



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, 2011

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VILLAGE OF FREEBURG, ILLINOIS

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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 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, 2011, 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 management, 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, 2011, 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, the schedule of funding progress and employer contributions on page 37 and the budgetary comparison information on page 36, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Freeburg, Illinois' financial statements as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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. Schlemmer & Co., L.L.C.
Certified Public Accountants

November 7, 2011

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, 2011. 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 \$9,271,297 at the close of the most recent fiscal year.

The largest portion of the Village's net assets (76%) 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 assets is as follows:

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | March 31, 2011 | March 31, 2010 | March 31, 2011 | March 31, 2010 | March 31, 2011 | March 31, 2010 |
| Current and other assets | \$ 980,339 | \$ 897,801 | \$ 3,773,521 | \$ 3,616,425 | \$ 4,753,860 | \$ 4,514,226 |
| Capital assets | 676,451 | 714,553 | 11,320,877 | 11,470,102 | 11,997,328 | 12,184,655 |
| Total assets | <u>1,656,790</u> | <u>1,612,354</u> | <u>15,094,398</u> | <u>15,086,527</u> | <u>16,751,188</u> | <u>16,698,881</u> |
| Long-term liabilities outstanding | 1,755,000 | 1,900,931 | 5,195,170 | 5,473,387 | 6,950,170 | 7,374,318 |
| Other liabilities | 1,555 | 5,171 | 528,166 | 517,289 | 529,721 | 522,460 |
| Total liabilities | <u>1,756,555</u> | <u>1,906,102</u> | <u>5,723,336</u> | <u>5,990,676</u> | <u>7,479,891</u> | <u>7,896,778</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 676,451 | 713,622 | 6,329,114 | 6,210,289 | 7,005,565 | 6,923,911 |
| Restricted | 335,293 | 382,826 | - | - | 335,293 | 382,826 |
| Unrestricted | (1,111,509) | (1,390,196) | 3,041,948 | 2,885,562 | 1,930,439 | 1,495,366 |
| Total net assets | <u>\$ (99,765)</u> | <u>\$ (293,748)</u> | <u>\$ 9,371,062</u> | <u>\$ 9,095,851</u> | <u>\$ 9,271,297</u> | <u>\$ 8,802,103</u> |

Total net assets increased \$469,194 resulting in a balance of \$9,271,297 as of March 31, 2011. Current assets, which include cash, investments and accounts receivable, increased \$240,000, largely due to a larger receivable balance and cash balances. Non-current assets decreased \$187,000, due to depreciation exceeding the increase in current year additions. Total liabilities decreased \$417,000 resulting in a balance of \$7,479,891 as of March 31, 2011. Outstanding debt, including long-term and short-term portions, decreased \$424,000, due to principle payments on the outstanding bonds. Other liabilities increased \$7,000, due to an increase in the accounts payables and customer deposits.

ANALYSIS OF NET ASSETS

| <u>Analysis of Net Assets</u> | <u>2011</u> | | <u>2010</u> | |
|--------------------------------|----------------|---------------------|----------------|---------------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| Net invested in capital assets | 75.6% | \$ 7,005,565 | 78.7% | \$ 6,923,911 |
| Restricted | 3.6% | 335,293 | 4.3% | 382,826 |
| Unrestricted | <u>20.8%</u> | <u>1,930,439</u> | <u>17.0%</u> | <u>1,495,366</u> |
| Total net assets | <u>100.0%</u> | <u>\$ 9,271,297</u> | <u>100.0%</u> | <u>\$ 8,802,103</u> |

Total net asset balances increased by \$469,194 in fiscal year 2011 to a total ending balance of \$9,271,297. Capital net asset balances increased by \$82,000 in the current year due to debt reductions exceeding capital asset activity. 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>2011</u> | <u>2010</u> |
|--------------------------------|---------------------|---------------------|
| Property tax | \$ 549,086 | \$ 527,736 |
| Sales and use tax | 446,219 | 418,656 |
| State income tax | 320,998 | 233,932 |
| Replacement tax | 5,717 | 5,429 |
| Charges for services | 272,072 | 267,350 |
| Telecommunications tax | 146,570 | 142,951 |
| Motor fuel tax | 98,054 | 97,410 |
| Utility tax | 219,897 | 201,147 |
| Investment income | 9,374 | 12,498 |
| Operating grants | 24,004 | 30,551 |
| Miscellaneous | <u>7,115</u> | <u>5,297</u> |
| Total revenues | <u>\$ 2,099,106</u> | <u>\$ 1,942,957</u> |

Total revenues for the governmental activities increased approximately \$156,000 for the year ended March 31, 2011. The increase is mainly due to the increase in state income tax receipts which were several months in arrears during the prior year.

| <u>Business-type Activities</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|---------------------|---------------------|
| Water charges | \$ 883,909 | \$ 845,365 |
| Sewer charges | 488,973 | 429,967 |
| Electric charges | 4,444,670 | 4,073,980 |
| Swimming pool charges | 45,109 | 39,896 |
| Operating grants | 32,094 | - |
| Investment income | <u>85,731</u> | <u>94,661</u> |
| Total revenues | <u>\$ 5,980,486</u> | <u>\$ 5,483,869</u> |

Total revenues for the business-type activities increased approximately \$497,000 for the year ended March 31, 2011. The increase was primarily related to the Village increasing fees for all services in the current year.

EXPENDITURES BY CATEGORY

Governmental Activities

| <u>Expenditures by category</u> | <u>2011</u> | | <u>2010</u> | |
|---------------------------------|----------------|---------------------|----------------|---------------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| General government | 8.8% | \$ 167,512 | 14.0% | \$ 259,997 |
| Public safety | 48.3% | 920,383 | 50.0% | 925,330 |
| Highways and streets | 21.1% | 401,035 | 21.9% | 405,321 |
| Sanitation | 9.6% | 182,807 | 9.4% | 173,658 |
| Development | 7.9% | 150,014 | 0.1% | 2,500 |
| Interest on long-term debt | 4.4% | 83,372 | 4.6% | 84,834 |
| Total expenditures | <u>100.0%</u> | <u>\$ 1,905,123</u> | <u>100.0%</u> | <u>\$ 1,851,640</u> |

The Village reported a decrease in expenses for governmental activities of \$92,000 and an increase in expenses for development of \$148,000. Public safety reported the highest expenditure category with 48% 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:

| | <u>2011</u> | <u>2010</u> |
|----------------------|------------------|------------------|
| General government | \$ 13,526 | \$ 17,941 |
| Public safety | 21,807 | 21,686 |
| Highways and streets | 24,951 | 23,627 |
| Sanitation | 1,335 | 1,335 |
| Total depreciation | <u>\$ 61,619</u> | <u>\$ 64,589</u> |

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled \$23,517.

Business-type Activities

| <u>Operating Expenditures</u> | <u>2011</u> | | <u>2010</u> | |
|---------------------------------|----------------|---------------------|----------------|---------------------|
| | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> |
| Personal services | 18.0% | \$ 984,970 | 19.3% | \$ 977,045 |
| Contractual services | 8.7% | 477,640 | 9.5% | 479,628 |
| Electricity and water purchased | 53.0% | 2,905,518 | 50.6% | 2,562,266 |
| Supplies and materials | 3.9% | 215,462 | 3.6% | 183,577 |
| Heat, light and power | 0.4% | 19,236 | 0.4% | 18,153 |
| Depreciation | 16.0% | 877,340 | 16.7% | 844,522 |
| Total expenditures | <u>100.0%</u> | <u>\$ 5,480,166</u> | <u>100.0%</u> | <u>\$ 5,065,191</u> |

Expenses in the business-type activities increased in total by \$415,000. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased \$343,000 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 2011, the Village's governmental funds reported combined ending fund balances of \$934,329, an increase of \$88,253 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, \$335,293 (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 \$411,940. This balance increased \$125,153 during the current year.

The TIF Fund decreased \$47,533 in the current year, due to additional debt retirement in the current year. The Motor Fuel Tax Fund reported an increase of \$2,526 for an ending balance of \$161,730. The Impact Fees Fund reported an increase of \$8,107 in the current year for a fund balance of \$25,366.

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 \$9,371,062, an increase of \$275,211 or 0.3% 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:

| | <u>Budget</u> | <u>Actual</u> |
|--------------|---------------|---------------|
| General Fund | \$ 2,048,878 | \$ 1,845,902 |

The budget was passed on April 19, 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|-------------------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>March 31, 2011</u> | <u>March 31, 2010</u> | <u>March 31, 2011</u> | <u>March 31, 2010</u> | <u>March 31, 2011</u> | <u>March 31, 2010</u> |
| Land | \$ 87,406 | \$ 87,406 | \$ 279,630 | \$ 279,630 | \$ 367,036 | \$ 367,036 |
| Buildings and Improvements | 553,685 | 553,685 | 6,496,943 | 6,383,892 | 7,050,628 | 6,937,577 |
| Swimming Pool Infrastructure | 194,983 | 194,983 | 118,035 | 109,116 | 118,035 | 109,116 |
| Distribution and Collection Systems | - | - | - | - | 194,983 | 194,983 |
| Vehicles and Equipment | - | - | 13,591,629 | 13,095,768 | 13,591,629 | 13,095,768 |
| | 545,633 | 539,361 | 1,371,045 | 1,260,761 | 1,916,678 | 1,800,122 |
| | <u>\$ 1,381,707</u> | <u>\$ 1,375,435</u> | <u>\$ 21,857,282</u> | <u>\$ 21,129,167</u> | <u>\$ 23,238,989</u> | <u>\$ 22,504,602</u> |

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2011, amounts to \$11,997,328, 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 \$751,632. The largest additions in the current year were electrical line additions, water line additions, sewer line additions, land, and meters and materials. These additions were offset by current year depreciation expense of \$938,959, 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 8 of the financial statements.

Long-term Debt

At the end of 2011, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of \$1,755,000 and \$5,195,170, respectively, compared to \$1,900,931 and \$5,473,387 at the end of 2010.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---------------|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>March 31, 2011</u> | <u>March 31, 2010</u> | <u>March 31, 2011</u> | <u>March 31, 2010</u> | <u>March 31, 2011</u> | <u>March 31, 2010</u> |
| Loans Payable | \$ - | \$ - | \$ 345,170 | \$ 383,109 | \$ 345,170 | \$ 383,109 |
| Capital Lease | - | 931 | - | 5,278 | - | 6,209 |
| Bonds Payable | 1,755,000 | 1,900,000 | 4,850,000 | 5,085,000 | 6,605,000 | 6,985,000 |
| Total Debt | <u>\$ 1,755,000</u> | <u>\$ 1,900,931</u> | <u>\$ 5,195,170</u> | <u>\$ 5,473,387</u> | <u>\$ 6,950,170</u> | <u>\$ 7,374,318</u> |

The governmental activities reported decreases in long-term debt of \$145,931. The business-type activities reported decreases in long-term debt of \$278,217. 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, 2011

| | <u>Governmental</u> Activities | <u>Business-type</u> Activities | <u>Total</u> |
|--|-----------------------------------|------------------------------------|----------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 418,511 | \$ 1,147,747 | \$ 1,566,258 |
| Investments | 182,258 | 1,752,011 | 1,934,269 |
| Receivables (Net of allowance for uncollectible): | - | 586,689 | 586,689 |
| Prepaid Insurance | - | 83,489 | 83,489 |
| Internal Balances | (178) | 178 | - |
| Restricted Cash and Cash Equivalents | 335,293 | - | 335,293 |
| Capital Assets: | | | |
| Land | 87,406 | 279,630 | 367,036 |
| Buildings and Improvements | 553,685 | 6,496,943 | 7,050,628 |
| Swimming Pool | - | 118,035 | 118,035 |
| Infrastructure | 194,983 | - | 194,983 |
| Distribution and Collection Systems | - | 13,591,629 | 13,591,629 |
| Vehicles and Equipment | 545,633 | 1,371,045 | 1,916,678 |
| Less: Accumulated Depreciation | (705,256) | (10,536,405) | (11,241,661) |
| Net Capital Assets | <u>676,451</u> | <u>11,320,877</u> | <u>11,997,328</u> |
| Unamortized Bond Issuance Costs | 44,455 | 203,407 | 247,862 |
| Total Assets | <u>\$ 1,656,790</u> | <u>\$ 15,094,398</u> | <u>\$ 16,751,188</u> |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 1,555 | \$ 273,138 | \$ 274,693 |
| Accrued Salaries | - | 32,523 | 32,523 |
| Accrued Interest | - | 66,351 | 66,351 |
| Customer Deposits | - | 156,154 | 156,154 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 20,000 | 283,996 | 303,996 |
| Due In More Than One Year | 1,735,000 | 4,911,174 | 6,646,174 |
| Total Liabilities | <u>1,756,555</u> | <u>5,723,336</u> | <u>7,479,891</u> |
| <u>Net Assets</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 676,451 | 6,329,114 | 7,005,565 |
| Restricted | 335,293 | - | 335,293 |
| Unrestricted | (1,111,509) | 3,041,948 | 1,930,439 |
| Total Net Assets | <u>\$ (99,765)</u> | <u>\$ 9,371,062</u> | <u>\$ 9,271,297</u> |

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, 2011

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|---|---|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 349,698 | \$ 68,813 | \$ 418,511 |
| Investments | 40,608 | 141,650 | 182,258 |
| Due from Other Funds | 23,189 | - | 23,189 |
| Restricted Assets | - | 335,293 | 335,293 |
| Total Assets | <u>\$ 413,495</u> | <u>\$ 545,756</u> | <u>\$ 959,251</u> |
| <u>Liabilities and Fund Equity</u> | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 1,555 | \$ - | \$ 1,555 |
| Due to Other Funds | | 23,367 | 23,367 |
| Total Liabilities | <u>1,555</u> | <u>23,367</u> | <u>24,922</u> |
| Fund Equity: | | | |
| Fund Balance: | | | |
| Reserved | - | 335,293 | 335,293 |
| Unreserved | 411,940 | - | 411,940 |
| Unreserved, reported in Special Revenue Funds | - | 187,096 | 187,096 |
| Total Fund Balance | <u>411,940</u> | <u>522,389</u> | <u>934,329</u> |
| Total Liabilities and Fund Equity | <u>\$ 413,495</u> | <u>\$ 545,756</u> | <u>\$ 959,251</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, 2011**

Amounts reported for governmental fund balances are different because:

| | |
|---|--------------------|
| Fund balances - total governmental funds | \$ 934,329 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds. | 676,451 |
| Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds. | (1,710,545) |
| Net assets of governmental activities | <u>\$ (99,765)</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, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Property Tax | \$ 345,573 | \$ 203,513 | \$ 549,086 |
| Utility Tax | 219,897 | - | 219,897 |
| Intergovernmental: | | | |
| Replacement Tax | 5,717 | - | 5,717 |
| Sales Tax | 393,844 | - | 393,844 |
| State Income Tax | 320,998 | - | 320,998 |
| Local Use Tax | 52,375 | - | 52,375 |
| Telecommunications Tax | 146,570 | - | 146,570 |
| Grants | 7,189 | 16,815 | 24,004 |
| Motor Fuel Tax | - | 98,054 | 98,054 |
| Franchise Fees | 17,435 | - | 17,435 |
| Licenses and Permits | 38,927 | 7,500 | 46,427 |
| Fines and Penalties | 11,554 | - | 11,554 |
| Garbage Collection | 188,721 | - | 188,721 |
| Rental/Lease Income | 7,935 | - | 7,935 |
| Investment Earnings | 3,692 | 5,682 | 9,374 |
| Miscellaneous | 7,115 | - | 7,115 |
| Total Revenues | <u>1,767,542</u> | <u>331,564</u> | <u>2,099,106</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 153,986 | - | 153,986 |
| Public Safety: | | | |
| Police | 895,867 | - | 895,867 |
| Civil Defense | 2,709 | - | 2,709 |
| Highways and Streets | 258,666 | 117,418 | 376,084 |
| Development | - | 147,915 | 147,915 |
| Sanitation | 181,472 | - | 181,472 |
| Debt Service: | | | |
| Principal | 931 | 145,000 | 145,931 |
| Interest | 9 | 83,363 | 83,372 |
| Capital Outlay | 23,517 | - | 23,517 |
| Total Expenditures | <u>1,517,157</u> | <u>493,696</u> | <u>2,010,853</u> |
| Excess of Revenues Over Expenditures | <u>250,385</u> | <u>(162,132)</u> | <u>88,253</u> |
| Other Financing Sources (Uses): | | | |
| Transfer From (To) Other Funds | <u>(125,232)</u> | <u>125,232</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures | <u>125,153</u> | <u>(36,900)</u> | <u>88,253</u> |
| Fund Balance, Beginning of Year | 286,787 | 559,289 | 846,076 |
| Fund Balance, End of Year | <u>\$ 411,940</u> | <u>\$ 522,389</u> | <u>\$ 934,329</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, 2011

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

Net change in fund balances - total governmental funds \$ 88,253

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. (38,102)

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. 143,832

Change in net assets of governmental activities \$ 193,983

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, 2011

| | <u>Electric Light and Power</u> | <u>Waterworks</u> | <u>Sewer</u> | <u>Non-Major Swimming Pool</u> | <u>Total</u> |
|--|---|---------------------|---------------------|--|----------------------|
| <u>Assets</u> | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ 760,146 | \$ 121,652 | \$ 456,904 | \$ (190,955) | \$ 1,147,747 |
| Investments | 1,339,000 | 278,355 | 134,656 | - | 1,752,011 |
| Receivables: | | | | | |
| Customers | 245,479 | 47,066 | 27,729 | - | 320,274 |
| Unbilled Revenue | 175,785 | 38,954 | 22,349 | - | 237,088 |
| Other | 18,928 | 10,115 | 284 | - | 29,327 |
| Due From Other Funds | 153 | - | - | 25 | 178 |
| Prepaid Insurance | 66,078 | 9,330 | 5,895 | 2,186 | 83,489 |
| Total Current Assets | <u>2,605,569</u> | <u>505,472</u> | <u>647,817</u> | <u>(188,744)</u> | <u>3,570,114</u> |
| Noncurrent Assets: | | | | | |
| Property, Plant and Equipment: | | | | | |
| Land | 211,375 | 50,094 | 11,911 | 6,250 | 279,630 |
| Buildings and Improvements | 5,502,010 | - | 934,197 | 60,736 | 6,496,943 |
| Swimming Pool | - | - | - | 118,035 | 118,035 |
| Distribution and Collection Systems | 8,488,596 | 3,687,429 | 1,415,604 | - | 13,591,629 |
| Vehicles and Equipment | 912,320 | 241,958 | 190,148 | 26,619 | 1,371,045 |
| | <u>15,114,301</u> | <u>3,979,481</u> | <u>2,551,860</u> | <u>211,640</u> | <u>21,857,282</u> |
| Less - Accumulated Depreciation | 6,768,116 | 2,357,872 | 1,238,397 | 172,020 | 10,536,405 |
| Net Property, Plant and Equipment | <u>8,346,185</u> | <u>1,621,609</u> | <u>1,313,463</u> | <u>39,620</u> | <u>11,320,877</u> |
| Bond Issuance Costs | 203,407 | - | - | - | 203,407 |
| Total Assets | <u>\$ 11,155,161</u> | <u>\$ 2,127,081</u> | <u>\$ 1,961,280</u> | <u>\$ (149,124)</u> | <u>\$ 15,094,398</u> |
| <u>Liabilities</u> | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | \$ 240,946 | \$ 29,207 | \$ 2,985 | \$ - | \$ 273,138 |
| Accrued Salaries | 19,841 | 7,325 | 5,357 | - | 32,523 |
| Accrued Interest | 66,351 | - | - | - | 66,351 |
| Current Portion of Long Term Debt | 245,000 | 5,725 | 33,271 | - | 283,996 |
| Customer Deposits | 95,026 | 35,308 | 25,820 | - | 156,154 |
| Total Current Liabilities | <u>667,164</u> | <u>77,565</u> | <u>67,433</u> | <u>-</u> | <u>812,162</u> |
| Noncurrent Liabilities: | | | | | |
| Long Term Debt (Net of Current) | 4,605,000 | 44,974 | 261,200 | - | 4,911,174 |
| Total Noncurrent Liabilities | <u>4,605,000</u> | <u>44,974</u> | <u>261,200</u> | <u>-</u> | <u>4,911,174</u> |
| Total Liabilities | <u>5,272,164</u> | <u>122,539</u> | <u>328,633</u> | <u>-</u> | <u>5,723,336</u> |
| <u>Net Assets</u> | | | | | |
| Invested in Capital Assets, | | | | | |
| Net of Related Debt | 3,699,592 | 1,570,910 | 1,018,992 | 39,620 | 6,329,114 |
| Unreserved | 2,183,405 | 433,632 | 613,655 | (188,744) | 3,041,948 |
| Total Net Assets | <u>\$ 5,882,997</u> | <u>\$ 2,004,542</u> | <u>\$ 1,632,647</u> | <u>\$ (149,124)</u> | <u>\$ 9,371,062</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, 2011

| | <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 | \$ 4,389,596 | \$ 869,997 | \$ 486,356 | \$ 35,017 | \$ 5,780,966 |
| Connection Fees | 3,300 | 3,570 | 2,250 | - | 9,120 |
| Supplies Sold | 5,589 | 10,321 | - | 10,092 | 26,002 |
| Miscellaneous | 46,185 | 21 | 367 | - | 46,573 |
| Total Operating Revenue | <u>4,444,670</u> | <u>883,909</u> | <u>488,973</u> | <u>45,109</u> | <u>5,862,661</u> |
| Operating Expenses: | | | | | |
| Personal Services | 512,932 | 242,549 | 194,076 | 35,413 | 984,970 |
| Contractual Services and Other | 373,373 | 41,971 | 57,851 | 4,445 | 477,640 |
| Electricity and Water Purchased | 2,575,441 | 330,077 | - | - | 2,905,518 |
| Supplies and Materials | 117,479 | 52,707 | 28,286 | 16,990 | 215,462 |
| Heat, Light and Power | 2,958 | - | 16,278 | - | 19,236 |
| Depreciation | 611,846 | 205,333 | 54,078 | 6,083 | 877,340 |
| Total Operating Expenses | <u>4,194,029</u> | <u>872,637</u> | <u>350,569</u> | <u>62,931</u> | <u>5,480,166</u> |
| Operating Income (Loss) | <u>250,641</u> | <u>11,272</u> | <u>138,404</u> | <u>(17,822)</u> | <u>382,495</u> |
| Nonoperating Revenues (Expenses): | | | | | |
| Amortization of Bond | | | | | |
| Issuance Costs | (10,167) | - | - | - | (10,167) |
| Operating Grant | - | 12,500 | - | 19,594 | 32,094 |
| Interest Income | 69,335 | 8,979 | 7,409 | 8 | 85,731 |
| Interest Expense | (205,092) | (1,572) | (8,278) | - | (214,942) |
| Total Nonoperating Revenues (Expenses) | <u>(145,924)</u> | <u>19,907</u> | <u>(869)</u> | <u>19,602</u> | <u>(107,284)</u> |
| Change in Net Assets | 104,717 | 31,179 | 137,535 | 1,780 | 275,211 |
| Net Assets, Beginning of Year | 5,778,280 | 1,973,363 | 1,495,112 | (150,904) | 9,095,851 |
| Net Assets, End of Year | <u>\$ 5,882,997</u> | <u>\$ 2,004,542</u> | <u>\$ 1,632,647</u> | <u>\$ (149,124)</u> | <u>\$ 9,371,062</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, 2011**

| | <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 | \$ 4,434,088 | \$ 900,344 | \$ 491,295 | \$ 45,109 | \$ 5,870,836 |
| Cash Paid to Suppliers | (3,194,257) | (495,954) | (181,910) | (28,863) | (3,900,984) |
| Cash Payments to Employees for Services | (358,058) | (170,493) | (144,533) | (31,397) | (704,481) |
| Net Cash Provided (Used) by Operating Activities | <u>881,773</u> | <u>233,897</u> | <u>164,852</u> | <u>(15,151)</u> | <u>1,265,371</u> |
| <u>Cash Flows from Capital Financing Activities</u> | | | | | |
| Purchase of Fixed Assets | (522,618) | (96,094) | (90,159) | (19,245) | (728,116) |
| Principal Paid on Debt | (235,931) | (7,737) | (34,549) | - | (278,217) |
| Interest Paid on Debt | (207,826) | (1,572) | (8,278) | - | (217,676) |
| Net Cash Provided (Used) By Capital Financing Activities | <u>(966,375)</u> | <u>(105,403)</u> | <u>(132,986)</u> | <u>(19,245)</u> | <u>(1,224,009)</u> |
| <u>Cash Flows from Investing Activities</u> | | | | | |
| Purchase of Certificate of Deposit | - | (151,355) | - | - | (151,355) |
| Interest Income | 69,335 | 8,979 | 7,409 | 8 | 85,731 |
| Net Cash Provided (Used) By Investing Activities | <u>69,335</u> | <u>(142,376)</u> | <u>7,409</u> | <u>8</u> | <u>(65,624)</u> |
| <u>Cash Flows from Non-Capital Financing Activities</u> | | | | | |
| Payments From (To) Other Funds | 3,334 | 721 | 721 | - | 4,776 |
| Grant Proceeds | - | 12,500 | - | 19,594 | 32,094 |
| Customer Deposits | 3,354 | (390) | 640 | - | 3,604 |
| Net Cash Provided By Non-Capital Financing Activities | <u>6,688</u> | <u>12,831</u> | <u>1,361</u> | <u>19,594</u> | <u>40,474</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (8,579) | (1,051) | 40,636 | (14,794) | 16,212 |
| Cash and Cash Equivalents, Beginning of Year | <u>768,725</u> | <u>122,703</u> | <u>416,268</u> | <u>(176,161)</u> | <u>1,131,535</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 760,146</u> | <u>\$ 121,652</u> | <u>\$ 456,904</u> | <u>\$ (190,955)</u> | <u>\$ 1,147,747</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, 2011

| | <u>Electric Light and Power</u> | <u>Waterworks</u> | <u>Sewer</u> | <u>Non-Major Swimming Pool</u> | <u>Total</u> |
|--|---|-------------------|----------------|--|------------------|
| Operating Income (Loss) | \$ 250,641 | \$ 11,272 | \$ 138,404 | \$ (17,822) | \$ 382,495 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | 611,846 | 205,333 | 54,078 | 6,083 | 877,340 |
| Decrease (Increase) in: | | | | | |
| Accounts Receivable | 1,087 | 882 | (279) | - | 1,690 |
| Other Receivables | (18,928) | 9,450 | (284) | - | (9,762) |
| Unbilled Revenue | 7,259 | 6,103 | 2,885 | - | 16,247 |
| Prepaid Insurance | (9,354) | (1,392) | (1,269) | (632) | (12,647) |
| Increase (Decrease) in: | | | | | |
| Accounts Payable | 37,939 | 346 | (29,282) | (2,780) | 6,223 |
| Accrued Salaries | 1,283 | 1,903 | 599 | - | 3,785 |
| Net Cash Provided (Used) by Operating Activities | <u>881,773</u> | <u>233,897</u> | <u>164,852</u> | <u>(15,151)</u> | <u>1,265,371</u> |

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

VILLAGE OF FREEBURG, ILLINOIS

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

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, 2011 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 April 19, 2010, 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, 2011, the carrying amount of the Village's deposits was \$3,436,989 and the bank balance was \$3,454,806. 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, 2011, none of the Village's bank balance was exposed to custodial credit risk as uninsured or uncollateralized. Deposits of \$3,081,959 exceeded FDIC coverage but were collateralized by investments held in the Village's name.

At March 31, 2011, 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 | \$ 63,388 |
| Trust Funds | Daily | 335,293 |
| Petty Cash | | 150 |
| Deposits as reported above | | <u>3,436,989</u> |
| Total deposits and investments | | <u>\$ 3,835,820</u> |
| As Reported in the Statement of Net Assets: | | |
| Cash and Cash Equivalents | | \$ 1,566,258 |
| Restricted Cash and Cash Equivalents | | 335,293 |
| Investments | | <u>1,934,269</u> |
| | | <u>\$ 3,835,820</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, 2011, 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, 2011, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2011, 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

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 contribution rate for calendar year 2010 used by the employer was 11.23 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 11.64 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. For calendar year ending December 31, 2010, the Village's actual contributions for pension cost were \$150,322. Its required contribution for calendar year 2010 was \$155,810.

Three-Year Trend Information for IMRF

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 12/31/2010 | \$ 155,810 | 96% | \$ 5,488 |
| 12/31/2009 | 142,009 | 100% | - |
| 12/31/2008 | 144,731 | 100% | - |

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, 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

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

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, 2008 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, 2010, the most recent actuarial valuation date, the plan was 66.10 percent funded. The actuarial accrued liability for benefits was \$3,072,278 and the actuarial value of assets was \$2,030,891, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,041,387. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,338,574 and the ratio of the UAAL to the covered payroll was 78 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 \$108,480, 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, 2011.

Bonds Payable

\$2,050,000 Tax Increment Revenue Bonds, Series 2005 (North State Street Redevelopment Project Area) dated March 17, 2005, due in annual installments of \$40,000 to \$255,000 through November 1, 2024; interest at 4.75% to 5.75%. The amount of bonds outstanding as of March 31, 2011 is \$1,755,000. These bonds are being retired by the TIF Fund.

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

\$5,960,000 Local Government Program Revenue Bonds, Series 2005 dated December 20, 2005, due in annual installments of \$245,000 to \$425,000 through December 1, 2025; interest at 3.60% to 4.40%. The amount of bonds outstanding as of March 31, 2011 is \$4,850,000. These bonds are being retired by the Electric Light and Power Fund.

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

| Year Ended April 30, | Governmental Activities | | Business-type Activities | |
|-------------------------|----------------------------|-------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$ 20,000 | \$ 83,362 | \$ 245,000 | \$ 199,602 |
| 2013 | 90,000 | 81,344 | 250,000 | 190,782 |
| 2014 | 90,000 | 77,069 | 260,000 | 181,532 |
| 2015 | 100,000 | 72,675 | 270,000 | 171,652 |
| 2016 | 100,000 | 71,437 | 280,000 | 161,122 |
| 2017-2021 | 590,000 | 290,696 | 1,590,000 | 626,524 |
| 2022-2026 | 765,000 | 118,594 | 1,955,000 | 262,816 |
| | <u>\$ 1,755,000</u> | <u>\$ 795,177</u> | <u>\$ 4,850,000</u> | <u>\$ 1,794,030</u> |

EPA Loans

\$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, 2011 is \$17,508.

\$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, 2011 is \$50,700.

\$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, 2011 is \$276,962.

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

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

| Year Ended April 30, | EPA Loans | |
|-------------------------|-------------------|------------------|
| | Principal | Interest |
| 2012 | \$ 38,996 | \$ 8,794 |
| 2013 | 40,083 | 7,707 |
| 2014 | 31,997 | 7,668 |
| 2015 | 32,834 | 5,831 |
| 2016 | 33,692 | 4,973 |
| 2017-2021 | 167,568 | 11,486 |
| | <u>\$ 345,170</u> | <u>\$ 46,459</u> |

The following is a summary of changes in long-term debt for the year ended March 31, 2011.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|----------------------|-------------|-------------------|---------------------|-----------------------------------|
| <u>Business-type Activities:</u> | | | | | |
| Bonds Payable | \$ 5,085,000 | \$ - | \$ 235,000 | \$ 4,850,000 | \$ 245,000 |
| Capital Lease | 5,278 | - | 5,278 | - | - |
| EPA Loans | 383,109 | - | 37,939 | 345,170 | 38,996 |
| | <u>\$ 5,473,387</u> | <u>\$ -</u> | <u>\$ 278,217</u> | <u>\$ 5,195,170</u> | <u>\$ 283,996</u> |
| <u>Governmental Activities:</u> | | | | | |
| Bonds Payable | \$ 1,900,000 | \$ - | \$ 145,000 | \$ 1,755,000 | \$ 20,000 |
| Capital Lease | 931 | - | 931 | - | - |
| | <u>\$ 1,900,931</u> | <u>\$ -</u> | <u>\$ 145,931</u> | <u>\$ 1,755,000</u> | <u>\$ 20,000</u> |

NOTE 5: 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, 2011. 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, 2011.

NOTE 6: DEFICIT RETAINED EARNINGS

The following fund had a deficit retained earnings as of March 31, 2011:

| | |
|---------------|------------|
| Swimming Pool | \$ 149,124 |
|---------------|------------|

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

NOTE 7: 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 November 1, 2010. 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, 2011. 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:

| | <u>Maximum Levy</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------------------|----------------------|----------------------|----------------------|
| <u>Tax Rates:</u> | | | | |
| General | \$ 0.2500 | \$ 0.1331 | \$ 0.1249 | \$ 0.1202 |
| IMRF | None | 0.1528 | 0.1435 | 0.1381 |
| Police Protection | 0.0750 | 0.0346 | 0.0325 | 0.0313 |
| Audit | None | 0.0074 | 0.0069 | 0.0067 |
| Civil Defense (ESDA) | 0.0500 | 0.0020 | 0.0019 | 0.0018 |
| Total | | <u>\$ 0.3299</u> | <u>\$ 0.3097</u> | <u>\$ 0.2981</u> |
| Assessed Valuations | | <u>\$ 84,967,682</u> | <u>\$ 86,302,263</u> | <u>\$ 85,461,667</u> |
| <u>Tax Extensions:</u> | | | | |
| General | | \$ 113,092 | \$ 107,791 | \$ 102,725 |
| IMRF | | 129,831 | 123,844 | 118,023 |
| Police Protection | | 29,399 | 28,048 | 26,750 |
| Audit | | 6,287 | 5,955 | 5,726 |
| Civil Defense (ESDA) | | 1,699 | 1,640 | 1,538 |
| Total | | <u>\$ 280,308</u> | <u>\$ 267,278</u> | <u>\$ 254,762</u> |
| Tax Collections | | <u>\$ -</u> | <u>\$ 264,906</u> | <u>\$ 252,437</u> |
| Percent Collected | | <u>0.00%</u> | <u>99.11%</u> | <u>99.09%</u> |

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

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2011 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------|----------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 87,406 | \$ - | \$ - | \$ 87,406 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 553,685 | - | - | 553,685 |
| Infrastructure | 194,983 | - | - | 194,983 |
| Vehicles and equipment | 539,361 | 23,517 | 17,245 | 545,633 |
| Total capital assets being depreciated | <u>1,288,029</u> | <u>23,517</u> | <u>17,245</u> | <u>1,294,301</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 225,775 | 14,875 | - | 240,650 |
| Infrastructure | 6,781 | 4,781 | - | 11,562 |
| Vehicles and equipment | 428,326 | 41,963 | 17,245 | 453,044 |
| Total accumulated depreciation | <u>660,882</u> | <u>61,619</u> | <u>17,245</u> | <u>705,256</u> |
| Total capital assets, being depreciated, net | <u>627,147</u> | <u>(38,102)</u> | <u>-</u> | <u>589,045</u> |
| Governmental activities capital assets, net | <u>\$ 714,553</u> | <u>\$ (38,102)</u> | <u>\$ -</u> | <u>\$ 676,451</u> |
| <u>Business-type activities:</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 279,630 | \$ - | \$ - | \$ 279,630 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 6,383,892 | 113,051 | - | 6,496,943 |
| Swimming pool | 109,116 | 8,919 | - | 118,035 |
| Distribution and collection system | 13,095,768 | 495,861 | - | 13,591,629 |
| Vehicles and equipment | 1,260,761 | 110,284 | - | 1,371,045 |
| Total capital assets, being depreciated | <u>20,849,537</u> | <u>728,115</u> | <u>-</u> | <u>21,577,652</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,278,875 | 205,443 | - | 3,484,318 |
| Swimming pool | 109,116 | 1,784 | - | 110,900 |
| Distribution and collection system | 5,424,113 | 576,113 | - | 6,000,226 |
| Vehicles and equipment | 846,961 | 94,000 | - | 940,961 |
| Total accumulated depreciation | <u>9,659,065</u> | <u>877,340</u> | <u>-</u> | <u>10,536,405</u> |
| Total capital assets, being depreciated, net | <u>11,190,472</u> | <u>(149,225)</u> | <u>-</u> | <u>11,041,247</u> |
| Business-type activities capital assets, net | <u>\$ 11,470,102</u> | <u>\$ (149,225)</u> | <u>\$ -</u> | <u>\$ 11,320,877</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 | \$ 13,526 |
| Public safety | 21,807 |
| Highways and streets | 24,951 |
| Sanitation | <u>1,335</u> |
| Total depreciation expense - governmental activities | <u>\$ 61,619</u> |
| Business-type activities: | |
| Electric light and power | \$ 611,846 |
| Water | 205,333 |
| Sewer | 54,078 |
| Swimming pool | <u>6,083</u> |
| Total depreciation expense-business-type activities | <u>\$ 877,340</u> |

NOTE 9: INTERFUND BALANCES

The following funds have interfund balances as of March 31, 2011.

| | |
|--|-----------|
| General Fund due from (to): | |
| Motor Fuel Tax Fund | \$ 21,086 |
| Electric Light and Power Fund | 2,128 |
| Swimming Pool Fund | (25) |
| Electric Light and Power Fund due from (to): | |
| Motor Fuel Tax Fund | 2,281 |
| General Fund | (2,128) |
| Swimming Pool Fund due from (to): | |
| General Fund | 25 |
| Motor Fuel Tax Fund due from (to): | |
| General Fund | (21,086) |
| Electric Light and Power Fund | (2,281) |

NOTE 10: INTERFUND TRANSFERS

The General Fund transferred \$125,232 to the TIF Fund in the year ended March 31, 2011 to pay for TIF related development expenses and transfer sales taxes.

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

NOTE 11: 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 \$145,415 to reduce the principal amount of the Tax Increment Financing notes during the year ended March 31, 2011. These payments are being reported as development expense in the financial statements. The outstanding note balances related to the two development projects are \$220,278 and \$248,062 as of March 31, 2011. These development notes are not reflected in the debt of the Village as of March 31, 2011.

NOTE 12: SUBSEQUENT EVENT

The Village authorized issuance of General Obligation Bonds, Series 2011 for a total of \$550,000 after March 31, 2011 but prior to November 7, 2011, the date the financial statements were available to be issued.

VILLAGE OF FREEBURG, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2011

| | Budgeted Amounts | | Actual (Budget Basis) |
|--|------------------|------------------|-----------------------------|
| | Original | Final | |
| Revenues: | | | |
| Property Tax | \$ 537,976 | \$ 537,976 | \$ 549,086 |
| Replacement Tax | 5,000 | 5,000 | 5,717 |
| Sales Tax | 331,330 | 331,330 | 393,844 |
| State Income Tax | 265,458 | 265,458 | 320,998 |
| Local Use Tax | 45,000 | 45,000 | 52,375 |
| Telecommunications Tax | 140,000 | 140,000 | 146,570 |
| Franchise Tax | 20,000 | 20,000 | 17,435 |
| Utility Tax | 197,042 | 197,042 | 219,897 |
| Licenses and Permits | 40,385 | 40,385 | 38,927 |
| Fines and Penalties | 18,300 | 18,300 | 11,554 |
| Garbage Collection | 190,490 | 190,490 | 188,721 |
| Rental/Lease Income | 7,935 | 7,935 | 7,935 |
| Investment Earnings | 3,200 | 3,200 | 3,692 |
| Grants | 248,950 | 248,950 | 7,189 |
| Miscellaneous | 15,720 | 15,720 | 7,115 |
| Transfers | 20,000 | 20,000 | - |
| Total Revenues | <u>2,086,786</u> | <u>2,086,786</u> | <u>1,971,055</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 413,400 | 413,400 | 482,731 |
| Public Safety: | | | |
| Police | 895,239 | 895,239 | 895,867 |
| Civil Defense | 2,700 | 2,700 | 2,709 |
| Highways and Streets | 488,859 | 488,859 | 258,666 |
| Sanitation | 190,490 | 190,490 | 181,472 |
| Capital Outlay | 32,240 | 32,240 | 23,517 |
| Debt Service | 940 | 940 | 940 |
| Transfers | 25,010 | 25,010 | - |
| Total Expenditures | <u>2,048,878</u> | <u>2,048,878</u> | <u>1,845,902</u> |
| Net Change in Fund Balances | <u>\$ 37,908</u> | <u>\$ 37,908</u> | 125,153 |
| No change for modified cash basis reporting | | | - |
| As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions | | | <u>\$ 125,153</u> |

VILLAGE OF FREEBURG, ILLINOIS

**SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
MARCH 31, 2011**

| | Calendar Year | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Actuarial Value of Assets | \$ 2,030,891 | \$ 2,177,881 | \$ 1,980,186 | \$ 2,164,633 | \$ 1,938,796 | \$ 1,906,118 |
| Actuarial Accrued Liability (AAL) | 3,072,278 | 3,183,624 | 2,808,978 | 2,591,322 | 2,424,770 | 2,369,471 |
| Unfunded AAL (UAAL) | 1,041,387 | 1,005,743 | 828,792 | 426,689 | 485,974 | 463,353 |
| Funded Ratio | 66.10% | 68.41% | 70.49% | 83.53% | 79.96% | 80.44% |
| Covered Payroll | 1,338,574 | 1,390,880 | 1,355,164 | 1,288,995 | 1,200,992 | 1,013,012 |
| UAAL as a % of Covered Payroll | 77.80% | 72.31% | 61.16% | 33.10% | 40.46% | 45.74% |
| Employer Contributions: | | | | | | |
| Required | 155,810 | 142,009 | 144,731 | 140,758 | 140,636 | 109,101 |
| Made | 150,322 | 142,009 | 144,731 | 140,758 | 140,636 | 109,101 |
| Percentage of Employer Contributions Made to Required Contributions | 96.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$2,189,839.
On a market basis, the funded ratio would be 71.28 percent.

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: | 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, 2011

| | <u>Impact Fees</u> | <u>Motor Fuel Tax</u> | <u>TIF</u> | <u>Total</u> |
|---|------------------------|-------------------------------|-------------------|-------------------|
| <u>Assets</u> | | | | |
| Cash and Cash Equivalents | \$ 7,716 | \$ 61,097 | \$ - | \$ 68,813 |
| Investments | 17,650 | 124,000 | - | 141,650 |
| Restricted Assets | - | - | 335,293 | 335,293 |
| Total Assets | <u>\$ 25,366</u> | <u>\$ 185,097</u> | <u>\$ 335,293</u> | <u>\$ 545,756</u> |
| <u>Liabilities and Fund Balance</u> | | | | |
| Liabilities: | | | | |
| Due to Other Funds | \$ - | \$ 23,367 | \$ - | \$ 23,367 |
| Total Liabilities | <u>-</u> | <u>23,367</u> | <u>-</u> | <u>23,367</u> |
| Fund Balance: | | | | |
| Unreserved | 25,366 | 161,730 | - | 187,096 |
| Reserved - Debt Service | - | - | 335,293 | 335,293 |
| Total Fund Balance | <u>25,366</u> | <u>161,730</u> | <u>335,293</u> | <u>522,389</u> |
| Total Liabilities and Fund Balance | <u>\$ 25,366</u> | <u>\$ 185,097</u> | <u>\$ 335,293</u> | <u>\$ 545,756</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, 2011

| | <u>Impact Fees</u> | <u>Motor Fuel Tax</u> | <u>TIF</u> | <u>Total</u> |
|---|------------------------|-------------------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property Tax | \$ - | \$ - | \$ 203,513 | \$ 203,513 |
| Motor Fuel Tax | - | 98,054 | - | 98,054 |
| Grants | - | 16,815 | - | 16,815 |
| Impact Fees | 7,500 | - | - | 7,500 |
| Investment Income | 607 | 5,075 | - | 5,682 |
| Total Revenues | <u>8,107</u> | <u>119,944</u> | <u>203,513</u> | <u>331,564</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and Streets | - | 117,418 | - | 117,418 |
| Development | - | - | 147,915 | 147,915 |
| Debt Service: | | | | |
| Principal | - | - | 145,000 | 145,000 |
| Interest | - | - | 83,363 | 83,363 |
| Total Expenditures | <u>-</u> | <u>117,418</u> | <u>376,278</u> | <u>493,696</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>8,107</u> | <u>2,526</u> | <u>(172,765)</u> | <u>(162,132)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to Other Funds | <u>-</u> | <u>-</u> | <u>125,232</u> | <u>125,232</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures | <u>8,107</u> | <u>2,526</u> | <u>(47,533)</u> | <u>(36,900)</u> |
| Fund Balance, Beginning of Year | <u>17,259</u> | <u>159,204</u> | <u>382,826</u> | <u>559,289</u> |
| Fund Balance, End of Year | <u>\$ 25,366</u> | <u>\$ 161,730</u> | <u>\$ 335,293</u> | <u>\$ 522,389</u> |



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

J. Terry Dooling
David L. Kamler
David M. Bartosiak
Cindy A. Tefteller
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, 2011, and have issued our report thereon dated November 7, 2011. 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

November 7, 2011

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