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CERTIFIED PUBLIC ACCOUNTANTS

**VILLAGE OF FREEBURG, ILLINOIS**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED  
MARCH 31, 2013

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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 Village of Freeburg, Illinois as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (accrual basis), each major fund and the non-major fund information of the Village of Freeburg, Illinois, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows (Governmental activities - modified cash basis, Business-type activities – accrual basis) thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### **Basis of Accounting**

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

### **Change in Accounting Principle**

As discussed in Note 7 to the financial statements, in 2013 the Village adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information/Other Information*

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

*Other Supplementary Information*

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

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

*C. J. Schuman & Co. LLC*

Certified Public Accountants  
Alton, Illinois

August 16, 2013

## **VILLAGE OF FREEBURG, ILLINOIS** **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Village of Freeburg, Illinois' (Village) annual audit presents a management's discussion and analysis of the Village's financial activity during the fiscal year ended March 31, 2013. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the Village.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$10,008,820 at the close of the most recent fiscal year.

The largest portion of the Village's net position (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Current and other assets	\$ 1,134,548	\$ 1,126,200	\$ 4,054,112	\$ 4,076,375	\$ 5,188,660	\$ 5,202,575
Capital assets	<u>642,475</u>	<u>640,939</u>	<u>12,232,451</u>	<u>11,412,055</u>	<u>12,874,926</u>	<u>12,052,994</u>
Total assets	<u>1,777,023</u>	<u>1,767,139</u>	<u>16,286,563</u>	<u>15,488,430</u>	<u>18,063,586</u>	<u>17,255,569</u>
Long-term liabilities outstanding	1,520,000	1,635,000	5,683,557	5,543,886	7,203,557	7,178,886
Other liabilities	<u>5,684</u>	<u>6,123</u>	<u>845,525</u>	<u>761,056</u>	<u>851,209</u>	<u>767,179</u>
Total liabilities	<u>1,525,684</u>	<u>1,641,123</u>	<u>6,529,082</u>	<u>6,304,942</u>	<u>8,054,766</u>	<u>7,946,065</u>
Net position:						
Invested in capital assets, net of related debt	642,475	598,604	6,548,894	6,119,043	7,191,369	6,717,647
Restricted	581,086	546,991	-	-	581,086	546,991
Unrestricted	<u>(972,222)</u>	<u>(1,019,579)</u>	<u>3,208,587</u>	<u>3,064,445</u>	<u>2,236,365</u>	<u>2,044,866</u>
Total net position	<u>\$ 251,339</u>	<u>\$ 126,016</u>	<u>\$ 9,757,481</u>	<u>\$ 9,183,488</u>	<u>\$ 10,008,820</u>	<u>\$ 9,309,504</u>

Total net position increased \$699,316 resulting in a balance of \$10,008,820 as of March 31, 2013. Current assets, which include cash, investments and accounts receivable, decreased \$13,915. Non-current assets increased \$821,932, due to additions being in excess of current year depreciation. Total liabilities increased \$109,000 resulting in a balance of \$8,054,766 as of March 31, 2013. Outstanding debt, including long-term and short-term portions, increased \$24,671 due to new notes payable exceeding the principal payments on the outstanding bonds. Other liabilities increased \$84,030, due to a deficit cash balance in the swimming pool fund.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**ANALYSIS OF NET POSITION**

<u>Analysis of Net Position</u>	<u>2013</u>		<u>2012</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net invested in capital assets	71.9%	\$ 7,191,369	72.2%	\$ 6,717,647
Restricted	5.8%	581,086	5.9%	546,991
Unrestricted	22.3%	2,236,365	22.0%	2,044,866
Total net position	<u>100.0%</u>	<u>\$ 10,008,820</u>	<u>100.0%</u>	<u>\$ 9,309,504</u>

Total net position balances increased by \$699,316 in fiscal year 2013 to a total ending balance of \$10,008,820. Capital net asset balances increased by \$473,722 in the current year due to debt reductions and capital asset activity exceeding depreciation expense. The unrestricted net position balances changed by the net income of operating activities. The revenue and expenditure comparisons that comprise the current year increase follow.

**REVENUE COMPARISON BY TYPE**

<u>Governmental Activities</u>	<u>2013</u>	<u>2012</u>
Property tax	\$ 587,375	\$ 566,838
Sales and use tax	449,057	473,529
State income tax	405,127	301,818
Replacement tax	5,165	5,220
Charges for services	299,882	282,993
Telecommunications tax	144,037	135,981
Motor fuel tax	104,579	104,665
Utility tax	233,012	219,797
Investment income	8,031	8,518
Operating grants	18,611	18,270
Miscellaneous	9,780	17,659
Total revenues	<u>\$ 2,264,656</u>	<u>\$ 2,135,288</u>

Total revenues for the governmental activities increased approximately \$129,368 for the year ended March 31, 2013. The increase is mainly due to the increase in state income taxes with additional small variations between most categories.

<u>Business-type Activities</u>	<u>2013</u>	<u>2012</u>
Water charges	\$ 1,089,862	\$ 868,975
Sewer charges	500,660	484,355
Electric charges	4,739,346	4,472,613
Swimming pool charges	20,676	47,542
Capital/operating grants	236,430	18,770
Property taxes	53,895	-
Investment income	85,825	94,197
Total revenues	<u>\$ 6,726,694</u>	<u>\$ 5,986,452</u>

Total revenues for the business-type activities increased approximately \$740,242 for the year ended March 31, 2013. The Village had the largest increase in electric charges in the current year.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**EXPENDITURES BY CATEGORY**

**Governmental Activities**

<u>Expenditures by category</u>	<u>2013</u>		<u>2012</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	7.1%	\$ 137,584	9.5%	\$ 176,469
Public safety	53.2%	1,031,066	51.8%	966,421
Highways and streets	22.0%	427,554	21.2%	396,272
Sanitation	10.7%	207,023	9.9%	184,362
Development	3.1%	59,513	3.3%	61,710
Interest on long-term debt	3.9%	76,594	4.4%	81,938
Total expenditures	<u>100.0%</u>	<u>\$ 1,939,334</u>	<u>100.0%</u>	<u>\$ 1,867,172</u>

The Village reported an increase in expenses for governmental activities of \$72,162 with an increase in expenses for public safety of \$65,645. Public safety reported the highest expenditure category with 53% 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>2013</u>	<u>2012</u>
General government	\$ 12,185	\$ 13,193
Public safety	20,174	22,739
Highways and streets	17,812	23,071
Sanitation	1,335	1,335
Total depreciation	<u>\$ 51,506</u>	<u>\$ 60,338</u>

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled \$53,042.

**Business-type Activities**

<u>Operating Expenditures</u>	<u>2013</u>		<u>2012</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	18.4%	\$ 1,116,982	18.4%	\$ 1,054,516
Contractual services	10.4%	629,526	9.7%	557,760
Electricity and water purchased	52.5%	3,183,473	52.2%	2,991,257
Supplies and materials	4.3%	262,087	3.6%	207,374
Heat, light and power	0.4%	24,241	0.4%	25,427
Depreciation	14.0%	845,901	15.6%	897,311
Total expenditures	<u>100.0%</u>	<u>\$ 6,062,210</u>	<u>100.0%</u>	<u>\$ 5,733,645</u>

Expenses in the business-type activities increased in total by \$328,565. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased \$192,216 in the current year.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**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 2013, the Village's governmental funds reported combined ending fund balances of \$1,128,864, an increase of \$8,787 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, \$581,086 (TIF Fund and Special Revenue Funds) has been restricted for future debt payments and other restricted expenditures.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$547,778. This balance decreased \$25,308 during the current year.

The TIF Fund increased \$8,946 in the current year. The Motor Fuel Tax Fund reported an increase of \$24,605 for an ending balance of \$206,984. The Impact Fees Fund reported an increase of \$544 in the current year for a fund balance of \$26,441.

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

Unrestricted net position of the Waterworks, Sewer, Electric Light and Power, and Swimming Pool funds at the end of the year amounted to \$3,208,587, a decrease of \$70,919 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	\$ 2,552,154	\$ 2,162,956

The budget was passed on May 7, 2012.

VILLAGE OF FREEBURG, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Land	\$ 87,406	\$ 87,406	\$ 279,630	\$ 279,630	\$ 367,036	\$ 367,036
Buildings and Improvements	553,685	553,685	7,215,994	6,901,167	7,769,679	7,454,852
Swimming Pool	-	-	1,001,428	381,526	1,001,428	381,526
Infrastructure	199,472	194,983	-	-	199,472	194,983
Distribution and Collection Systems	-	-	13,642,700	13,003,869	13,642,700	13,003,869
Vehicles and Equipment	607,838	559,285	1,596,649	1,509,045	2,204,487	2,068,330
	<u>\$ 1,448,401</u>	<u>\$ 1,395,359</u>	<u>\$ 23,736,401</u>	<u>\$ 22,075,237</u>	<u>\$ 25,184,802</u>	<u>\$ 23,470,596</u>

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2013, amounts to \$12,874,926, 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 \$1,719,338. The largest additions in the current year were electrical line additions, water tower renovations, sewer line additions, construction on the pool project, and a sewer storage shed. These additions were offset by current year depreciation expense of \$897,406, 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 9 of the financial statements.

**Long-term Debt**

At the end of 2013, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of \$1,520,000 and \$5,683,557, respectively, compared to \$1,635,000 and \$5,543,886 at the end of 2012.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Loans Payable	\$ -	\$ -	\$ 600,443	\$ 306,174	\$ 600,443	\$ 306,174
Notes Payable	-	-	48,114	82,712	48,114	82,712
Bonds Payable	1,520,000	1,635,000	5,035,000	5,155,000	6,555,000	6,790,000
Total Debt	<u>\$ 1,520,000</u>	<u>\$ 1,635,000</u>	<u>\$ 5,683,557</u>	<u>\$ 5,543,886</u>	<u>\$ 7,203,557</u>	<u>\$ 7,178,886</u>

The governmental activities reported decreases in long-term debt of \$115,000. The business-type activities reported an increase in long-term debt of \$139,671 that relates to a new note issued for a sewer line construction project. 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 POSITION (BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS) (GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS) MARCH 31, 2013

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 953,539	\$ 1,255,961	\$ 2,209,500
Investments	183,333	2,113,305	2,296,638
Receivables (Net of allowance for uncollectible):	-	625,834	625,834
Prepaid Expenses	-	56,688	56,688
Internal Balances	(2,324)	2,324	-
Capital Assets:			
Land	87,406	279,630	367,036
Buildings and Improvements	553,685	7,215,994	7,769,679
Swimming Pool	-	1,001,428	1,001,428
Infrastructure	199,472	-	199,472
Distribution and Collection Systems	-	13,642,700	13,642,700
Vehicles and Equipment	607,838	1,596,649	2,204,487
Less: Accumulated Depreciation	(805,926)	(11,503,950)	(12,309,876)
Net Capital Assets	642,475	12,232,451	12,874,926
Total Assets	\$ 1,777,023	\$ 16,286,563	\$ 18,063,586
<u>Liabilities</u>			
Cash Deficit	\$ -	\$ 244,673	\$ 244,673
Accounts Payable	5,684	388,789	394,473
Accrued Salaries	-	16,519	16,519
Accrued Interest	-	36,033	36,033
Customer Deposits	-	159,511	159,511
Noncurrent Liabilities:			
Due Within One Year	-	417,569	417,569
Due In More Than One Year	1,520,000	5,265,988	6,785,988
Total Liabilities	1,525,684	6,529,082	8,054,766
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	642,475	6,548,894	7,191,369
Restricted	581,086	-	581,086
Unrestricted	(972,222)	3,208,587	2,236,365
Total Net Position	\$ 251,339	\$ 9,757,481	\$ 10,008,820

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, 2013

	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
<b>Functions/Programs</b>							
<b>Governmental Activities:</b>							
General Government	\$ 137,584	\$ 97,498	\$ -	\$ -	\$ (40,086)	\$ -	\$ (40,086)
Public Safety:							
Police	1,028,012	8,890	1,796	-	(1,017,326)	-	(1,017,326)
Civil Defense	3,054	-	-	-	(3,054)	-	(3,054)
Highways and Streets	427,553	-	16,815	-	(410,738)	-	(410,738)
Development	59,513	-	-	-	(59,513)	-	(59,513)
Sanitation	207,023	193,494	-	-	(13,529)	-	(13,529)
Interest on Long-Term Debt	76,594	-	-	-	(76,594)	-	(76,594)
Total Governmental Activities	<u>1,939,333</u>	<u>299,882</u>	<u>18,611</u>	<u>-</u>	<u>(1,620,840)</u>	<u>-</u>	<u>(1,620,840)</u>
<b>Business-type Activities:</b>							
Electric Light and Power	4,956,866	4,739,346	-	25,000	\$ (192,520)	\$ (192,520)	\$ (192,520)
Waterworks	759,354	1,089,862	-	-	330,508	330,508	330,508
Sewer	497,784	500,660	-	18,730	21,606	21,606	21,606
Swimming Pool	138,697	20,676	-	192,700	74,679	74,679	74,679
Total Business-type Activities	<u>6,352,701</u>	<u>6,350,544</u>	<u>-</u>	<u>236,430</u>	<u>234,273</u>	<u>234,273</u>	<u>234,273</u>
<b>Total Government</b>	<b>\$ 8,292,034</b>	<b>\$ 6,650,426</b>	<b>\$ 18,611</b>	<b>\$ 236,430</b>	<b>(1,620,840)</b>	<b>234,273</b>	<b>(1,386,567)</b>
<b>General Revenues:</b>							
Property Tax, Levied for General Purposes					587,375	53,895	641,270
Sales and Use Tax					449,057	-	449,057
Replacement Tax					5,165	-	5,165
State Income Tax					405,127	-	405,127
Telecommunications Tax					144,037	-	144,037
Motor Fuel Tax					104,579	-	104,579
Utility Tax					233,012	-	233,012
Unrestricted Investment Earnings					8,031	85,825	93,856
Miscellaneous					9,780	-	9,780
Transfers					(200,000)	200,000	-
Total General Revenues					<u>1,746,163</u>	<u>339,720</u>	<u>2,085,883</u>
Change in Net Position					<u>125,323</u>	<u>573,993</u>	<u>699,316</u>
Net Position - Beginning					<u>126,016</u>	<u>9,183,488</u>	<u>9,309,504</u>
Net Position - Ending					<u>\$ 251,339</u>	<u>\$ 9,757,481</u>	<u>\$ 10,008,820</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, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 508,516	\$ 445,023	\$ 953,539
Investments	40,608	142,725	183,333
Due from Other Funds	4,338	-	4,338
Total Assets	<u>\$ 553,462</u>	<u>\$ 587,748</u>	<u>\$ 1,141,210</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 5,684	\$ -	\$ 5,684
Due to Other Funds	-	6,662	6,662
Total Liabilities	<u>5,684</u>	<u>6,662</u>	<u>12,346</u>
Fund Equity:			
Fund Balance:			
Restricted	-	581,086	581,086
Unassigned	547,778	-	547,778
Total Fund Balance	<u>547,778</u>	<u>581,086</u>	<u>1,128,864</u>
Total Liabilities and Fund Equity	<u>\$ 553,462</u>	<u>\$ 587,748</u>	<u>\$ 1,141,210</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 POSITION  
FOR THE YEAR ENDED MARCH 31, 2013

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 1,128,864
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	642,475
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	<u>(1,520,000)</u>
Net position of governmental activities	<u>\$ 251,339</u>

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF REVENUES AND EXPENDITURES  
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property Tax	\$ 380,382	\$ 206,993	\$ 587,375
Utility Tax	233,012	-	233,012
Intergovernmental:			
Replacement Tax	5,165	-	5,165
Sales Tax	380,528	-	380,528
State Income Tax	405,127	-	405,127
Local Use Tax	68,529	-	68,529
Telecommunications Tax	144,037	-	144,037
Grants	1,796	16,815	18,611
Motor Fuel Tax	-	104,579	104,579
Franchise Fees	30,326	-	30,326
Licenses and Permits	31,229	-	31,229
Fines and Penalties	8,890	-	8,890
Garbage Collection	193,494	-	193,494
Rental/Lease Income	35,943	-	35,943
Investment Earnings	2,417	5,614	8,031
Miscellaneous	9,506	-	9,506
Total Revenues	<u>1,930,381</u>	<u>334,001</u>	<u>2,264,382</u>
Expenditures:			
Current:			
General Government	125,399	-	125,399
Public Safety:			
Police	1,007,838	-	1,007,838
Civil Defense	3,054	-	3,054
Highways and Streets	307,882	101,859	409,741
Development	-	59,513	59,513
Sanitation	205,688	-	205,688
Debt Service:			
Principal	-	115,000	115,000
Interest	-	76,594	76,594
Capital Outlay	53,042	-	53,042
Total Expenditures	<u>1,702,903</u>	<u>352,966</u>	<u>2,055,869</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>227,478</u>	<u>(18,965)</u>	<u>208,513</u>
Other Financing Sources (Uses):			
Proceeds from Fixed Asset Sales	274	-	274
Transfer From (To) Other Funds	(253,060)	53,060	(200,000)
Total Other Financing Sources (Uses)	<u>(252,786)</u>	<u>53,060</u>	<u>(199,726)</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(25,308)</u>	<u>34,095</u>	<u>8,787</u>
Fund Balance, Beginning of Year	<u>573,086</u>	<u>546,991</u>	<u>1,120,077</u>
Fund Balance, End of Year	<u>\$ 547,778</u>	<u>\$ 581,086</u>	<u>\$ 1,128,864</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, 2013

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

Net change in fund balances - total governmental funds \$ 8,787

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.

1,536

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 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.

115,000

Change in net position of governmental activities \$ 125,323

**VILLAGE OF FREEBURG, ILLINOIS**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 MARCH 31, 2013

	Major Funds				Total
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 178,007	\$ 607,834	\$ 470,120	\$ -	\$ 1,255,961
Investments	1,689,000	289,649	134,656	-	2,113,305
Receivables:					
Customers	300,942	51,582	30,231	-	382,755
Unbilled Revenue	171,915	32,435	18,940	-	223,290
Other	224	19,565	-	-	19,789
Due From Other Funds	2,324	-	-	-	2,324
Prepaid Insurance	44,425	5,246	5,858	1,159	56,688
Total Current Assets	<u>2,386,837</u>	<u>1,006,311</u>	<u>659,805</u>	<u>1,159</u>	<u>4,054,112</u>
Capital Assets:					
Land	211,375	50,094	11,911	6,250	279,630
Buildings and Improvements	6,112,529	-	987,882	115,583	7,215,994
Swimming Pool	-	-	-	1,001,428	1,001,428
Distribution and Collection Systems	8,114,782	3,691,491	1,836,427	-	13,642,700
Vehicles and Equipment	934,963	346,485	290,784	24,417	1,596,649
	15,373,649	4,088,070	3,127,004	1,147,678	23,736,401
Less - Accumulated Depreciation	7,273,046	2,647,881	1,361,716	221,307	11,503,950
Net Capital Assets	<u>8,100,603</u>	<u>1,440,189</u>	<u>1,765,288</u>	<u>926,371</u>	<u>12,232,451</u>
Total Assets	<u>\$ 10,487,440</u>	<u>\$ 2,446,500</u>	<u>\$ 2,425,093</u>	<u>\$ 927,530</u>	<u>\$ 16,286,563</u>
<u>Liabilities</u>					
Current Liabilities:					
Cash Deficit	\$ -	\$ -	\$ -	\$ 244,673	\$ 244,673
Accounts Payable	255,402	43,037	90,317	33	388,789
Accrued Salaries	9,756	3,487	3,276	-	16,519
Accrued Interest	28,638	-	-	7,395	36,033
Current Portion of Long Term Debt	327,234	6,059	54,276	30,000	417,569
Customer Deposits	97,014	35,717	26,780	-	159,511
Total Current Liabilities	<u>718,044</u>	<u>88,300</u>	<u>174,649</u>	<u>282,101</u>	<u>1,263,094</u>
Noncurrent Liabilities:					
Long Term Debt (Net of Current)	4,192,525	33,026	530,437	510,000	5,265,988
Total Noncurrent Liabilities	<u>4,192,525</u>	<u>33,026</u>	<u>530,437</u>	<u>510,000</u>	<u>5,265,988</u>
Total Liabilities	<u>4,910,569</u>	<u>121,326</u>	<u>705,086</u>	<u>792,101</u>	<u>6,529,082</u>
<u>Net Position</u>					
Invested in Capital Assets, Net of Related Debt	3,580,844	1,401,104	1,180,575	386,371	6,548,894
Unreserved	1,996,027	924,070	539,432	(250,942)	3,208,587
Total Net Position	<u>\$ 5,576,871</u>	<u>\$ 2,325,174</u>	<u>\$ 1,720,007</u>	<u>\$ 135,429</u>	<u>\$ 9,757,481</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 POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2013

	Major Funds				Total
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	
Operating Revenue:					
Charges for Services	\$ 4,660,235	\$ 899,105	\$ 496,160	\$ 14,728	\$ 6,070,228
Connection Fees	3,370	4,620	4,500	-	12,490
Supplies Sold	22,119	7,615	-	5,948	35,682
Miscellaneous	53,622	178,522	-	-	232,144
Total Operating Revenue	<u>4,739,346</u>	<u>1,089,862</u>	<u>500,660</u>	<u>20,676</u>	<u>6,350,544</u>
Operating Expenses:					
Personal Services	601,745	247,824	225,861	41,552	1,116,982
Contractual Services and Other	440,811	54,519	130,462	3,734	629,526
Electricity and Water Purchased	2,868,417	315,056	-	-	3,183,473
Supplies and Materials	154,033	55,608	41,089	11,357	262,087
Heat, Light and Power	4,098	-	20,143	-	24,241
Depreciation	636,392	85,100	72,195	52,214	845,901
Total Operating Expenses	<u>4,705,496</u>	<u>758,107</u>	<u>489,750</u>	<u>108,857</u>	<u>6,062,210</u>
Operating Income (Loss)	<u>33,850</u>	<u>331,755</u>	<u>10,910</u>	<u>(88,181)</u>	<u>288,334</u>
Nonoperating Revenues (Expenses):					
Bond Issuance Costs	(100,752)	-	-	-	(100,752)
Property Taxes	-	-	-	53,895	53,895
Capital Contribution	25,000	-	18,730	192,700	236,430
Interest Income	65,379	12,659	6,762	1,025	85,825
Interest Expense	(150,618)	(1,247)	(8,034)	(29,840)	(189,739)
Total Nonoperating Revenues (Expenses)	<u>(160,991)</u>	<u>11,412</u>	<u>17,458</u>	<u>217,780</u>	<u>85,659</u>
Operating Transfers	-	-	-	200,000	200,000
Change in Net Position	(127,141)	343,167	28,368	329,599	573,993
Net Position, Beginning of Year	<u>5,704,012</u>	<u>1,982,007</u>	<u>1,691,639</u>	<u>(194,170)</u>	<u>9,183,488</u>
Net Position, End of Year	<u>\$ 5,576,871</u>	<u>\$ 2,325,174</u>	<u>\$ 1,720,007</u>	<u>\$ 135,429</u>	<u>\$ 9,757,481</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, 2013

	Major Funds				Total
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	
<b><u>Cash Flows from Operating Activities</u></b>					
Cash Received from Customers	\$ 4,680,745	\$ 1,090,053	\$ 501,634	\$ 20,676	\$ 6,293,108
Cash Paid to Suppliers	(3,603,227)	(489,289)	(245,449)	(20,523)	(4,358,488)
Cash Payments to Employees for Services	(443,461)	(184,779)	(167,479)	(36,458)	(832,177)
Net Cash Provided (Used) by Operating Activities	<u>634,057</u>	<u>415,985</u>	<u>88,706</u>	<u>(36,305)</u>	<u>1,102,443</u>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>					
Payments From (To) Other Funds	(2,171)	-	-	200,025	197,854
Property Tax	-	-	-	53,895	53,895
Customer Deposits	<u>835</u>	<u>(165)</u>	<u>150</u>	<u>-</u>	<u>820</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(1,336)</u>	<u>(165)</u>	<u>150</u>	<u>253,920</u>	<u>252,569</u>
<b><u>Cash Flows from Capital Financing Activities</u></b>					
Purchase of Fixed Assets	(485,037)	(52,798)	(393,221)	(903,049)	(1,834,105)
Proceeds from Debt	43,462	-	334,352	-	377,814
Bond Issuance Costs	(39,700)	-	-	-	(39,700)
Grant Proceeds	25,000	-	18,730	192,700	236,430
Principal Paid on Debt	(296,953)	(5,890)	(56,838)	(10,000)	(369,681)
Interest Paid on Debt	<u>(114,913)</u>	<u>(1,247)</u>	<u>(8,034)</u>	<u>(22,445)</u>	<u>(146,639)</u>
Net Cash Used by Capital Financing Activities	<u>(868,141)</u>	<u>(59,935)</u>	<u>(105,011)</u>	<u>(742,794)</u>	<u>(1,775,881)</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Purchase of Certificate of Deposit	-	(5,720)	-	-	(5,720)
Interest Income	<u>65,379</u>	<u>12,659</u>	<u>6,762</u>	<u>1,025</u>	<u>85,825</u>
Net Cash Provided by Investing Activities	<u>65,379</u>	<u>6,939</u>	<u>6,762</u>	<u>1,025</u>	<u>80,105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(170,041)	362,824	(9,393)	(524,154)	(340,764)
Cash and Cash Equivalents, Beginning of Year	<u>348,048</u>	<u>245,010</u>	<u>479,513</u>	<u>279,481</u>	<u>1,352,052</u>
Cash and Cash Equivalents (Cash Deficit), End of Year	<u>\$ 178,007</u>	<u>\$ 607,834</u>	<u>\$ 470,120</u>	<u>\$ (244,673)</u>	<u>\$ 1,011,288</u>

In the Electric Light and Power Fund, the Village issued Series 2012 Refunding Bonds to refund the Series 2005 Bonds

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, 2013

	Major Funds				
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total
Operating Income (Loss)	\$ 33,850	\$ 331,755	\$ 10,910	\$ (88,181)	\$ 288,334
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	636,392	85,100	72,195	52,214	845,901
Decrease (Increase) in:					
Accounts Receivable	(84,326)	(4,540)	(2,037)	-	(90,903)
Other Receivables	811	-	-	-	811
Unbilled Revenue	24,914	4,731	3,011	-	32,656
Prepaid Insurance	(615)	(3,366)	(4,183)	(362)	(8,526)
Increase (Decrease) in:					
Accounts Payable	34,871	8,531	14,126	24	57,552
Accrued Salaries	(11,840)	(6,226)	(5,316)	-	(23,382)
Net Cash Provided (Used) by Operating Activities	<u>\$ 634,057</u>	<u>\$ 415,985</u>	<u>\$ 88,706</u>	<u>\$ (36,305)</u>	<u>\$ 1,102,443</u>

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

## VILLAGE OF FREEBURG, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

(a) Financial reporting entity

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

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

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

(b) Government-wide and fund financial statements

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

**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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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.

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

Capital assets

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

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

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

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

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

<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 1<sup>st</sup> 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, 2013 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 position.

Fund equity

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

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

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

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

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

Unassigned – the residual classification of the General Fund balance.

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

<u>Governmental Funds</u>	
Restricted:	
Tax Increment Financing District	\$ 347,661
Motor Fuel Tax Fund	206,984
Impact Fees Fund	<u>26,441</u>
Total Restricted	<u>\$ 581,086</u>

(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.

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

On May 7, 2012 the Village Board approved an ordinance adopting the appropriations which is the budgetary data reflected in these financial statements. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

(f) Risk Management

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

(g) Estimates

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At March 31, 2013, the carrying amount of the Village's deposits was \$3,800,536 and the bank balance was \$3,844,916. 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, 2013, none of the Village's bank balance was exposed to custodial credit risk as uninsured or uncollateralized. Deposits exceeded FDIC coverage but were collateralized by investments held in the Village's name.

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

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

At March 31, 2013, 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	\$ 112,803
Trust Funds	Daily	347,661
Petty Cash		465
Deposits as reported above		<u>3,800,536</u>
Total deposits and investments		<u>\$ 4,261,465</u>
As Reported in the Statement of Net Position:		
Cash and Cash Equivalents		\$ 2,209,500
Investments		2,296,638
Cash Deficit		<u>(244,673)</u>
		<u>\$ 4,261,465</u>

The Illinois Funds is a pooled investment that is operated by the State of Illinois as a not-for-profit common law trust and is not registered with the SEC. The funds are monitored regularly through the State by internal and external audits. The goal of the fund is to provide liquidity and to maintain balances that are equal to the par value of the invested shares with no loss to market fluctuations. The fair value of the Village's position in the pool is the same as the value of the pool shares.

Credit Risk. As of March 31, 2013, the credit rating of the Village's investment was as follows:

<u>Investment</u>	<u>Standard &amp; 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, 2013, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2013, the Village has no foreign currency risk.

**NOTE 3: RETIREMENT FUND COMMITMENTS**

(a) Illinois Municipal Retirement Fund

*Plan Description.* The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and

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

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](http://www.imrf.org).

*Funding Policy.* As set by statute, members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 12.49 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* The required contribution for calendar year 2012 was \$177,720.

**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>
03/31/13	\$ 182,594	100%	\$ 5,755
03/31/12	169,031	100%	5,634
03/31/11	155,504	97%	5,516

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village's unfunded actuarial accrued liability at December 31, 2010 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, 2012, the most recent actuarial valuation date, the plan was 71.62 percent funded. The actuarial accrued liability for benefits was \$3,859,604 and the actuarial

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

value of assets was \$2,764,210, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,095,394. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$1,422,899 and the ratio of the UAAL to the covered payroll was 77 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 \$122,249, 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, 2013.

Bonds Payable

\$2,050,000 Tax Increment Revenue Bonds, Series 2005 (North State Street Redevelopment Project Area) dated March 17, 2005, due in semi-annual installments of \$45,000 to \$255,000 through November 1, 2024; interest at 4.75% to 5.75%. The amount of bonds outstanding as of March 31, 2013 is \$1,520,000. These bonds are being retired by the TIF Fund.

\$550,000 General Obligation Bonds, Series 2011 dated July 20, 2011, due in annual installments of \$10,000 to \$50,000 through December 1, 2026; interest at 2.25% to 5.25%. The amount of bonds outstanding as of March 31, 2013 is \$540,000. These bonds are being retired by the Swimming Pool Fund.

\$4,780,000 General Obligation Refunding Bonds, Series 2012 dated September 13, 2012, due in annual installments of \$315,000 to \$395,000 through December 1, 2025; interest at 0.70% to 2.85%. The amount of bonds outstanding as of March 31, 2013 is \$4,495,000. These bonds are being retired by the Electric Light and Power Fund. These bonds refunded the Series 2005 bonds.

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

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

Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 75,525	\$ 345,000	\$ 108,633
2015	65,000	72,675	350,000	105,752
2016	100,000	71,437	350,000	101,963
2017	110,000	69,694	360,000	97,618
2018	110,000	63,919	365,000	92,667
2019-2023	650,000	232,983	1,930,000	353,535
2024-2027	485,000	42,694	1,335,000	89,368
	<u>\$ 1,520,000</u>	<u>\$ 628,927</u>	<u>\$ 5,035,000</u>	<u>\$ 949,536</u>

Notes Payable

\$46,000 loan with Citizens Community Bank to be repaid with annual payments of \$24,217 through September 2013, including annual interest at 3.47%. The loan was used to purchase a sewer machine for the Sewer Fund. The balance outstanding as of March 31, 2013 is \$23,355.

\$36,712 loan with Citizens Community Bank to be repaid with annual payments of \$12,865 through January 2015, including interest at 2.51%. The loan was used to purchase a Backhoe for the Electric Light and Power Fund. The balance outstanding as of March 31, 2013 is \$24,759.

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

Year Ended April 30,	Notes Payable	
	Principal	Interest
2014	\$ 35,589	\$ 1,535
2015	12,525	364
	<u>\$ 48,114</u>	<u>\$ 1,899</u>

EPA Loans

\$104,816 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of \$3,568 through March 2019, including interest at 2.865%. The loan was used to assist the Water Fund in the construction of a waterline extension. The balance outstanding as of March 31, 2013 is \$39,085.

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

\$479,822 loan with the Illinois Environmental Protection Agency to be repaid, by 39 semi-annual installments of \$15,765, including interest at 2.535%. The loan was used to assist in the construction of sanitary sewer lines and an excess flow clarifier at the West Sewage Treatment Plant. The balance outstanding as of March 31, 2013 is \$227,006.

\$606,763 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments through May 2033, including interest at 2.295%. The loan was used to assist in the construction of sewer lines on North State Street. Repayment has not begun because the IEPA has not disbursed the entire loan. The balance outstanding as of March 31, 2013 is \$334,352.

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

Year Ended April 30,	EPA Loans	
	Principal	Interest
2014	\$ 36,980	\$ 13,222
2015	46,384	13,355
2016	47,557	12,182
2017	48,740	10,999
2018	49,992	9,746
2019-2023	175,292	31,800
2024-2028	87,235	18,135
2029-2033	97,845	7,524
2034	10,418	119
	<u>\$ 600,443</u>	<u>\$ 117,082</u>

The following is a summary of changes in long-term debt for the year ended March 31, 2013.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities:</u>					
Bonds Payable	\$ 5,155,000	\$ 4,780,000	\$ 4,900,000	\$ 5,035,000	\$ 345,000
Notes Payable	82,712	-	34,598	48,114	35,589
EPA Loans	306,174	334,352	40,083	600,443	36,980
	<u>\$ 5,543,886</u>	<u>\$ 5,114,352</u>	<u>\$ 4,974,681</u>	<u>\$ 5,683,557</u>	<u>\$ 417,569</u>
<u>Governmental Activities:</u>					
Bonds Payable	\$ 1,635,000	\$ -	\$ 115,000	\$ 1,520,000	\$ -
	<u>\$ 1,635,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,520,000</u>	<u>\$ -</u>

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

On September 13, 2012, the Village issued \$4,780,000 in 2012 General Obligation Refunding Bonds with interest rates of 0.45% to 2.85% to current refund \$4,605,000 of outstanding 2005 Local Government Program Revenue Bonds with interest rates of 3.15% to 4.40%. The net proceeds of \$4,676,013 (which includes payments of \$103,987 for the issuance costs and underwriting fees), were used to purchase securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2005 Local Government Program Revenue Bonds. The 2005 Bonds were called on October 15, 2012.

The Village completed the refunding to reduce its total debt service payments by \$558,096 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$478,587.

**NOTE 5: INTERFUND BALANCES**

The following funds have interfund balances as of March 31, 2013.

General Fund due from (to):	
Motor Fuel Tax Fund	\$ 4,381
Electric Light and Power Fund	(43)
Electric Light and Power Fund due from (to):	
Motor Fuel Tax Fund	2,281
General Fund	43
Motor Fuel Tax Fund due from (to):	
General Fund	(4,381)
Electric Light and Power Fund	(2,281)

**NOTE 6: INTERFUND TRANSFERS**

The General Fund transferred \$53,060 to the TIF Fund in the year ended March 31, 2013 to pay for TIF related development expenses and transfer sales taxes. The General Fund also transferred \$200,000 to the Swimming Pool Fund in the year ended March 31, 2013 to pay for costs related to the pool construction.

**NOTE 7: CHANGE IN ACCOUNTING PRINCIPLE**

In fiscal year 2013, the Village adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. As a result, unamortized debt issuance costs of \$42,335 in the Governmental Activities and \$215,061 in the Business-type Activities, as of March 31, 2012, have been adjusted to the beginning net position balances.

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

**NOTE 8: PROPERTY TAXES**

The Village's property tax is levied each year on all taxable real property located in the Village on or before the second Tuesday in December. The Board passed the levy on December 3, 2012. 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, 2013. 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>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rates:</u>				
General	\$ 0.2500	\$ 0.1453	\$ 0.1392	\$ 0.1331
Bonds and Interest	None	0.0662	0.0633	-
IMRF	None	0.1668	0.1598	0.1528
Police Protection	0.0750	0.0378	0.0362	0.0346
Audit	None	0.0081	0.0077	0.0074
Civil Defense (ESDA)	0.0500	0.0022	0.0021	0.0020
Total		<u>\$ 0.4264</u>	<u>\$ 0.4083</u>	<u>\$ 0.3299</u>
Assessed Valuations		<u>\$ 81,648,135</u>	<u>\$ 85,214,526</u>	<u>\$ 84,967,682</u>
<u>Tax Extensions:</u>				
General		\$ 118,635	\$ 118,619	\$ 113,092
Bonds and Interest		54,051	53,941	-
IMRF		136,189	136,173	129,831
Police Protection		30,863	30,848	29,399
Audit		6,614	6,561	6,287
Civil Defense (ESDA)		1,796	1,789	1,699
Total		<u>\$ 348,148</u>	<u>\$ 347,931</u>	<u>\$ 280,308</u>
Tax Collections		<u>\$ -</u>	<u>\$ 347,627</u>	<u>\$ 279,159</u>
Percent Collected		<u>0.00%</u>	<u>99.91%</u>	<u>99.59%</u>

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

**NOTE 9: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2013 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	\$ 87,406	\$ -	\$ -	\$ 87,406
Capital assets, being depreciated:				
Buildings and improvements	553,685	-	-	553,685
Infrastructure	194,983	4,489	-	199,472
Vehicles and equipment	559,285	48,553	-	607,838
Total capital assets being depreciated	<u>1,307,953</u>	<u>53,042</u>	<u>-</u>	<u>1,360,995</u>
Less accumulated depreciation for:				
Building and improvements	255,525	14,875	-	270,400
Infrastructure	16,343	4,893	-	21,236
Vehicles and equipment	482,552	31,738	-	514,290
Total accumulated depreciation	<u>754,420</u>	<u>51,506</u>	<u>-</u>	<u>805,926</u>
Total capital assets, being depreciated, net	<u>553,533</u>	<u>1,536</u>	<u>-</u>	<u>555,069</u>
Governmental activities capital assets, net	<u>\$ 640,939</u>	<u>\$ 1,536</u>	<u>\$ -</u>	<u>\$ 642,475</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 279,630	\$ -	\$ -	\$ 279,630
Capital assets, being depreciated:				
Buildings and improvements	6,901,167	314,827	-	7,215,994
Swimming pool	381,526	619,902	-	1,001,428
Distribution and collection system	13,003,869	638,831	-	13,642,700
Vehicles and equipment	1,509,045	92,736	5,132	1,596,649
Total capital assets, being depreciated	<u>21,795,607</u>	<u>1,666,296</u>	<u>5,132</u>	<u>23,456,771</u>
Less accumulated depreciation for:				
Buildings and improvements	3,699,228	217,961	-	3,917,189
Swimming pool	112,684	45,953	-	158,637
Distribution and collection system	5,901,572	479,339	-	6,380,911
Vehicles and equipment	949,698	102,647	5,132	1,047,213
Total accumulated depreciation	<u>10,663,182</u>	<u>845,900</u>	<u>5,132</u>	<u>11,503,950</u>
Total capital assets, being depreciated, net	<u>11,132,425</u>	<u>820,396</u>	<u>-</u>	<u>11,952,821</u>
Business-type activities capital assets, net	<u>\$ 11,412,055</u>	<u>\$ 820,396</u>	<u>\$ -</u>	<u>\$ 12,232,451</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	\$ 12,185
Public safety	20,174
Highways and streets	17,812
Sanitation	<u>1,335</u>
Total depreciation expense - governmental activities	<u>\$ 51,506</u>
Business-type activities:	
Electric light and power	\$ 636,392
Water	85,100
Sewer	72,195
Swimming pool	<u>52,214</u>
Total depreciation expense - business-type activities	<u>\$ 845,901</u>

**NOTE 10: 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 \$57,013 to reduce the principal amount of the Tax Increment Financing notes during the year ended March 31, 2013. These payments are being reported as development expense in the financial statements. The outstanding note balances related to the two development projects are \$106,175 and \$248,062 as of March 31, 2013. These development notes are not reflected in the debt of the Village as of March 31, 2013.

**NOTE 11: SUBSEQUENT EVENT**

The Village has evaluated events occurring after the financial statement date through August 16, 2013 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

**VILLAGE OF FREEBURG, ILLINOIS**

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MODIFIED CASH BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED MARCH 31, 2013

	Budgeted Amounts		Actual (Budget Basis)
	Original	Final	
Revenues:			
Property Tax	\$ 575,378	\$ 575,378	\$ 587,375
Replacement Tax	5,200	5,200	5,165
Sales Tax	410,000	410,000	380,528
State Income Tax	348,000	348,000	405,127
Local Use Tax	65,000	65,000	68,529
Telecommunications Tax	146,000	146,000	144,037
Franchise Tax	30,000	30,000	30,326
Utility Tax	217,500	217,500	233,012
Licenses and Permits	50,575	50,575	31,229
Fines and Penalties	12,350	12,350	8,890
Garbage Collection	202,250	202,250	193,494
Rental/Lease Income	7,935	7,935	35,943
Investment Earnings	2,000	2,000	2,417
Grants	471,100	471,100	1,796
Miscellaneous	20,720	20,720	9,780
Total Revenues	2,564,008	2,564,008	2,137,648
Expenditures:			
Current:			
General Government	477,620	477,620	385,452
Public Safety:			
Police	1,021,700	1,021,700	1,007,838
Civil Defense	2,900	2,900	2,588
Highways and Streets	310,775	310,775	307,882
Sanitation	190,500	190,500	205,688
Capital Outlay	535,840	535,840	53,508
Transfers	12,819	12,819	200,000
Total Expenditures	2,552,154	2,552,154	2,162,956
Net Change in Fund Balances	\$ 11,854	\$ 11,854	(25,308)
No change for modified cash basis reporting			-
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			\$ (25,308)

**VILLAGE OF FREEBURG, ILLINOIS**

SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT  
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
MARCH 31, 2013

	Calendar Year					
	2012	2011	2010	2009	2008	2007
Actuarial Value of Assets	\$ 2,764,210	\$ 2,361,731	\$ 2,030,891	\$ 2,177,881	\$ 1,980,186	\$ 2,164,633
Actuarial Accrued Liability (AAL)	3,859,604	3,423,406	3,072,278	3,183,624	2,808,978	2,591,322
Unfunded AAL (UAAL)	1,095,394	1,061,675	1,041,387	1,005,743	828,792	426,689
Funded Ratio	71.62%	68.99%	66.10%	68.41%	70.49%	83.53%
Covered Payroll	1,422,899	1,332,823	1,338,574	1,390,880	1,355,164	1,288,995
UAAL as a % of Covered Payroll	76.98%	79.66%	77.80%	72.31%	61.16%	33.10%
Employer Contributions:						
Required	177,720	161,538	155,810	142,009	144,731	140,758
Made	177,720	161,538	150,322	142,009	144,731	140,758
Percentage of Employer Contributions						
Made to Required Contributions	100.00%	100.00%	96.00%	100.00%	100.00%	100.00%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$2,857,236.

On a market basis, the funded ratio would be 74.03 percent.

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

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

**VILLAGE OF FREEBURG, ILLINOIS**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
MARCH 31, 2013

	<u>Impact Fees</u>	<u>Motor Fuel Tax</u>	<u>TIF</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 7,716	\$ 89,646	\$ 347,661	\$ 445,023
Investments	<u>18,725</u>	<u>124,000</u>	<u>-</u>	<u>142,725</u>
Total Assets	<u>\$ 26,441</u>	<u>\$ 213,646</u>	<u>\$ 347,661</u>	<u>\$ 587,748</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
Due to Other Funds	\$ -	\$ 6,662	\$ -	\$ 6,662
Total Liabilities	<u>-</u>	<u>6,662</u>	<u>-</u>	<u>6,662</u>
Fund Balance:				
Restricted	<u>26,441</u>	<u>206,984</u>	<u>347,661</u>	<u>581,086</u>
Total Fund Balance	<u>26,441</u>	<u>206,984</u>	<u>347,661</u>	<u>581,086</u>
 Total Liabilities and Fund Balance	 <u>\$ 26,441</u>	 <u>\$ 213,646</u>	 <u>\$ 347,661</u>	 <u>\$ 587,748</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, 2013

	Impact Fees	Motor Fuel Tax	TIF	Total
Revenues:				
Property Tax	\$ -	\$ -	\$ 206,993	\$ 206,993
Motor Fuel Tax	-	104,579	-	104,579
Grants	-	16,815	-	16,815
Investment Income	544	5,070	-	5,614
Total Revenues	544	126,464	206,993	334,001
Expenditures:				
Current:				
Highways and Streets	-	101,859	-	101,859
Development	-	-	59,513	59,513
Debt Service:				
Principal	-	-	115,000	115,000
Interest	-	-	76,594	76,594
Total Expenditures	-	101,859	251,107	352,966
Excess (Deficiency) of Revenues Over Expenditures	544	24,605	(44,114)	(18,965)
Other Financing Sources (Uses):				
Transfers from (to) Other Funds	-	-	53,060	53,060
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	544	24,605	8,946	34,095
Fund Balance, Beginning of Year	25,897	182,379	338,715	546,991
Fund Balance, End of Year	\$ 26,441	\$ 206,984	\$ 347,661	\$ 581,086

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

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Village of Freeburg, Illinois as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village of Freeburg, Illinois' Tax Increment Financing District, as referred to in the first paragraph, as of March 31, 2013 and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

## Other Matters

The management of the Village of Freeburg, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

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

*C. J. Schlemmer & Company L.L.C.*

Certified Public Accountants  
Alton, Illinois

August 16, 2013