assets - Ending
	330,052	417,622	6,648	352,372	140,768	109,529	189,072	45,356	17,434	1,608,853	144,829	(715,085)	\$ (570,256)
	-	-	-	-	-	-	92,917	-	-	92,917	122,872	8,898,453	\$ 9,021,325
													\$ 8,451,069

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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 151,065	\$ 101,437	\$ 252,502
Investments	40,215	214,000	254,215
Restricted Assets	-	265,731	265,731
Total Assets	<u>\$ 191,280</u>	<u>\$ 581,168</u>	<u>\$ 772,448</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 1,603	\$ -	\$ 1,603
Due to Other Funds	2,571	-	2,571
Total Liabilities	<u>4,174</u>	<u>-</u>	<u>4,174</u>
Fund Equity:			
Fund Balance:			
Reserved	-	265,731	265,731
Unreserved	187,106	-	187,106
Unreserved, reported in Special Revenue Funds	-	315,437	315,437
Total Fund Balance	<u>187,106</u>	<u>581,168</u>	<u>768,274</u>
Total Liabilities and Fund Equity	<u>\$ 191,280</u>	<u>\$ 581,168</u>	<u>\$ 772,448</u>

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, 2008

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 768,274
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	661,591
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(2,000,121)
Net assets of governmental activities	<u>\$ (570,256)</u>

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, 2008

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property Tax	\$ 302,418	\$ 27,634	\$ 330,052
Replacement Tax	6,648	-	6,648
Sales Tax	270,589	94,945	365,534
State Income Tax	352,372	-	352,372
Local Use Tax	52,088	-	52,088
Telecommunications Tax	140,768	-	140,768
Franchise Fees	45,193	-	45,193
Motor Fuel Tax	-	109,529	109,529
Utility Tax	189,072	-	189,072
Licenses and Permits	51,847	-	51,847
Fines and Penalties	18,258	-	18,258
Sale of Supplies	129	-	129
Garbage Collection	166,262	-	166,262
Rental/Lease Income	6,900	-	6,900
Investment Earnings	24,407	20,949	45,356
Grants	49,598	-	49,598
Miscellaneous	27,084	-	27,084
Total Revenues	<u>1,703,633</u>	<u>253,057</u>	<u>1,956,690</u>
Expenditures:			
Current:			
General Government	244,059	-	244,059
Public Safety:			
Police	830,436	-	830,436
Civil Defense	2,181	-	2,181
Highways and Streets	289,201	125,952	415,153
Development	-	2,500	2,500
Sanitation	159,222	-	159,222
Debt Service	-	87,125	87,125
Capital Outlay	20,245	-	20,245
Total Expenditures	<u>1,545,344</u>	<u>215,577</u>	<u>1,760,921</u>
Excess of Revenues Over Expenditures	<u>158,289</u>	<u>37,480</u>	<u>195,769</u>
Fund Balance, Beginning of Year	28,817	543,688	572,505
Fund Balance, End of Year	<u>\$ 187,106</u>	<u>\$ 581,168</u>	<u>\$ 768,274</u>

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, 2008

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

Net change in fund balances - total governmental funds	\$ 195,769
<p>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. This is the amount by which depreciation expense exceeded capital outlays in the current year.</p>	(50,176)
<p>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.</p>	(764)
Change in net assets of governmental activities	<u>\$ 144,829</u>

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

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 MARCH 31, 2008

<u>Assets</u>	Electric Light and Power	Waterworks	Sewer	Non-Major Swimming Pool	Total
Current Assets:					
Cash and Cash Equivalents	\$ 145,518	\$ 40,756	\$ 524,199	\$ (101,099)	\$ 609,374
Investments	1,339,000	87,000	134,312	-	1,560,312
Receivables:					
Customers	163,045	27,278	16,199	-	206,522
Unbilled Revenue	139,772	25,714	13,940	-	179,426
Other	312	12,612	312	-	13,236
Due From Other Funds	43	-	-	2,528	2,571
Prepaid Insurance	54,637	8,138	8,495	1,327	72,597
Total Current Assets	<u>1,842,327</u>	<u>201,498</u>	<u>697,457</u>	<u>(97,244)</u>	<u>2,644,038</u>
Noncurrent Assets:					
Property, Plant and Equipment:					
Land	189,612	40,094	4,911	6,250	240,867
Buildings and Improvements	5,396,875	-	919,216	57,686	6,373,777
Swimming Pool	-	-	-	109,116	109,116
Distribution and Collection Systems	7,993,685	3,614,600	1,279,435	-	12,887,720
Vehicles and Equipment	819,927	122,076	89,639	19,342	1,050,984
	<u>14,400,099</u>	<u>3,776,770</u>	<u>2,293,201</u>	<u>192,394</u>	<u>20,662,464</u>
Less - Accumulated Depreciation	4,922,607	1,892,627	1,098,197	160,219	8,073,650
Net Property, Plant and Equipment	<u>9,477,492</u>	<u>1,884,143</u>	<u>1,195,004</u>	<u>32,175</u>	<u>12,588,814</u>
Bond Issuance Costs	232,770	-	-	-	232,770
Total Assets	<u>\$ 11,552,589</u>	<u>\$ 2,085,641</u>	<u>\$ 1,892,461</u>	<u>\$ (65,069)</u>	<u>\$ 15,465,622</u>
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 187,137	\$ 24,417	\$ 958	\$ -	\$ 212,512
Accrued Salaries	13,484	5,180	5,460	-	24,124
Accrued Interest	74,115	-	-	-	74,115
Current Portion of Debt	220,000	5,256	30,658	-	255,914
Customer Deposits	87,441	36,411	23,756	-	147,608
Total Current Liabilities	<u>582,177</u>	<u>71,264</u>	<u>60,832</u>	<u>-</u>	<u>714,273</u>
Noncurrent Liabilities:					
Long Term Debt (Net of Current)	5,310,000	61,672	358,352	-	5,730,024
Total Noncurrent Liabilities	<u>5,310,000</u>	<u>61,672</u>	<u>358,352</u>	<u>-</u>	<u>5,730,024</u>
Total Liabilities	<u>5,892,177</u>	<u>132,936</u>	<u>419,184</u>	<u>-</u>	<u>6,444,297</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,180,262	1,817,215	805,994	32,175	6,835,646
Unreserved	1,480,150	135,490	667,283	(97,244)	2,185,679
Total Net Assets	<u>\$ 5,660,412</u>	<u>\$ 1,952,705</u>	<u>\$ 1,473,277</u>	<u>\$ (65,069)</u>	<u>\$ 9,021,325</u>

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Electric Light and Power</u>	<u>Waterworks</u>	<u>Sewer</u>	<u>Non-Major Swimming Pool</u>	<u>Total</u>
Operating Revenue:					
Charges for Services	\$ 3,760,586	\$ 613,480	\$ 329,280	\$ 36,353	\$ 4,739,699
Connection Fees	6,660	13,005	14,250	-	33,915
Supplies Sold	22,079	30,069	-	9,233	61,381
Miscellaneous	112,350	23,100	13,500	3,231	152,181
Total Operating Revenue	<u>3,901,675</u>	<u>679,654</u>	<u>357,030</u>	<u>48,817</u>	<u>4,987,176</u>
Operating Expenses:					
Personal Services	500,736	239,902	198,986	39,886	979,510
Contractual Services and Other	364,989	63,249	69,023	25,485	522,746
Electricity and Water Purchased	2,082,889	291,331	-	-	2,374,220
Supplies and Materials	97,319	119,715	26,270	13,767	257,071
Heat, Light and Power	2,523	-	15,299	-	17,822
Depreciation	524,385	141,333	38,533	2,859	707,110
Total Operating Expenses	<u>3,572,841</u>	<u>855,530</u>	<u>348,111</u>	<u>81,997</u>	<u>4,858,479</u>
Operating Income (Loss)	<u>328,834</u>	<u>(175,876)</u>	<u>8,919</u>	<u>(33,180)</u>	<u>128,697</u>
Nonoperating Revenues (Expenses):					
Grant Revenue	9,779	840	-	25,000	35,619
Amortization of Bond Issuance Costs	(9,100)	-	-	-	(9,100)
Interest Income	79,901	5,580	7,297	139	92,917
Interest Expense	(112,412)	(2,028)	(10,821)	-	(125,261)
Total Nonoperating Revenues (Expenses)	<u>(31,832)</u>	<u>4,392</u>	<u>(3,524)</u>	<u>25,139</u>	<u>(5,825)</u>
Operating Transfers	<u>-</u>	<u>(131,949)</u>	<u>131,949</u>	<u>-</u>	<u>-</u>
Change in Net Assets	297,002	(303,433)	137,344	(8,041)	122,872
Net Assets, Beginning of Year	5,363,410	2,256,138	1,335,933	(57,028)	8,898,453
Net Assets, End of Year	<u>\$ 5,660,412</u>	<u>\$ 1,952,705</u>	<u>\$ 1,473,277</u>	<u>\$ (65,069)</u>	<u>\$ 9,021,325</u>

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, 2008

	<u>Electric Light and Power</u>	<u>Waterworks</u>	<u>Sewer</u>	<u>Non-Major Swimming Pool</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$ 3,925,885	\$ 702,507	\$ 360,521	\$ 48,817	\$ 5,037,730
Cash Paid to Suppliers	(2,654,636)	(541,678)	(167,886)	(42,976)	(3,407,176)
Cash Payments to Employees for Services	(344,545)	(168,322)	(139,240)	(35,879)	(687,986)
Net Cash Provided (Used) by Operating Activities	<u>926,704</u>	<u>(7,493)</u>	<u>53,395</u>	<u>(30,038)</u>	<u>942,568</u>
<u>Cash Flows from Capital Financing Activities</u>					
Purchase of Fixed Assets	(1,833,794)	(9,820)	-	(15,174)	(1,858,788)
Principal Paid on Debt	(210,000)	(5,109)	(29,833)	-	(244,942)
Proceeds from Grant	136,235	840	-	25,000	162,075
Interest Paid on Debt	(229,784)	(2,028)	(10,821)	-	(242,633)
Net Cash Provided (Used) By Capital Financing Activities	<u>(2,137,343)</u>	<u>(16,117)</u>	<u>(40,654)</u>	<u>9,826</u>	<u>(2,184,288)</u>
<u>Cash Flows from Investing Activities</u>					
Interest Income	79,901	5,580	7,297	139	92,917
Net Cash Provided By Investing Activities	<u>79,901</u>	<u>5,580</u>	<u>7,297</u>	<u>139</u>	<u>92,917</u>
<u>Cash Flows from Non-Capital Financing Activities</u>					
Payments From (To) Other Funds	(476,376)	(15,764)	15,764	(2,528)	(478,904)
Customer Deposits	774	692	671	-	2,137
Net Cash Provided By Non-Capital Financing Activities	<u>(475,602)</u>	<u>(15,072)</u>	<u>16,435</u>	<u>(2,528)</u>	<u>(476,767)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,606,340)	(33,102)	36,473	(22,601)	(1,625,570)
Cash and Cash Equivalents, Beginning of Year	<u>1,751,858</u>	<u>73,858</u>	<u>487,726</u>	<u>(78,498)</u>	<u>2,234,944</u>
Cash and Cash Equivalents, End of Year	<u>\$ 145,518</u>	<u>\$ 40,756</u>	<u>\$ 524,199</u>	<u>\$ (101,099)</u>	<u>\$ 609,374</u>

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, 2008

	<u>Electric Light and Power</u>	<u>Waterworks</u>	<u>Sewer</u>	<u>Non-Major Swimming Pool</u>	<u>Total</u>
Operating Income (Loss)	\$ 328,834	\$ (175,876)	\$ 8,919	\$ (33,180)	\$ 128,697
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	524,385	141,333	38,533	2,859	707,110
Decrease (Increase) in:					
Accounts Receivable	33,707	7,256	4,369	-	45,332
Other Receivables	(312)	17,658	(312)	-	17,034
Unbilled Revenue	(9,185)	(2,061)	(566)	-	(11,812)
Prepaid Insurance	(12,219)	131	(378)	283	(12,183)
Increase (Decrease) in:					
Accounts Payable	59,267	2,627	306	-	62,200
Accrued Salaries	2,227	1,439	2,524	-	6,190
Net Cash Provided (Used) by Operating Activities	<u>926,704</u>	<u>(7,493)</u>	<u>53,395</u>	<u>(30,038)</u>	<u>942,568</u>

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

VILLAGE OF FREEBURG, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

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 assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. Governmental

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected to follow subsequent private-sector guidance. 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.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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.

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.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

<u>Type of Property and Equipment</u>	<u>Estimated Useful Lives</u>
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:

<u>Service</u>	<u>Vacation Allowed</u>
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, 2008 is immaterial.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 assets.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted assets

Certain cash and investments of the governmental activities are reported as restricted as these balances are comprised of the proceeds of bond issues and are set aside for construction or development commitments or for the repayment of bond debt and other restrictions within the bond ordinances.

(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 May 21, 2007, 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.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2008, the carrying amount of the Village's deposits was \$2,513,927 and the bank balance was \$2,510,520. 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, 2008, none of the Village's bank balance was exposed to custodial credit risk as uninsured or uncollateralized. Deposits of \$2,193,329 exceeded FDIC coverage but were collateralized by investments held in the Village's name.

At March 31, 2008, the Village had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	Daily	\$ 162,326
Trust Funds	Daily	265,731
Petty Cash		150
Deposits as reported above		<u>2,513,927</u>
Total deposits and investments		<u>\$ 2,942,134</u>
As Reported in the Statement of Net Assets:		
Cash and Cash Equivalents		\$ 861,876
Restricted Cash and Cash Equivalents		265,731
Investments		<u>1,814,527</u>
		<u>\$ 2,942,134</u>

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.

Credit Risk. As of March 31, 2008, the credit rating of the Village's investment was as follows:

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

Concentration of Credit Risk. As of March 31, 2008, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2008, the Village has no foreign currency risk.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: RETIREMENT FUND COMMITMENTS

(a) Illinois Municipal Retirement Fund

The Village's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF, an agent multi-employer retirement plan, acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Village is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 10.92% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2007 was 25 years.

For December 31, 2007, the Village's annual pension cost of \$140,758 was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases 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 IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 experience study.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Social Security

All employees, including those qualifying for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security. The Village paid \$108,938, the total required contribution for the current fiscal year.

NOTE 4: LONG-TERM DEBT

The Village has the following long-term debt as of March 31, 2008.

Governmental Activities

\$2,050,000 Tax Increment Revenue Bonds, Series 2005 (North State Street Redevelopment Project Area) dated March 17, 2005, due in annual installments of \$25,000 to \$255,000 through November 1, 2024; interest at 4.25% to 5.75%. The amount of bonds outstanding as of March 31, 2008 is \$2,050,000. These bonds are being retired by the TIF Fund.

Business-type Activities

\$5,960,000 Local Government Program Revenue Bonds, Series 2005 dated December 20, 2005, due in annual installments of \$220,000 to \$425,000 through December 1, 2025; interest at 3.35% to 4.40%. The amount of bonds outstanding as of March 31, 2008 is \$5,530,000. These bonds are being retired by the Electric Light and Power Fund.

\$129,768 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of \$4,562 through February 2013, including 3.36% annual interest. The purpose of the loan was to assist in financing construction of a new lift station and force main for the Sewer Fund. The balance outstanding as of March 31, 2008 is \$41,678.

\$104,816 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of \$3,568 through March 2019, including 2.865% annual interest. The loan was used to assist the Water Fund in financing construction of a waterline extension. The balance outstanding as of March 31, 2008 is \$66,928.

\$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% annually. The purpose of the loan is to assist in financing construction of sanitary sewer lines and an excess flow clarifier at the West Sewage Treatment Plant. The balance outstanding as of March 31, 2008 is \$347,332.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of changes in long-term debt for the year ended March 31, 2008.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type Activities:</u>					
Bonds Payable	\$ 5,740,000	\$ -	\$ 210,000	\$ 5,530,000	\$ 220,000
EPA Loans	490,880	-	34,942	455,938	35,914
	<u>\$ 6,230,880</u>	<u>\$ -</u>	<u>\$ 244,942</u>	<u>\$ 5,985,938</u>	<u>\$ 255,914</u>
<u>Governmental Activities:</u>					
Bonds Payable	\$ 2,050,000	\$ -	\$ -	\$ 2,050,000	\$ 80,000

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

<u>Year Ended April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	80,000	85,956	220,000	222,958
2010	70,000	83,088	225,000	215,588
2011	80,000	84,550	235,000	207,826
2012	85,000	85,381	245,000	199,602
2013	90,000	81,344	250,000	190,782
2014 - 2018	510,000	354,794	1,410,000	802,630
2019 - 2023	650,000	232,983	1,725,000	492,516
2024 - 2027	485,000	42,694	1,220,000	108,500
	<u>\$ 2,050,000</u>	<u>\$ 1,050,790</u>	<u>\$ 5,530,000</u>	<u>\$ 2,440,402</u>

The required principal payment on the TIF bonds of \$25,000 was not made on November 1, 2007 due to insufficient funds as of the scheduled payment date. Subsequent to year end, the principal payment was made and the debt liability is current.

The remaining debt is related to business-type activities. Debt service requirements on long-term debt at March 31, 2008 are as follows:

	<u>EPA Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 35,914	\$ 11,877
2010	36,913	10,877
2011	37,941	9,849
2012	38,996	8,794
2013	40,083	7,707
2014 - 2018	168,573	25,752
2019 - 2021	97,518	4,206
	<u>\$455,938</u>	<u>\$ 79,062</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: 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 3, 2007. 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, 2008. 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	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Tax Rates:</u>				
General	\$ 0.2500	\$ 0.1250	\$ 0.1353	\$ 0.1487
IMRF	None	0.1436	0.1553	0.1707
Police Protection	0.0750	0.0325	0.0352	0.0387
Audit	None	0.0069	0.0075	0.0083
Civil Defense (ESDA)	0.0500	0.0019	0.0020	0.0022
Total		<u>\$ 0.3099</u>	<u>\$ 0.3353</u>	<u>\$ 0.3686</u>
Assessed Valuations		<u>\$78,370,113</u>	<u>\$69,023,384</u>	<u>\$59,860,345</u>
<u>Tax Extensions:</u>				
General		\$ 97,963	\$ 93,389	\$ 89,012
IMRF		112,539	107,193	102,182
Police Protection		25,470	24,296	23,166
Audit		5,408	5,177	4,968
Civil Defense (ESDA)		1,489	1,380	1,317
Total		<u>\$ 242,869</u>	<u>\$ 231,435</u>	<u>\$ 220,645</u>
Tax Collections		<u>\$ -</u>	<u>\$ 229,543</u>	<u>\$ 214,167</u>
Percent Collected		<u>0.00%</u>	<u>99.18%</u>	<u>97.06%</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 154,870	\$ -	\$ 9,650	\$ 145,220
Capital assets, being depreciated:				
Buildings and improvements	500,284	-	-	500,284
Infrastructure	50,738	-	-	50,738
Vehicles and equipment	503,596	20,245	9,775	514,066
Total capital assets being depreciated	<u>1,054,618</u>	<u>20,245</u>	<u>9,775</u>	<u>1,065,088</u>
Less accumulated depreciation for:				
Building and improvements	183,820	13,540	-	197,360
Infrastructure	1,453	1,175	-	2,628
Vehicles and equipment	312,448	46,056	9,775	348,729
Total accumulated depreciation	<u>497,721</u>	<u>60,771</u>	<u>9,775</u>	<u>548,717</u>
Total capital assets, being depreciated, net	<u>556,897</u>	<u>(40,526)</u>	<u>-</u>	<u>516,371</u>
Governmental activities capital assets, net	<u>\$ 711,767</u>	<u>\$ (40,526)</u>	<u>\$ 9,650</u>	<u>\$ 661,591</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 240,867	\$ -	\$ -	\$ 240,867
Capital assets, being depreciated:				
Buildings and improvements	6,077,549	296,228	-	6,373,777
Swimming pool	109,116	-	-	109,116
Distribution and collection system	12,004,251	883,469	-	12,887,720
Vehicles and equipment	857,298	201,848	8,162	1,050,984
Total capital assets, being depreciated	<u>19,048,214</u>	<u>1,381,545</u>	<u>8,162</u>	<u>20,421,597</u>
Less accumulated depreciation for:				
Buildings and improvements	2,559,749	197,457	-	2,757,206
Swimming pool	109,116	-	-	109,116
Distribution and collection system	3,996,402	458,140	-	4,454,542
Vehicles and equipment	709,435	51,513	8,162	752,786
Total accumulated depreciation	<u>7,374,702</u>	<u>707,110</u>	<u>8,162</u>	<u>8,073,650</u>
Total capital assets, being depreciated, net	<u>11,673,512</u>	<u>674,435</u>	<u>-</u>	<u>12,347,947</u>
Business-type activities capital assets, net	<u>\$ 11,914,379</u>	<u>\$ 674,435</u>	<u>\$ -</u>	<u>\$ 12,588,814</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Governmental activities:	
General government	\$ 18,117
Public safety	21,522
Highways and streets	<u>21,132</u>
Total depreciation expense - governmental activities	<u>\$ 60,771</u>
Business-type activities:	
Electric light and power	\$ 524,385
Water	141,333
Sewer	38,533
Swimming pool	<u>2,859</u>
Total depreciation expense-business-type activities	<u>\$ 707,110</u>

NOTE 7: ACCOUNTS RECEIVABLE

The Village records accounts receivable in the Statement of Net Assets for amounts that are due to the Village but have not been received at March 31, 2008. Accounts receivable are largely comprised of billed and unbilled amounts for utilities in the business-type activities. These balances are considered fully collectible at March 31, 2008.

NOTE 8: DEFICIT RETAINED EARNINGS

The following fund had a deficit retained earnings as of March 31, 2008:

Swimming Pool	\$ 65,069
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VILLAGE OF FREEBURG, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual (Budget Basis)
	Original	Final	
Revenues:			
Property Tax	\$ 285,100	\$ 285,100	\$ 302,418
Replacement Tax	5,600	5,600	6,648
Sales Tax	345,000	345,000	270,589
State Income Tax	340,000	340,000	352,372
Local Use Tax	52,000	52,000	52,088
Telecommunications Tax	135,000	135,000	140,768
Franchise Tax	47,000	47,000	45,193
Utility Tax	-	-	189,072
Licenses and Permits	73,525	73,525	51,847
Fines and Penalties	20,200	20,200	18,258
Sale of Supplies	375	375	129
Garbage Collection	164,600	164,600	166,262
Rental/Lease Income	6,900	6,900	6,900
Investment Earnings	23,000	23,000	24,407
Grants	40,200	40,200	49,598
Miscellaneous	13,875	13,875	27,084
Total Revenues	1,552,375	1,552,375	1,703,633
Expenditures:			
Current:			
General Government	263,930	263,930	244,059
Public Safety:			
Police	820,600	820,600	830,436
Civil Defense	3,315	3,315	2,181
Highways and Streets	263,875	263,875	289,201
Sanitation	162,250	162,250	159,222
Capital Outlay	33,200	33,200	20,245
Total Expenditures	1,547,170	1,547,170	1,545,344
Net Change in Fund Balances	\$ 5,205	\$ 5,205	158,289
No change for modified cash basis reporting			-
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			\$ 158,289

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
MARCH 31, 2008

	Calendar Year					
	2007	2006	2005	2004	2003	2002
Actuarial Value of Assets	\$ 2,164,633	\$ 1,938,796	\$ 1,906,118	\$ 1,634,772	\$ 1,622,702	\$ 1,434,469
Actuarial Accrued Liability (AAL)	2,591,322	2,424,770	2,369,471	2,185,706	2,009,369	1,781,715
Unfunded AAL (UAAL)	426,689	485,974	463,353	550,934	386,667	347,246
Funded Ratio	83.53%	79.96%	80.44%	74.79%	80.76%	80.51%
Covered Payroll	1,288,995	1,200,992	1,013,012	1,056,041	943,582	897,623
UAAL as a % of Covered Payroll	33.10%	40.46%	45.74%	52.17%	40.98%	38.69%
Employer Contributions:						
Required	140,758	140,636	109,101	112,363	95,207	95,148
Made	140,758	140,636	109,101	112,363	95,207	95,148
Percentage of Employer Contributions						
Made to Required Contributions	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

On a market value basis, the actuarial value of assets as of December 31, 2007 is \$2,308,662.

On a market basis, the funded ratio would be 89.09 percent.

Digest of Changes - The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002-2004 Experience Study. The principal changes were:

 The 1994 Group Annuity Mortality implemented.

 For regular members, fewer normal and more early retirements are expected to occur.

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

Actuarial Cost Method: Entry Age Actuarial Cost

Amortization Method: Level Percentage of Projected Payroll

Remaining Amortization Period: 25 Years

Asset Valuation Method: Techniques that smooth the effects of volatility over a 5 year period with a 15% 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, 2008

	<u>Impact Fees</u>	<u>Motor Fuel Tax</u>	<u>TIF</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ -	\$ 101,437	\$ -	\$ 101,437
Investments	15,000	199,000	-	214,000
Restricted Assets	-	-	265,731	265,731
Total Assets	<u>\$ 15,000</u>	<u>\$ 300,437</u>	<u>\$ 265,731</u>	<u>\$ 581,168</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Unreserved	15,000	300,437	-	315,437
Reserved - Debt Service	-	-	265,731	265,731
Total Fund Balance	<u>15,000</u>	<u>300,437</u>	<u>265,731</u>	<u>581,168</u>
Total Liabilities and Fund Balance	<u>\$ 15,000</u>	<u>\$ 300,437</u>	<u>\$ 265,731</u>	<u>\$ 581,168</u>

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, 2008

	Impact Fees	Motor Fuel Tax	TIF	Total
Revenues:				
Property Tax	\$ -	\$ -	\$ 27,634	\$ 27,634
Motor Fuel Tax	-	109,529	-	109,529
Sales Tax	-	-	94,945	94,945
Investment Income	-	13,284	7,665	20,949
Total Revenues	<u>-</u>	<u>122,813</u>	<u>130,244</u>	<u>253,057</u>
Expenditures:				
Current:				
Highways and Streets	-	125,952	-	125,952
Development	-	-	2,500	2,500
Debt Service	-	-	87,125	87,125
Total Expenditures	<u>-</u>	<u>125,952</u>	<u>89,625</u>	<u>215,577</u>
Net Change in Fund Balances	-	(3,139)	40,619	37,480
Fund Balance, Beginning of Year	<u>15,000</u>	<u>303,576</u>	<u>225,112</u>	<u>543,688</u>
Fund Balance, End of Year	<u>\$ 15,000</u>	<u>\$ 300,437</u>	<u>\$ 265,731</u>	<u>\$ 581,168</u>



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

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Teffeller
Kevin J. Tepen

**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

We have audited the accompanying financial statements of the Village of Freeburg, Illinois for the year ended March 31, 2008, and have issued our report thereon dated December 1, 2008. The financial statements are the responsibility of the Village of Freeburg, Illinois' management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was made 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 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.

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 & Company, L.L.C.
Certified Public Accountants

December 1, 2008

233 East Center Drive
P.O. Box 416
Alton, Illinois 62002
(618) 465-7717 St. Louis (314) 355-2586
Fax (618) 465-7710



PCPS
THE AICPA ALLIANCE FOR CPA FIRMS
38

One Westbury Drive
Suite 420
St. Charles, Missouri 63301-2567
(636) 723-7611 St. Louis (636) 947-1008
Fax (636) 947-4558