



CITY OF DIXON, ILLINOIS
Dixon, Illinois

BASIC FINANCIAL STATEMENTS
April 30, 2006

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Accountant's Report

Honorable Mayor and Commissioners
City of Dixon, Illinois

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dixon, Illinois as of and for the year ended April 30, 2006 which collectively comprise City of Dixon, Illinois' basic financial statements as listed in the table of contents in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Schedule of Funding Progress on page 40 and budgetary comparison information on pages 41 through 46, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have not audited or reviewed the accompanying required supplemental information, and accordingly do not express an opinion or any other form of assurance on such information. The supplemental information accompanying the basic financial statements is presented only for additional analysis purposes. We have not audited or reviewed the accompanying supplemental information, and accordingly, do not express an opinion or any other form of assurance on such information. The City of Dixon, Illinois has not presented the management's discussion and analysis as required by accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Dixon, Illinois
May 26, 2006

CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,495,126	\$ 5,299,395	\$ 13,794,521
Investments	1,198,797	180,120	1,378,917
Restricted cash and investments	-	351,519	351,519
General property taxes receivable	3,115,830	-	3,115,830
Due from State of Illinois	744,965	-	744,965
Motor fuel tax receivable	36,528	-	36,528
Accounts receivable	144,980	622,136	767,116
Other receivable	146,764	720	147,484
Notes receivable	66,463	-	66,463
Due from external parties	250,000	-	250,000
Inventory	24,926	153,326	178,252
Prepaid insurance	136,862	54,983	191,845
Land and improvements	2,076,381	-	2,076,381
Construction in progress	5,673,660	1,771,046	7,444,706
Other capital assets, net of depreciation	23,098,997	30,880,316	53,979,313
TOTAL ASSETS	<u>45,210,279</u>	<u>39,313,561</u>	<u>84,523,840</u>
LIABILITIES			
Voucher payable	2,257,584	1,240,877	3,498,461
Accrued payroll and taxes	267,693	24,826	292,519
Accrued interest	310,682	157,385	468,067
Deferred license income	32,670	-	32,670
Deferred property tax revenue	3,115,830	-	3,115,830
Consumer deposits	-	308,793	308,793
Due to external parties	-	250,000	250,000
Long-term liabilities:			
Due within one year	858,829	2,474,361	3,333,190
Due in more than one year	6,934,000	15,494,859	22,428,859
Total liabilities	<u>13,777,288</u>	<u>19,951,101</u>	<u>33,728,389</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,175,378	14,682,142	39,857,520
Restricted for:			
Special revenue	7,426,910	-	7,426,910
Debt service	16	-	16
Capital projects	873,141	16,583	889,724
Unrestricted	<u>(2,042,454)</u>	<u>4,663,735</u>	<u>2,621,281</u>
TOTAL NET ASSETS	<u>\$ 31,432,991</u>	<u>\$ 19,362,460</u>	<u>\$ 50,795,451</u>

These financial statements should be read only in connection with
the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT:							
Governmental activities							
General government	\$ 2,230,497	\$ 224,012	\$ 84,416	\$ 140,509	\$ (1,781,560)	\$ -	\$ (1,781,560)
Public safety	3,667,327	437,762	-	-	(3,229,565)	-	(3,229,565)
Public works	113,211	-	-	-	(113,211)	-	(113,211)
Highways and streets	1,798,484	-	-	-	(1,798,484)	-	(1,798,484)
Traffic development	74,636	-	-	-	(74,636)	-	(74,636)
Welfare	7,292	-	-	-	(7,292)	-	(7,292)
Culture and recreation	327,128	19,499	19,631	-	(287,998)	-	(287,998)
Airport	143,836	-	-	-	(143,836)	-	(143,836)
Cemetery	245,914	70,688	-	-	(175,226)	-	(175,226)
Interest on long-term debt	17,152	-	-	-	(17,152)	-	(17,152)
Total governmental activities	<u>8,625,477</u>	<u>751,961</u>	<u>104,047</u>	<u>140,509</u>	<u>(7,628,960)</u>	<u>-</u>	<u>(7,628,960)</u>
Business-type activities:							
Landfill	37,095	1,690,393	-	-	-	1,653,298	1,653,298
Sewer	2,832,511	2,041,509	-	-	-	(791,002)	(791,002)
Water Department	1,438,106	1,614,414	-	-	-	176,308	176,308
Total business-type activities	<u>4,307,712</u>	<u>5,346,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,604</u>	<u>1,038,604</u>
Total primary government	<u>\$ 12,933,189</u>	<u>\$ 6,098,277</u>	<u>\$ 104,047</u>	<u>\$ 140,509</u>	<u>(7,628,960)</u>	<u>1,038,604</u>	<u>(6,590,356)</u>
General revenues:							
Property taxes					2,922,796	-	2,922,796
Sales tax					2,695,458	-	2,695,458
Personal property replacement tax					688,134	-	688,134
Income tax and surcharge					1,157,321	-	1,157,321
Foreign fire insurance tax					15,886	-	15,886
Motel tax					60,250	-	60,250
Utility tax					727,632	-	727,632
Telecom tax					106,615	-	106,615
Motor fuel tax allotments					467,558	-	467,558
Interest					489,051	150,848	639,899
Other					136,673	187,499	324,172
Transfers - internal activity					3,201,000	(3,201,000)	-
Total general revenues and transfers					<u>12,668,374</u>	<u>(2,862,653)</u>	<u>9,805,721</u>
Change in net assets					5,039,414	(1,824,049)	3,215,365
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					<u>26,393,577</u>	<u>21,186,509</u>	<u>47,580,086</u>
NET ASSETS, END OF YEAR					<u>\$ 31,432,991</u>	<u>\$ 19,362,460</u>	<u>\$50,795,451</u>

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the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2006

	General	Municipal Sales Tax	Capital Development	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 586,394	\$ 108,732	\$ 3,678,504	\$ 4,121,496	\$ 8,495,126
Investments	278,835	700,780	-	219,182	1,198,797
Receivables:					
General property taxes	1,728,330	-	-	1,387,500	3,115,830
State income tax	220,661	-	-	-	220,661
Sales tax	-	446,092	-	-	446,092
Motor fuel tax allotments	-	-	-	36,528	36,528
Utility tax	78,212	-	-	-	78,212
Accounts	7,600	-	-	137,380	144,980
Circuit Clerk	6,966	-	-	-	6,966
Other	139,799	-	-	-	139,799
Notes receivable	-	-	-	66,463	66,463
Inventory	24,926	-	-	-	24,926
Prepaid insurance	115,415	-	3,780	17,667	136,862
Due from other funds	-	-	-	1,631,945	1,631,945
TOTAL ASSETS	\$ 3,187,138	\$ 1,255,604	\$ 3,682,284	\$ 7,618,161	\$ 15,743,187
LIABILITIES					
Voucher payable	\$ 170,881	\$ 12,402	\$ 2,059,143	\$ 15,158	\$ 2,257,584
Accrued liabilities:					
Payroll	236,419	-	-	14,112	250,531
Accrued payroll taxes and other withholdings	17,163	-	-	-	17,163
Deferred license income	32,670	-	-	-	32,670
Deferred property tax revenue	1,728,330	-	-	1,387,500	3,115,830
Due to other funds	631,945	-	750,000	-	1,381,945
Total liabilities	<u>2,817,408</u>	<u>12,402</u>	<u>2,809,143</u>	<u>1,416,770</u>	<u>7,055,723</u>
FUND BALANCES					
Unreserved					
Reserved for inventory and prepaids	140,341	-	3,780	17,667	161,788
Unreserved					
General	229,389	-	-	-	229,389
Special Revenue	-	1,243,202	-	6,183,708	7,426,910
Capital Projects	-	-	869,361	-	869,361
Debt Service	-	-	-	16	16
Total fund balances	<u>369,730</u>	<u>1,243,202</u>	<u>873,141</u>	<u>6,201,391</u>	<u>8,687,464</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,187,138	\$ 1,255,604	\$ 3,682,284	\$ 7,618,161	\$ 15,743,187

These financial statements should be read only in connection with
the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
Year Ended April 30, 2006

Total governmental fund balances		\$ 8,687,464
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$14,984,351		30,849,038
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(7,557,000)
Net pension obligation		(235,829)
Accrued interest was recognized for governmental activities, but is not due and payable in the current period and therefore, is not reported as a liability in the governmental funds		<u>(310,682)</u>
Total net assets - governmental activities		<u>\$ 31,432,991</u>

These financial statements should be read only in connection with the accompanying accountant's report, summary of significant accounting policies, and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended April 30, 2006

	General	Municipal Sales Tax	Capital Development	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 1,633,595	\$ -	\$ -	\$ 1,289,201	\$ 2,922,796
Foreign fire insurance tax	15,886	-	-	-	15,886
Intergovernmental revenues	2,775,415	2,695,458	140,509	536,142	6,147,524
Licenses, permits, and other fees	224,792	-	-	-	224,792
Fines and penalties	165,757	-	-	-	165,757
Charges for services	-	-	-	361,412	361,412
Revenue from use of money and property	24,329	23,365	266,490	174,867	489,051
Other	120,542	-	316	15,815	136,673
Total revenues	<u>4,960,316</u>	<u>2,718,823</u>	<u>407,315</u>	<u>2,377,437</u>	<u>10,463,891</u>
EXPENDITURES					
General government	1,108,448	44,436	-	15,227	1,168,111
Public safety					
Police protection and community relations	2,232,507	-	-	-	2,232,507
Fire fighting and prevention and emergency vehicle	1,127,483	-	-	159,835	1,287,318
Public works	120,411	-	-	-	120,411
Highways and streets	623,642	-	-	-	623,642
Traffic development	74,636	-	-	-	74,636
Welfare-Civil Defense	-	-	-	7,292	7,292
Culture and recreation - Library and Band	-	-	-	325,829	325,829
Airport operations	-	-	-	104,838	104,838
Cemetery operations	-	-	-	230,964	230,964
Capital outlay	280,983	-	11,033,569	147,269	11,461,821
Debt Service					
Principal	-	-	218,000	250,000	468,000
Interest	-	-	498,958	21,110	520,068
Payments to Pensions	599,420	-	-	141,008	740,428
Payments to Social Security System	-	-	-	164,773	164,773
Total expenditures	<u>6,167,530</u>	<u>44,436</u>	<u>11,750,527</u>	<u>1,568,145</u>	<u>19,530,638</u>
Excess (deficiency) of revenues over expenditures	<u>(1,207,214)</u>	<u>2,674,387</u>	<u>(11,343,212)</u>	<u>809,292</u>	<u>(9,066,747)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,537,324	-	5,670,000	226,341	7,433,665
Operating transfers out	(310,000)	(3,053,665)	-	(70,000)	(3,433,665)
Total other financing sources (uses)	<u>1,227,324</u>	<u>(3,053,665)</u>	<u>5,670,000</u>	<u>156,341</u>	<u>4,000,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	20,110	(379,278)	(5,673,212)	965,633	(5,066,747)
FUND BALANCE, BEGINNING OF YEAR	<u>349,620</u>	<u>1,622,480</u>	<u>6,546,353</u>	<u>5,235,758</u>	<u>13,754,211</u>
FUND BALANCE, END OF YEAR	<u>\$ 369,730</u>	<u>\$ 1,243,202</u>	<u>\$ 873,141</u>	<u>\$ 6,201,391</u>	<u>\$ 8,687,464</u>

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CITY OF DIXON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2006

Net change in fund balances - total governmental funds	\$ (5,066,747)
Amounts reported for governmental activities in the statement of net assets are different because:	
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and loss on sale of capital assets in the current year.	9,739,158
Issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
	418,889
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	
	<u>(51,886)</u>
Change in net assets of governmental activities	<u>\$ 5,039,414</u>

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CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2006

	Business-Type Activities			
	Landfill	Sewerage	Water	Total
	Fund	Fund	Department	
	Fund	Fund	Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 870,767	\$ 3,302,298	\$ 1,126,330	\$ 5,299,395
Restricted cash	-	-	132,657	132,657
Investments:				
Unrestricted	-	-	180,120	180,120
Restricted	-	-	218,862	218,862
Receivables:				
Accounts	-	-	622,136	622,136
Interest	-	-	720	720
Due from other funds:				
Sewerage Fund	3,235,744	-	-	3,235,744
Water Department	-	226,067	-	226,067
Capital Development	750,000	-	-	750,000
Inventory	-	-	153,326	153,326
Prepaid insurance	60	24,422	30,501	54,983
	<u>4,856,571</u>	<u>3,552,787</u>	<u>2,464,652</u>	<u>10,874,010</u>
Total current assets				
	<u>4,856,571</u>	<u>3,552,787</u>	<u>2,464,652</u>	<u>10,874,010</u>
PROPERTY AND EQUIPMENT				
Assets not depreciated				
Construction in progress	-	-	1,771,046	1,771,046
	<u>-</u>	<u>-</u>	<u>1,771,046</u>	<u>1,771,046</u>
Assets being depreciated				
Sewerage system	-	13,467,023	-	13,467,023
Water system	-	3,985,744	6,063,448	10,049,192
Building and improvements	-	325,365	-	325,365
Wastewater treatment plant	-	17,316,676	-	17,316,676
Machinery and equipment	58,928	506,030	428,515	993,473
Furniture and fixtures	-	8,953	407,900	416,853
Transportation equipment	-	113,881	111,372	225,253
	<u>58,928</u>	<u>35,723,672</u>	<u>7,011,235</u>	<u>42,793,835</u>
Less accumulated depreciation	<u>(15,008)</u>	<u>(7,592,894)</u>	<u>(4,305,617)</u>	<u>(11,913,519)</u>
Net property and equipment being depreciated	<u>43,920</u>	<u>28,130,778</u>	<u>2,705,618</u>	<u>30,880,316</u>
Net property and equipment	<u>43,920</u>	<u>28,130,778</u>	<u>4,476,664</u>	<u>32,651,362</u>
TOTAL ASSETS	<u>\$ 4,900,491</u>	<u>\$ 31,683,565</u>	<u>\$ 6,941,316</u>	<u>\$ 43,525,372</u>

	Business-Type Activities			
	Landfill Fund	Sewerage Fund	Water	Total
			Department Fund	
LIABILITIES				
Current liabilities:				
Vouchers payable	\$ 22,222	\$ 1,083,202	\$ 135,453	\$ 1,240,877
Accrued liabilities:				
Payroll	-	8,939	15,887	24,826
Interest	-	138,735	18,650	157,385
Due to other funds:				
Social Security Fund	600,000	-	-	600,000
IMRF Fund	400,000	-	-	400,000
Landfill Fund	-	3,235,744	-	3,235,744
Sewerage Fund	-	-	226,067	226,067
Consumer deposits	-	-	308,793	308,793
Notes payable - current portion	-	855,072	-	855,072
EPA loan payable	-	-	1,596,289	1,596,289
Bonds payable - current portion	-	-	23,000	23,000
Total current liabilities	<u>1,022,222</u>	<u>5,321,692</u>	<u>2,324,139</u>	<u>8,668,053</u>
Long-term liabilities:				
Notes payable	-	15,333,859	-	15,333,859
Bonds payable	-	-	161,000	161,000
Total long-term liabilities	<u>-</u>	<u>15,333,859</u>	<u>161,000</u>	<u>15,494,859</u>
Total liabilities	<u>1,022,222</u>	<u>20,655,551</u>	<u>2,485,139</u>	<u>24,162,912</u>
NET ASSETS				
Invested in capital assets, net of related debt	43,920	11,941,847	2,696,375	14,682,142
Restricted	-	-	16,583	16,583
Unrestricted	3,834,349	(913,833)	1,743,219	4,663,735
Total fund equity	<u>3,878,269</u>	<u>11,028,014</u>	<u>4,456,177</u>	<u>19,362,460</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,900,491</u>	<u>\$ 31,683,565</u>	<u>\$ 6,941,316</u>	<u>\$ 43,525,372</u>

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and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended April 30, 2006

	<u>Business-Type Activities</u>			
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	<u>Total</u>
OPERATING REVENUES				
User fees	\$ -	\$ 1,999,119	\$ 1,512,900	\$ 3,512,019
Host fees	1,689,968	-	-	1,689,968
Labor and merchandise	-	-	75,261	75,261
Miscellaneous	425	42,390	26,253	69,068
Total operating revenues	<u>1,690,393</u>	<u>2,041,509</u>	<u>1,614,414</u>	<u>5,346,316</u>
OPERATING EXPENSES				
Salaries	2,400	272,532	592,186	867,118
Maintenance of site and buildings	-	129,658	146,547	276,205
Other maintenance	-	5,199	-	5,199
Supplies and services	125	28,918	274,841	303,884
Electricity	-	226,005	-	226,005
Fuel, gas and oil	-	23,320	-	23,320
Professional service and fees	-	19,098	65,467	84,565
Insurance	30	77,917	133,917	211,864
Miscellaneous	21,489	24,537	8,978	55,004
Dues and subscriptions	-	1,071	30	1,101
Travel and education expense	-	1,596	-	1,596
Training	1,265	437	-	1,702
Depreciation	11,786	1,600,944	208,066	1,820,796
Total operating expenses	<u>37,095</u>	<u>2,411,232</u>	<u>1,430,032</u>	<u>3,878,359</u>
OPERATING INCOME (LOSS)	<u>1,653,298</u>	<u>(369,723)</u>	<u>184,382</u>	<u>1,467,957</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	37,857	96,787	16,204	150,848
Income from reimbursement agreement	-	206,921	-	206,921
Gain (loss) on disposal of equipment	-	(19,422)	-	(19,422)
Interest expense	-	(421,279)	(8,074)	(429,353)
Total nonoperating revenues (expenses)	<u>37,857</u>	<u>(136,993)</u>	<u>8,130</u>	<u>(91,006)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,691,155	(506,716)	192,512	1,376,951
CAPITAL CONTRIBUTION	-	799,000	-	799,000
TRANSFERS IN	300,000	-	-	300,000
TRANSFERS OUT	<u>(4,300,000)</u>	<u>-</u>	<u>-</u>	<u>(4,300,000)</u>
CHANGE IN NET ASSETS	(2,308,845)	292,284	192,512	(1,824,049)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>6,187,114</u>	<u>10,735,730</u>	<u>4,263,665</u>	<u>21,186,509</u>
NET ASSETS, END OF YEAR	<u>\$ 3,878,269</u>	<u>\$ 11,028,014</u>	<u>\$ 4,456,177</u>	<u>\$ 19,362,460</u>

These financial statements should be read only in connection with
the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended April 30, 2006

	<u>Business-Type Activities</u>			<u>Totals</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,689,968	\$ 2,036,914	\$ 1,671,697	\$ 5,398,579
Payments to employees	(2,700)	(279,422)	(591,853)	(873,975)
Payments to suppliers	(185)	(536,196)	(530,277)	(1,066,658)
Other payments	(8,437)	-	-	(8,437)
Net cash provided by operating activities	<u>1,678,646</u>	<u>1,221,296</u>	<u>549,567</u>	<u>3,449,509</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers to other funds	(4,000,000)	-	-	(4,000,000)
Net cash used in non-capital financing activities	<u>(4,000,000)</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Proceeds from reimbursement agreement	-	206,921	-	206,921
Proceeds from EPA loan	-	-	1,596,289	1,596,289
Advances to other funds	(284,351)	-	-	(284,351)
Operating transfer from other funds	1,000,000	799,000	-	1,799,000
Principal paid on revenue bond	-	-	(23,000)	(23,000)
Principal paid on notes payable	-	(833,612)	-	(833,612)
Payment of interest on debt	-	(421,279)	(8,468)	(429,747)
Acquisition of capital assets	-	(979,299)	(1,766,084)	(2,745,383)
Net cash provided by (used in) capital financing activities	<u>715,649</u>	<u>(1,228,269)</u>	<u>(201,263)</u>	<u>(713,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	37,857	96,787	8,802	143,446
Net cash provided by investing activities	<u>37,857</u>	<u>96,787</u>	<u>8,802</u>	<u>143,446</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,567,848)	89,814	357,106	(1,120,928)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,438,615</u>	<u>3,212,484</u>	<u>901,881</u>	<u>6,552,980</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 870,767</u>	<u>\$ 3,302,298</u>	<u>\$ 1,258,987</u>	<u>\$ 5,432,052</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,653,298	\$ (369,723)	\$ 184,382	\$ 1,467,957
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,786	1,600,944	208,066	1,820,796
Effects of changes in operating assets and liabilities				
Accounts receivable	-	(4,594)	29,056	24,462
Prepaid insurance	(60)	(2,549)	(14,089)	(16,698)
Inventory	-	-	9,062	9,062
Accounts payable	13,922	4,108	104,530	122,560
Consumer deposits	-	-	23,631	23,631
Accrued liabilities	(300)	(6,890)	4,929	(2,261)
	<u>\$ 1,678,646</u>	<u>\$ 1,221,296</u>	<u>\$ 549,567</u>	<u>\$ 3,449,509</u>

These financial statements should be read only in connection with the accompanying accountant's report, summary of significant accounting policies, and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2006

	Pension Trust Funds	Private- Purpose Trust	Agency Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,126,336	\$ 470,283	\$ 4,129	\$ 1,600,748
Investments	17,804,100	2,216,648	-	20,020,748
Receivables:				
Accounts, net of allowance for estimated uncollectibles	-	13,468	-	13,468
TOTAL ASSETS	<u>18,930,436</u>	<u>2,700,399</u>	<u>4,129</u>	<u>21,634,964</u>
LIABILITIES				
Vouchers payable	86,448	-	-	86,448
Performance deposits	-	-	4,129	4,129
TOTAL LIABILITIES	<u>86,448</u>	<u>-</u>	<u>4,129</u>	<u>90,577</u>
NET ASSETS				
Net assets held in trust for pension benefits	18,843,988	-	-	18,843,988
Net assets held in trust for other purposes	-	2,700,399	-	2,700,399
TOTAL NET ASSETS	<u>\$ 18,843,988</u>	<u>\$ 2,700,399</u>	<u>\$ -</u>	<u>\$ 21,544,387</u>

These financial statements should be read only in connection with
the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended April 30, 2006

	Pension Trust	Private- Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 599,420	\$ -
Plan members	201,750	-
Other	-	126,859
Total contributions	801,170	126,859
Investment Income	1,808,669	267,390
Total additions	2,609,839	394,249
DEDUCTIONS		
Benefit payments	1,210,258	-
Management fees	153,230	-
Withdrawals	-	217,048
Administrative and audit fee	11,000	17,734
Other	3,453	-
Total deductions	1,377,941	234,782
NET INCREASE	1,231,898	159,467
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	17,612,090	2,540,932
NET ASSETS HELD IN TRUST, END OF YEAR	\$ 18,843,988	\$ 2,700,399

These financial statements should be read only in connection with
the accompanying accountant's report, summary of significant accounting policies,
and notes to basic financial statements.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

The City of Dixon, Illinois (the City) is a municipal corporation governed by an elected Mayor and City Council. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component units, which are a legally separate organization for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or

Fiscal dependency on the primary government.

The accompanying financial statements present the City (the primary government) and its component unit.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major and aggregate nonmajor funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general government, public safety, highways and streets, traffic development, welfare, culture and recreation, airport, and cemetery services are classified as governmental activities. The City's landfill, sewer, and water services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, highways and streets, traffic development, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, highways and streets, traffic development, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

The following fund types are used by the City:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City which accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, general long-term debt, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust Funds.

Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989, to account for proprietary funds.

The City maintains three enterprise funds.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

Reporting Major, Nonmajor and Fiduciary Fund Statements

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The City reports the following major funds:

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

Municipal Sales Tax Fund - This fund is used to account for the revenues and expenditures associated with sales tax collected within the City. Financing is provided by sales tax paid within the City.

Capital Development Fund - This fund is used to account for the acquisition and construction of major capital facilities. Financing is provided by excess landfill surcharge fees from the Landfill Fund.

Landfill Fund - This fund is used to account for the revenues and expenditures associated with the landfill. Financing is provided by landfill host fees.

Sewerage Fund - This fund is used to account for the revenues and expenditures associated with sewer service. Financing is provided by sewer user charges.

Water Department Fund - This fund is used to account for the revenues and expenditures associated with water service. Financing is provided by water user charges.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

BASIS OF ACCOUNTING (CONTINUED)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes are recorded as revenue when levied for budgetary purposes. Penalties and interest, court fees, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Sales, income, and motor fuel taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Blended Component Unit

The Water Department of the City of Dixon, Illinois, is governed by a board of commissioners appointed by the City Council. The Water Department is reported as if it were part of the primary government because the City Council approves the budget, approves bonded debt by ordinance, sets water rates by ordinance, holds title to fixed assets and exercises significant influence over operations of the Water Department, although operations are controlled by a separate Water Board.

Separately issued financial statements for the Water Department of the City of Dixon, Illinois, are available at City Hall, Dixon, Illinois.

Proprietary funds apply Financial Accounting Standards Board (FASB) Pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except Motor Fuel Tax Fund). Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Budgets for the General Fund and Special Revenue Funds are prepared on a cash basis method of accounting which is in violation of accounting principles generally accepted in the United States of America, but is allowed under Illinois Compiled Statutes for cities. Appropriations lapse at year-end.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the City considers cash equivalents to be all cash on hand, money market accounts, similar type demand accounts and any certificates of deposit with an original maturity date of three months or less. Any maturity dates over three months are presented as investments.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

INVESTMENTS

State statutes authorize the government to invest in the following:

- (1) commercial banks
- (2) savings and loan institutions
- (3) obligations of the U. S. Treasury and U. S. Agencies
- (4) obligations of States and their political subdivisions
- (5) credit union shares
- (6) repurchase agreements
- (7) commercial paper rated within the three highest classifications by at least two standard rating services
- (8) Illinois Public Treasurer's Investment Pool

In addition, the Police and Firefighters' Pension Trust Funds may invest in other investments, including general and separate accounts of life insurance companies, mutual funds, bank managed funds, and equities.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have established markets are reported at estimated fair value.

ACCOUNTS RECEIVABLE - WATER DEPARTMENT

Accounts receivable includes amounts billed and not collected at April 30 and an estimate of unbilled accounts receivable for water used by consumers. An allowance for doubtful accounts has been provided to uncollectible accounts receivable in the amount of \$2,500.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are also classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

INVENTORIES

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond April 30, 2006, are recorded as prepaid items.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	25 years
Machinery and equipment	10 years
Furniture and fixtures	10 years
Computer equipment	5 years
Vehicles	5 years
Streets and sidewalks	20 years
Bridges	50 years
Wastewater Treatment Plant	20 years
Sewer extensions/Storm sewers	20 years
Water System	10 - 30 years

INTEREST CAPITALIZATION

Interest costs for fixed asset construction within enterprise funds and governmental activities are capitalized. However, all other interest costs are expensed. Interest costs incurred during fiscal year 2006 were \$1,001,307 of which \$554,802 has been capitalized.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The City's property tax is levied each year at the time the budget for the ensuing year is passed and is extended against the assessed valuation of the City on January 1 of that year. Taxes are due and payable in two installments in June and September.

Property taxes are accrued as a receivable in the period in which the City has an enforceable lien on property. However, recognition of the revenue is deferred until the property taxes are both measurable and available. Property tax revenue recorded on the City for the year ended April 30, 2006 represents installments of the 2004 property taxes which were received during 2005.

LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and net pension obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2006

FUND EQUITY

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserves represent those portions of fund equity that are legally segregated for a specific future use or not appropriate for expenditure. Proprietary fund equity is classified the same as in the government-wide statements.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental activities and individual business-type activities have been eliminated.

COMPENSATED ABSENCES

Vested or accumulated vacation/sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

The Water Department accrues unpaid vacation time when earned by the employee. Each employee is allowed to carryover five days to the subsequent fiscal year. As of April 30, 2006, \$4,399 of accrued vacation is included in accrued employee compensation.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 1 - DEPOSITS AND INVESTMENTS

The City's investment policy allows them to invest in any type of security allowed for in Illinois statutes regarding the investment of public funds. The policy states that investments shall be made that reflect the cash flow needs of the type being invested. In general, the City may invest in obligations of the United States of America or its agencies (or guaranteed by the full faith and credit of the same) and certain time deposits and short-term obligations as defined in the Public Fund Investment Act. At year-end, the carrying amount of the City's cash and deposits was \$15,526,251 and the bank balances totaled \$16,777,564. Cash on hand was \$1,675.

At year end, the investment maturities are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10 or More</u>
Certificates of Deposits	\$ 398,982	\$ 398,982	\$ -	\$ -	\$ -
Money Market	410,624	410,624	-	-	-
U.S. Treasuries	1,680,238	396,000	742,868	-	541,370
U.S. Agencies	6,565,905	-	161,696	1,288,643	5,115,566
Illinois Treasurer's Investment Pool	1,198,798	1,198,798	-	-	-
Mutual Funds	<u>2,415,220</u>	<u>2,415,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$12,669,767</u>	<u>\$4,819,624</u>	<u>\$904,564</u>	<u>\$1,288,643</u>	<u>\$5,656,936</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits funds that are not directly matched with anticipated cash flow requirements to maturities of four years or less. Reserve funds may be invested in securities exceeding six years. For the City's Police and Fire Pension Funds, the investment policy allows them to invest in securities that will mature no less than 5 years from the original purchase date.

Credit Risk

The City's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments. The City's investments in the Illinois Treasurer's Investment Pool maintain a rating of AAA by Standard and Poor's.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City. As of April 30, 2006, none of the City's deposits were exposed to custodial credit risk.

Concentration of Credit Risk

More than 5.00% of the City's investments are in Certificates of Deposit at The First National Bank in Amboy. These investments are 5.76%, respectively, of the City's total investments.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 2 - PROPERTY TAXES

Property taxes attach an enforceable lien on property as of January 1 of the subsequent year and are payable in two installments. For fund financial statements, funds on the modified accrual basis of accounting, property taxes which have been levied but not collected or expected to be collected within sixty days after year end are recorded as property taxes receivable and deferred revenues. For government-wide financial statements, funds on the accrual basis of accounting, property taxes are recorded using the levy date method, where taxes are recognized as revenues in the year in which they are levied. The property taxes receivable, therefore, represents taxes due on the 2005 levy to be collected mid-2006.

NOTE 3 - NOTES RECEIVABLE

On July 6, 2000, the City entered into a promissory note for building renovations with James E. Dixon of Dixon for \$25,000. Interest is at 2.5% and the entire principal balance is due July 5, 2005. The note is secured by a junior mortgage on property. The balance of the note was received during the year.

On January 21, 2004, the City entered into a promissory note for building renovations with Jason M. and Trista L. Pitman of Dixon for \$16,285. Interest is at 2.5% and the entire balance is due February 1, 2009. The note is secured by a junior mortgage on the property. The balance at April 30, 2006 is \$10,815.

On September 2, 2003, the City entered into a promissory note for building renovations with Ralph Edgar of Grand Detour for \$75,000. Interest is at 2.5% and the entire balance is due September 1, 2008. The note is secured by a mortgage on the property. The balance at April 30, 2006 is \$37,417.

On May 2, 2005, the City entered into a promissory note for building renovations with Patricia Hummel of Dixon for \$25,000. Interest is at 2.5% and the entire balance is due April 30, 2010. The note is secured by a mortgage on the property. The balance at April 30, 2006 is \$18,246.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2006, was as follows:

	<u>Balance At</u> <u>May 1, 2005</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance At</u> <u>April 30, 2006</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,076,381	\$ -	\$ -	\$ 2,076,381
Construction in progress	<u>322,103</u>	<u>5,351,557</u>	<u>-</u>	<u>5,673,660</u>
Total capital assets not being depreciated	<u>2,398,484</u>	<u>5,351,557</u>	<u>-</u>	<u>7,750,041</u>
Capital assets being depreciated:				
Buildings	3,635,455	-	-	3,635,455
Equipment	4,474,808	293,357	100,936	4,667,229
Infrastructure	<u>24,155,481</u>	<u>5,625,183</u>	<u>-</u>	<u>29,780,664</u>
Total capital assets being depreciated	<u>32,265,744</u>	<u>5,918,540</u>	<u>100,936</u>	<u>38,083,348</u>
Less accumulated depreciation:				
Buildings	2,868,126	76,055	-	2,944,181
Equipment	3,070,550	288,273	99,001	3,259,822
Infrastructure	<u>7,615,672</u>	<u>1,164,676</u>	<u>-</u>	<u>8,780,348</u>
Total accumulated depreciation	<u>13,554,348</u>	<u>1,529,004</u>	<u>99,001</u>	<u>14,984,351</u>
Governmental activities capital assets, net	<u>\$21,109,880</u>	<u>\$9,741,093</u>	<u>\$ 1,935</u>	<u>\$30,849,038</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 118,750	\$1,652,296	\$ -	\$ 1,771,046
Capital assets being depreciated:				
Sewerage system	11,622,974	1,844,050	-	13,467,024
Water system	9,698,760	394,174	43,743	10,049,191
Building and improvements	325,365	-	-	325,365
Machinery and equipment	980,912	20,006	24,028	976,890
Furniture and fixtures	134,713	-	6,068	128,645
Transportation equipment	507,993	22,050	-	530,043
Waste Water Treatment Plant	<u>17,177,478</u>	<u>139,198</u>	<u>-</u>	<u>17,316,676</u>
Total capital assets being depreciated	<u>40,448,195</u>	<u>2,419,478</u>	<u>73,839</u>	<u>42,793,834</u>
Less accumulated depreciation:				
Sewerage system	3,669,194	567,991	-	4,237,185
Water system	3,577,642	280,871	43,210	3,815,303
Building and improvements	131,259	9,818	-	141,077
Machinery and equipment	670,019	71,599	4,605	737,013
Furniture and fixtures	73,049	17,641	6,068	84,622
Transportation equipment	308,222	12,263	-	320,485
Waste Water Treatment Plant	<u>1,717,221</u>	<u>860,612</u>	<u>-</u>	<u>2,577,833</u>
Total accumulated depreciation	<u>10,146,606</u>	<u>1,820,795</u>	<u>53,883</u>	<u>11,913,518</u>
Business-type activities capital assets, net	<u>\$30,420,339</u>	<u>\$2,250,979</u>	<u>\$ 19,956</u>	<u>\$32,651,362</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the City as follows:

Governmental activities:	
General government	\$ 149,813
Public safety	147,502
Highways and streets	1,174,842
Culture and recreation	1,299
Airport	38,998
Cemetery	<u>16,550</u>
Total depreciation expense	<u>\$ 1,529,004</u>
Business-type activities:	
Landfill	\$ 11,786
Sewer	1,600,944
Water department	<u>-</u>
Total depreciation expense	<u>\$ 1,612,730</u>

NOTE 5 - PAYMENTS TO KEN NELSON AUTO PLAZA

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The amount of ROT rebates paid during fiscal year ending April 30, 2006 was \$44,436.

NOTE 6 - LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the City as of April 30, 2006:

Assessed valuation - 2005	<u>\$153,137,896</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 13,208,144
Total debt:	
Central Business District Tax Increment Revenue Bonds	\$ 275,000
General Obligation Debt Certificates	7,282,000
General obligation debt:	
Water Revenue Bonds	184,000
Deduct bonds exempt from debt limitation computation:	
Central Business District Tax Increment Revenue Bonds	(275,000)
General Obligation Debt Certificates	(7,282,000)
Water Revenue Bonds	<u>(184,000)</u>
Legal debt margin	<u>\$ 13,208,144</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 7 - LONG-TERM DEBT

Transactions for the year ended April 30, 2006 are summarized as follows:

Governmental Activities

	<u>Balance</u> <u>May 1, 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>April 30, 2006</u>
Bonds payable	\$ 8,025,000	\$ -	\$468,000	\$ 7,557,000
Net pension obligation	<u>186,718</u>	<u>49,111</u>	<u>-</u>	<u>235,829</u>
Total governmental activities	<u>\$ 8,211,718</u>	<u>\$49,111</u>	<u>\$468,000</u>	<u>\$ 7,792,829</u>

Business-Type Activities

Notes payable	\$17,022,543	\$ -	\$833,612	\$16,188,931
Bonds payable	<u>207,000</u>	<u>-</u>	<u>23,000</u>	<u>184,000</u>
Total business-type activities	<u>\$17,229,543</u>	<u>\$ -</u>	<u>\$856,612</u>	<u>\$16,372,931</u>

Governmental Activities

On December 1, 2002, the City of Dixon issued Central Business District Tax Increment Revenue Refunding Bonds, Series 2002 of \$1,000,000 (par value) with various interest rates of 2.80% - 4.60%.

The Tax Increment Revenue Bonds issued by the City are not secured by the full faith and credit of the City, but only by the City's pledge of all utility tax revenues received. Utility tax revenue used to cover the debt service of this bond issue shall be replaced by the annual real estate tax increment revenues generated by the development.

The pledged revenues not needed to pay debt service will be accumulated in a reserve fund until an amount equal to the scheduled debt service for the subsequent 12 months has been accumulated. To the extent the pledged revenues are not needed to pay debt service or to maintain the reserve fund, the revenues can be used for any lawful purpose. As of April 30, 2006, there is \$-0- in the reserve fund.

On September 1, 2004, the City of Dixon issued General Obligation Debt Certificates, Series 2004 of \$7,500,000 (par value) with interest rate of 5%.

The General Obligation Debt Certificates issued by the City are secured by the full faith and credit of the City.

Governmental activities bonds payable at April 30, 2006, are comprised of the following individual issues:

Revenue Bonds:

\$1,000,000 – Central Business District Tax Increment various amounts due annually at various interest rates through December 1, 2007. Debt service requirements, including interest are as follows at April 30, 2006:

Year Ending
April 30,

	<u>Principal</u>	<u>Interest</u>
2007	\$260,000	\$ 11,610
2008	<u>15,000</u>	<u>690</u>
	<u>\$275,000</u>	<u>\$ 12,300</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (continued)

General Obligation Debt Certificates:

\$7,500,000 – 2004 General Obligation Bonds various amounts due annually at 5% interest through December 30, 2019. Debt service requirements are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 363,000	\$ 367,914
2008	382,000	349,574
2009	402,000	330,274
2010	424,000	309,963
2011	447,000	288,541
2012	470,000	265,957
2013	496,000	242,211
2014	522,000	217,151
2015	550,000	190,778
2016	580,000	162,989
2017	611,000	133,686
2018	643,000	102,816
2019	678,000	70,329
2020	<u>714,000</u>	<u>36,074</u>
	<u>\$ 7,282,000</u>	<u>\$ 3,068,257</u>

Net Pension Obligation

At April 30, 2006, the City had the following net pension obligation:

Firefighters' Pension	<u>\$ 235,829</u>
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Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2006 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.105%	\$ 282,577
River Street sanitary sewer replacement	2.815	274,822
Waste Water Treatment Plant expansion	2.535	15,631,532

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (continued)

Presented below is a summary of notes payable debt service requirements to maturity by year:

Business-type activities bonds payable outstanding at April 30, 2006 consisted of the following:

Year ending April 30	South side sewer trunk		River Street sewer replacement		Waste Water Treatment Plant expansion	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 26,106	\$ 8,324	\$ 25,614	\$ 7,557	\$ 803,352	\$ 391,200
2008	26,899	7,531	26,340	6,831	823,846	370,706
2009	27,716	6,714	27,086	6,085	844,863	349,689
2010	28,558	5,872	27,854	5,317	866,416	328,136
2011	29,425	5,005	28,644	4,527	888,519	306,033
2012	30,319	4,111	29,456	3,715	911,186	283,366
2013	31,240	3,190	30,291	2,880	934,431	260,121
2014	32,189	2,241	31,150	2,021	958,269	236,283
2015	33,167	1,263	32,033	1,138	982,715	211,837
2016	16,958	256	16,354	230	1,007,785	186,767
2017	-	-	-	-	1,033,494	161,058
2018	-	-	-	-	1,059,859	134,693
2019	-	-	-	-	1,086,897	107,655
2020	-	-	-	-	1,114,624	79,928
2021	-	-	-	-	1,143,059	51,493
2022	-	-	-	-	1,172,217	22,343
Total	<u>\$282,577</u>	<u>\$44,507</u>	<u>\$274,822</u>	<u>\$40,301</u>	<u>\$15,631,532</u>	<u>\$3,481,308</u>

The City of Dixon issued Water Revenue Bonds dated December 1, 2002, for the Water Department, due serially from December 1, 2003 to December 1, 2012. These bonds pay interest June 1 and December 1, at a fixed interest rate of 4.10%. Water Revenue Bonds are being paid with revenue from user fees. Water Revenue Bonds outstanding are recorded at the total amount due; interest payable on these bonds includes interest due on the next payment date, June 1, 2005. The following schedule discloses principal and interest requirements to maturity on all bonds.

Year Ending April 30	Principal	Interest	Total
2007	\$ 23,000	\$ 7,544	\$ 30,544
2008	24,000	6,601	30,601
2009	25,000	5,617	30,617
2010	26,000	4,592	30,592
2011	27,000	3,526	30,526
2012	29,000	2,419	31,419
2013	30,000	1,230	31,230
	<u>\$184,000</u>	<u>\$ 31,529</u>	<u>\$ 215,529</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 7 - LONG-TERM DEBT (CONTINUED)

EPA Loan Payable

The Water Department entered into a loan agreement on August 22, 2005, with the Environmental Protection Agency for improvements to the City of Dixon Public Water Supply facilities. The work includes the removal of two concrete water storage reservoirs and the construction of a new 1.25 million gallon storage reservoir along with a waterworks building. The projected budget for the construction is \$2,995,000 and the projected completion date is September 2006. As of the year ended April 30, 2006, the Water Department has received \$1,596,289 in loan proceeds and has accrued \$15,508 of interest which has been capitalized. The loan bears a 2.5% interest rate with a term of 20 years. Payments are to be made semi-annually with the first payment due March 1, 2007. The City of Dixon has issued an ordinance stating costs are to be paid from the loan proceeds and repayment of the loan by the City of Dixon is to be repaid from revenues of the system and sales tax revenues. The ordinance also states that the loan does not constitute indebtedness of the City of Dixon. The construction loan is recorded as a current liability until the project has been completed.

Restricted Cash and Investments

In accordance with the provisions of the Water Department's bond ordinances, special accounts have been established to receive and disburse funds for specific purposes such as construction, repair and maintenance and bond retirement. Departmental revenues are transferred to these accounts as specified in the ordinances after first being deposited in a common cash account. In addition, the Department requires a refundable deposit from consumers. The cash and investments from consumer deposits and special accounts established by bond ordinances are not available for operating expenses of the Department. The following schedule shows the detail on these accounts:

	<u>Time deposits in banks</u>
Bond account (Net of \$14,495 available for operations)	\$ 12,726
Depreciation account (Net of \$17,479 available for operations)	30,000
Consumer deposit account (Net of \$53,843 available for operations)	<u>308,793</u>
Total	<u>\$351,519</u>

NOTE 8 - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City has elected to provide certain health care benefits for retired employees until age 65. Substantially all of the government's employees may become eligible for those benefits if they reach normal retirement age while working for the government. Retiree participants electing those benefits are required to contribute \$286 monthly for single coverage and \$961 monthly for family coverage. The cost of retiree health care benefits is recognized under a retrospectively rated policy. For the fiscal year, the cost of the benefit for the 8 retiree participants was \$41,562.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 9 - LEASE AGREEMENT

On September 8, 1997, the City of Dixon, as lessee, approved a lease agreement with Lee County, Illinois, for the jail in the Law Enforcement Building. The lease term commenced March 1, 1997 and is for five years or until such time as the City or the County elects to terminate the lease upon one year prior written notice. Currently, the lease calls for monthly payments from the City in the amount of \$17,124.

The monthly rental payments are to be adjusted on March 1 of each year, so that the City will pay one-twelfth of one-half of certain common expenses incurred in connection with the Law Enforcement Building for the prior calendar year.

The lease also calls for the City to pay one-half of the above-mentioned common expenses incurred by the County during the prior calendar year, but only to the extent that such common expenses exceed the rental payments for the lease year.

NOTE 10 - LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

All departments of the City submit requests for appropriation to the City so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Prior to May 1, the budget is legally enacted through passage of an ordinance.

Any changes in the budget must be within the expenditure classifications of personal services, capital improvements, purchases of equipment, commodities and services, and supplies and materials or the budgeted expenditure classifications must be changed by an affirmative vote of a majority of the City Council.

Expenditures may not legally exceed appropriations at the fund level.

NOTE 11 - PENSION PLANS

The City has three pension plans covering eligible employees - Police Pension Plan, Firefighters' Pension Plan, and Illinois Municipal Retirement Fund. Each plan's assets may be only used for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Membership of each plan consisted of the following at April 30, 2006:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	24	22
Current employees	<u>26</u>	<u>17</u>
Total	<u>50</u>	<u>39</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Police Pension Plan

Plan description

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Firefighters' Pension Plan

Plan Description

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that provides retirement benefits as well as death and disability benefits. Although this is a single-employer pension plan, the defined benefits and employee contributions levels are governed by the Illinois Compiled Statutes (Chapter 40, Section 5, Article 4) and may be amended only by the Illinois legislature.

Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service and one-twelfth of 1% of such monthly service for each additional month over 30 years of service, to a maximum of 75% of such monthly salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Firefighters' Pension Plan (continued)

Contributions

Covered employees are required to contribute 8.455% of their salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts (not less than 17.500%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

Police and Firefighters' Pension

The amount shown as the "actuarial accrued liability" is a substitute for the standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

	Police and Firefighters' Pension		
Actuarial valuation date	April 30, 2005		
Significant actuarial assumptions:			
a) Rate of return on investment of present and future assets	7.00% compounded annually		
b) Projected salary increases - attributable to inflation	5.50% compounded annually		
c) Additional projected salary increases - attributable to seniority	Information not available		
d) Post-retirement benefit increases	3.00% simple interest annually		
	Police Pension	Firefighters' Pension	Totals
Actuarial valuation date	April 30, 2005	April 30, 2005	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 8,637,050	\$ 6,606,067	\$15,243,117
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>4,015,345</u>	<u>3,453,809</u>	<u>7,469,154</u>
Total actuarial accrued liability	12,652,395	10,059,876	22,712,271
Actuarial value of assets	<u>10,338,967</u>	<u>7,273,122</u>	<u>17,612,089</u>
Unfunded actuarial accrued liability	<u>\$ 2,313,428</u>	<u>\$ 2,786,754</u>	<u>\$ 5,100,182</u>

(Note) Allocation of current employees-accumulated contributions between vested and non-vested has not been determined at this time.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Police and Firefighters' Pension (continued)

Actuarially determined contribution requirements and contribution made

The Systems' funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The System used a level dollar amount method to amortize the unfunded liability over a 40 year period.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Actuarial valuation date	April 30, 2005	April 30, 2005	
Actuarially determined contribution requirement - employer as a dollar amount:			
Normal cost	\$174,843	\$175,721	\$350,564
Amortization of unfunded actuarial accrued liability	<u>100,243</u>	<u>120,753</u>	<u>220,996</u>
	<u>\$275,086</u>	<u>\$296,474</u>	<u>\$571,560</u>
As a percent of current covered payroll:			
Normal cost	14.64%	22.23%	36.87%
Amortization of unfunded actuarial accrued liability	<u>8.40</u>	<u>15.27</u>	<u>23.67</u>
	<u>23.04%</u>	<u>37.50%</u>	<u>60.54%</u>
Contribution made as a dollar amount:			
Employer	\$352,057	\$247,363	\$599,420
Employee	<u>129,342</u>	<u>72,408</u>	<u>201,750</u>
	<u>\$481,399</u>	<u>\$319,771</u>	<u>\$801,170</u>
As a percent of current covered payroll:			
Employer	29.47%	31.29%	
Employee	<u>10.83</u>	<u>9.16</u>	
	<u>40.30%</u>	<u>40.45%</u>	

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Police and Firefighters' Pension (continued)

Trend information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information may be found on page 40 of this statement.

	Police Pension	Firefighters' Pension
Actuarial valuation of assets available:		
As a percent of the actuarial accrued liability	<u>81.72%</u>	<u>72.30%</u>
Unfunded actuarial accrued liability:		
As a percent of annual covered payroll (expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes)	<u>193.67%</u>	<u>352.47%</u>

Police and Firefighter's Pension Plan Statements

STATEMENTS OF PLAN NET ASSETS

	Police Pension	Firefighters' Pension
ASSETS		
Cash	\$ 652,305	\$ 474,031
Investments, at fair value		
Mutual funds	<u>10,627,292</u>	<u>7,176,808</u>
TOTAL ASSETS	<u>11,279,597</u>	<u>7,650,839</u>
LIABILITIES		
Vouchers payable	<u>43,684</u>	<u>42,764</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$11,235,913</u>	<u>\$7,608,075</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Police and Firefighter's Pension Plan Statements (continued)

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	Police Pension	Firefighters' Pension
ADDITIONS		
Contributions		
Employer	\$ 352,057	\$ 247,363
Plan members	<u>129,342</u>	<u>72,408</u>
Total contributions	<u>481,399</u>	<u>319,771</u>
Investment income	<u>1,141,646</u>	<u>667,023</u>
Total additions	<u>1,623,045</u>	<u>986,794</u>
DEDUCTIONS		
Benefit payments	627,202	583,056
Management fees	91,440	61,790
Administrative and audit fee	5,500	5,500
Other	<u>1,957</u>	<u>1,496</u>
Total deductions	<u>726,099</u>	<u>651,842</u>
NET INCREASE	896,946	334,952
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>10,338,967</u>	<u>7,273,123</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$11,235,913</u>	<u>\$ 7,608,075</u>

Illinois Municipal Retirement Fund

Plan description

The City's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Funding Policy

Employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The member rate is established by state statutes. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 3.13% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on an open basis). The amortization period at December 31, 2005 was 27 years.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 11 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (continued)

Annual Pension Cost and Net Pension Obligation

For December 31, 2005, the City's annual pension cost of \$132,285 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2005 actuarial valuation were based on the 2002-2004 experience study.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2005	\$132,285	100%	\$ -
December 31, 2004	58,738	100	-
December 31, 2003	17,797	100	-

* Digest of Changes

Assumptions

The actuarial assumptions used to determine the actuarial accrued liability for 2005 are based on the 2002-2004 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early in their career.
- For regular members, fewer normal and early retirements are expected to occur.

NOTE 12 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all city employees, allows them to defer a part of their compensation until future years. The City is not required to make any contributions to the plan. The amounts deferred, and earnings thereon, are not available to employees until termination, retirement, death or unforeseeable emergency.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As of December 1, 1998, the City of Dixon includes the deferred compensation plan in the fiduciary funds and reports it as a private-purpose trust.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 13 - INTERFUND TRANSFERS/BALANCES

Interfund transfers during the year ended April 30, 2006, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Municipal Sales Tax Fund	\$ 937,324	\$ -
Capital Development Fund	-	300,000
Nonmajor Governmental	<u>600,000</u>	<u>10,000</u>
Total General Fund	<u>1,537,324</u>	<u>310,000</u>
Municipal Sales Tax Fund:		
General Fund	-	962,324
Capital Development Fund	-	1,600,000
Landfill Fund	-	300,000
Nonmajor Governmental	<u>-</u>	<u>191,341</u>
Total Municipal Sales Tax Fund	<u>-</u>	<u>3,053,665</u>
Capital Development Fund:		
General Fund	300,000	-
Municipal Sales Tax Fund	1,600,000	-
Landfill Fund	3,700,000	-
Nonmajor Governmental	<u>70,000</u>	<u>-</u>
Total Capital Development Fund	<u>5,670,000</u>	<u>-</u>
Landfill Fund:		
Capital Development Fund	-	3,700,000
General Fund	-	600,000
Municipal Sales Tax Fund	<u>300,000</u>	<u>-</u>
	<u>300,000</u>	<u>4,300,000</u>
Nonmajor Governmental	<u>226,341</u>	<u>70,000</u>
Total operating transfers	<u>\$7,733,665</u>	<u>\$7,733,665</u>

Transfers are used to (a) move unrestricted revenues collected in the funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and to (b) transfer a capital asset between two funds.

Interfund balances at April 30, 2006, consisted of the following:

Due from:	<u>General Fund</u>	<u>Capital Development Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Water Department</u>	<u>Total</u>
Due to:						
Sewer Fund	\$ -	\$ -	\$ -	\$ -	\$226,067	\$ 226,067
Landfill Fund	-	750,000	3,235,744	-	-	3,985,744
Other Governmental Funds	<u>631,945</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,631,945</u>
Total	<u>\$631,945</u>	<u>\$750,000</u>	<u>\$3,235,744</u>	<u>\$1,000,000</u>	<u>\$226,067</u>	<u>\$5,843,756</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 13 - INTERFUND TRANSFERS/BALANCES (CONTINUED)

Interfund loans existing at April 30, 2006, and their purpose were as follows:

The General Fund owed a private-purpose trust fund \$631,945 for money loaned to cover the cash flow of the General Fund.

The Water Department owed the Sewer Fund \$226,067 for revenues and fees collected on behalf of the Sewer Fund, but not yet remitted at April 30, 2006.

The Sewer Fund owed the Landfill Fund \$3,235,744 for various capital expenditures.

The Capital Development Fund owed the Landfill Fund \$750,000 for various capital expenditures.

NOTE 14 - DISBURSEMENTS IN EXCESS OF APPROPRIATIONS AND FUND DEFICITS

Excesses of expenditures over appropriations in individual funds – None.

Deficit fund balances or deficit retained earnings balances of individual funds – None.

NOTE 15 - SANITARY LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that a final cover be placed on a landfill when closed and certain maintenance performed and functions monitored at the landfill site for thirty years after closure. The landfill site remains open, and the City of Dixon, Illinois has leased the landfill site to Allied Waste Industries of Illinois, Inc., and Allied Waste Industries of Illinois, Inc., is responsible for the closure and post closure care costs.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City is insured for property, general liability, workers compensation, and other risks accounted for in the General Fund.

The City is also exposed to risks of loss relating to medical insurance claims of its employees. The City is insured under a retrospectively rated policy for these medical claims.

There were no losses in excess of insurance coverage for any of the prior three years.

NOTE 17 - CONSTRUCTION COMMITMENTS

As of April 30, 2006, the City had remaining obligations under construction contracts as follows:

	<u>Project amount authorized</u>	<u>Expended to date</u>	<u>Commitment</u>
Public Safety Building	\$7,427,982	\$4,933,633	\$2,494,349
Tollway Intersection Resurfacing	1,500,000	1,304,000	196,000
Peoria Avenue Bridge	1,300,190	259,290	1,040,900
Route 26 and South Galena Sewer Crossing	1,500,000	474,000	1,026,000
Public Water Supply Facilities	2,995,000	1,596,289	1,398,711

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2006

NOTE 18 - LEE COUNTY INDUSTRIAL DEVELOPMENT ASSOCIATION

The Water Department entered into an agreement with the Lee County Industrial Development Association (LCIDA) during July 1998. The agreement reflects payments to be received from LCIDA under Paragraph 5(b) of the Annexation Agreement for the development of water lines and water service to 53.39 acres south of the City of Dixon. During the fiscal year ended April 30, 2003, LCIDA sold the remaining acres and owes the Water Department \$59,613. The balance of this agreement is still unpaid at April 30, 2006.

NOTE 19 - WATER DEPARTMENT RESTATEMENT OF PRIOR YEAR

During the fiscal year ending April 30, 2005, net assets for engineering costs were incorrectly expensed in the amount of \$118,750. The costs should have been capitalized as part of removal of the two concrete water storage reservoirs and the construction of a new 1.25 million gallon storage reservoir along with a waterworks building. The financial information for the Water Department for April 30, 2005 has been adjusted to reflect this change.

This information should be read only in connection with
the accompanying accountant's report.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DIXON, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
 April 30, 2006

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b-a)/c}
<u>Police Pension Fund</u>						
4/30/03	\$ 8,911,370	\$ 10,785,263	\$ 1,873,893	82.63%	\$ 1,128,302	166.08%
4/30/04	9,840,435	12,092,431	2,251,996	81.38%	1,073,288	209.82%
4/30/05	10,338,967	12,652,395	2,313,428	81.72%	1,194,514	193.67%
<u>Firemen Pension Fund</u>						
4/30/03	\$ 6,608,699	\$ 9,142,910	\$ 2,534,211	72.28%	\$ 749,380	338.17%
4/30/04	7,140,306	9,376,605	2,236,299	76.22%	739,128	302.56%
4/30/05	7,273,122	10,059,876	2,786,754	72.30%	790,639	352.47%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability (AAL), and unfunded AAL (UAAL) in isolation can be misleading. Expressing the actuarial value of assets as a percentage of AAL provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in UAAL and covered payroll are both affected by inflation. Expressing the UAAL as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

<u>IMRF</u>						
12/31/03	\$ 6,970,891	\$ 6,263,987	\$ (706,904)	111.29%	\$ 1,853,891	0.00%
12/31/04	6,865,356	6,515,879	(349,477)	105.36%	1,876,602	0.00%
12/31/05	7,080,206	6,721,120	(359,086)	105.34%	1,965,603	0.00%

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 1,335,422	\$ 1,335,422	\$ 1,641,068	\$ 305,646
Foreign fire insurance tax	17,379	17,379	15,886	(1,493)
Intergovernmental revenue:				
Personal property replacement tax	-	-	617,083	617,083
Income tax and surcharge	895,000	895,000	1,098,932	203,932
Utility tax	700,000	700,000	752,267	52,267
Telecom tax	-	-	106,615	106,615
Motel tax	46,150	46,150	60,250	14,100
Riverfront grant	-	-	82,951	82,951
Miscellaneous grants	-	-	1,465	1,465
	<u>1,641,150</u>	<u>1,641,150</u>	<u>2,719,563</u>	<u>1,078,413</u>
Licenses, permits, and other fees	97,970	97,970	222,772	124,802
Fines and penalties	375,000	375,000	171,339	(203,661)
Revenue from use of money and property	-	-	24,329	24,329
Other	<u>311,800</u>	<u>311,800</u>	<u>105,012</u>	<u>(206,788)</u>
Total cash receipts	<u>\$ 3,778,721</u>	<u>\$ 3,778,721</u>	4,899,969	<u>\$ 1,121,248</u>
(Deduct) beginning accrued revenues				
add beginning deferred revenues			(352,619)	
Add ending accrued revenues				
(deduct) deferred revenues			<u>412,966</u>	
Total revenues			<u>4,960,316</u>	
EXPENDITURES				
DEPARTMENT OF PUBLIC AFFAIRS				
Salaries	\$ 84,600	\$ 84,600	\$ 19,200	\$ 65,400
Supplies and services	275,000	275,000	155,005	119,995
Professional services and fees	265,000	265,000	97,146	167,854
Insurance	5,000	5,000	100	4,900
Public relations	15,000	15,000	7,431	7,569
Main Street	15,000	15,000	15,000	-
Travel expense	5,000	5,000	3,692	1,308
Dues and subscriptions	4,000	4,000	2,935	1,065
Leadership Council	2,000	2,000	-	2,000
Tourism Council	75,000	75,000	52,215	22,785
Plan commission	10,000	10,000	65	9,935
Electrical commission	1,000	1,000	-	1,000
Human Rights Board	1,000	1,000	-	1,000
TIF District	25,000	25,000	-	25,000
Historic Preservation	5,000	5,000	-	5,000

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
DEPARTMENT OF PUBLIC AFFAIRS CONTINUED				
Enterprise Zone	27,000	27,000	27,000	-
Katherine Shaw Bethea Hospital	500	500	500	-
Fire and police commission	15,000	15,000	1,799	13,201
Zoning Board of Appeals	5,000	5,000	-	5,000
Miscellaneous	25,000	25,000	2,293	22,707
Condemnation Board	20,000	20,000	-	20,000
Riverfront	125,000	125,000	139,299	(14,299)
	<u>1,005,100</u>	<u>1,005,100</u>	<u>523,680</u>	<u>481,420</u>
DEPARTMENT OF ACCOUNTS AND FINANCE				
Salaries	172,180	172,180	147,207	24,973
Maintenance	20,000	20,000	7,762	12,238
Supplies and services	62,000	62,000	19,310	42,690
Professional services and fees	187,000	187,000	162,381	24,619
Notices and publications	4,250	4,250	-	4,250
Insurance	650,000	650,000	193,144	456,856
New property and equipment	75,000	75,000	-	75,000
Miscellaneous	5,000	5,000	1,849	3,151
Travel expense	5,000	5,000	917	4,083
Dues and subscriptions	5,000	5,000	1,643	3,357
	<u>1,185,430</u>	<u>1,185,430</u>	<u>534,213</u>	<u>651,217</u>
DEPARTMENT OF POLICE PROTECTION				
Salaries	1,650,200	1,650,200	1,553,212	96,988
Maintenance	170,000	170,000	90,750	79,250
Supplies and services	300,000	300,000	109,895	190,105
Professional services and fees	17,000	17,000	1,675	15,325
Insurance	27,500	252,500	179,981	72,519
New property and equipment	455,000	455,000	72,818	382,182
Police training	25,000	25,000	13,129	11,871
Miscellaneous	5,000	5,000	1,119	3,881
Travel expense	25,000	25,000	9,724	15,276
Dues and subscriptions	5,000	5,000	2,663	2,337
Medicare expense	75,000	75,000	17,249	57,751
Feeding prisoners	5,000	5,000	-	5,000
Investigations	15,000	15,000	6,735	8,265
K-9 training	5,000	5,000	250	4,750
K-9 handler	1,000	1,000	400	600
K-9 miscellaneous	5,000	5,000	1,666	3,334
No sickness policy	50,000	50,000	3,100	46,900
Federal Grant Matching Funds-Tobacco Grant	30,000	30,000	1,304	28,696
Education Bonus	10,000	10,000	5,000	5,000
Lee County rent	220,000	220,000	196,509	23,491
	<u>3,095,700</u>	<u>3,320,700</u>	<u>2,267,179</u>	<u>1,053,521</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
DEPARTMENT OF FIRE PROTECTION				
Salaries	989,200	989,200	905,717	83,483
Maintenance	68,500	68,500	13,987	54,513
Supplies and services	103,000	103,000	26,993	76,007
Insurance	175,000	175,000	150,203	24,797
New property and equipment	296,000	396,000	148,617	247,383
Fire training	50,000	50,000	18,642	31,358
Miscellaneous	20,000	20,000	6,971	13,029
Dues and subscriptions	5,000	5,000	1,676	3,324
Travel expenses	5,000	5,000	2,355	2,645
No sickness	4,000	4,000	2,000	2,000
Medicare expense	60,000	60,000	11,724	48,276
	<u>1,775,700</u>	<u>1,875,700</u>	<u>1,288,885</u>	<u>586,815</u>
DEPARTMENT OF STREETS AND IMPROVEMENTS				
Salaries	530,700	530,700	357,501	173,199
Maintenance	569,000	569,000	159,646	409,354
Supplies and services	160,000	160,000	52,176	107,824
Insurance	146,500	146,500	51,127	95,373
New property and equipment	285,000	285,000	47,412	237,588
Safety and training	1,000	1,000	50	950
Alcohol/drug testing	-	-	3,861	(3,861)
Travel expense	2,000	2,000	1,501	499
Dues and subscriptions	1,500	1,500	1,004	496
Miscellaneous	2,500	2,500	-	2,500
Meal allowance	5,000	5,000	400	4,600
	<u>1,703,200</u>	<u>1,703,200</u>	<u>674,678</u>	<u>1,028,522</u>
DEPARTMENT OF BUILDING AND ZONING				
Salaries	145,450	145,450	118,163	27,287
Maintenance	12,000	12,000	1,358	10,642
Supplies and services	42,000	42,000	4,993	37,007
Insurance	30,000	30,000	18,542	11,458
New property and equipment	45,000	45,000	-	45,000
Training	10,000	10,000	910	9,090
Miscellaneous	5,000	5,000	45	4,955
Travel expense	5,000	5,000	686	4,314
Dues and subscriptions	1,000	1,000	255	745
	<u>295,450</u>	<u>295,450</u>	<u>144,952</u>	<u>150,498</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
DEPARTMENT OF PUBLIC PROPERTY				
Salaries	42,700	42,700	26,039	16,661
Maintenance	400,000	400,000	40,938	359,062
Supplies and services	37,000	37,000	1,401	35,599
New property and equipment	115,000	115,000	-	115,000
Engineering	100,000	100,000	196	99,804
Bond Insurance	2,500	2,500	-	2,500
Holiday decorations	1,000	1,000	-	1,000
Flood control	50,000	50,000	-	50,000
Real estate taxes	10,000	10,000	104	9,896
Miscellaneous	10,000	10,000	2,377	7,623
	<u>768,200</u>	<u>768,200</u>	<u>71,055</u>	<u>697,145</u>
DEPARTMENT OF TRAFFIC MAINTENANCE				
Salaries	66,300	66,300	49,834	16,466
Maintenance	67,500	67,500	15,039	52,461
Supplies and service	9,500	9,500	1,153	8,347
Insurance	10,000	10,000	6,180	3,820
New property and equipment	115,000	115,000	-	115,000
Training expense	1,000	1,000	-	1,000
Miscellaneous	5,000	5,000	120	4,880
	<u>274,300</u>	<u>274,300</u>	<u>72,326</u>	<u>201,974</u>
DEPARTMENT OF PUBLIC WORKS				
Salaries	128,000	128,000	97,795	30,205
Maintenance	15,000	15,000	8,883	6,117
Supplies and service	32,500	32,500	4,170	28,330
Professional services and fees	65,000	65,000	-	65,000
Insurance	11,000	11,000	6,180	4,820
New property and equipment	15,000	15,000	-	15,000
Dues and subscriptions	5,000	5,000	-	5,000
Travel expense	5,000	5,000	-	5,000
License renewals	5,000	5,000	-	5,000
Conferences	10,000	10,000	-	10,000
Miscellaneous	5,000	5,000	3,050	1,950
	<u>296,500</u>	<u>296,500</u>	<u>120,078</u>	<u>176,422</u>
PAYMENTS TO PENSIONS				
Firefighters' Pension Fund	-	-	247,363	(247,363)
Police Pension Fund	-	-	352,057	(352,057)
	<u>-</u>	<u>-</u>	<u>599,420</u>	<u>(599,420)</u>
Total cash disbursements	<u>\$ 10,399,580</u>	<u>\$ 10,724,580</u>	6,296,466	<u>\$ 4,428,114</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	Appropriation		Actual	Variance Positive (Negative)
	Original	Final		
(Deduct) beginning accrued expenditures, add beginning prepaid expenditures			(536,236)	
Add ending accrued expenditures, (deduct) ending prepaid expenditures			407,300	
Total expenditures			6,167,530	
Deficiency of revenues over expenditures			(1,207,214)	
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 7,100,000	\$ 7,100,000	1,537,324	\$ (5,562,676)
Operating transfers out	(5,650,000)	(5,650,000)	(310,000)	5,340,000
	\$ 1,450,000	\$ 1,450,000	1,227,324	\$ (222,676)
Deficiency of revenues and other financing sources over expenditures and other financing uses			20,110	
FUND BALANCE, BEGINNING OF YEAR			349,620	
FUND BALANCE, END OF YEAR			\$ 369,730	

CITY OF DIXON, ILLINOIS
MUNICIPAL SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2006

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 2,218,300	\$ 2,218,300	\$ 2,175,967	\$ (42,333)
NHR tax	-	-	355,866	355,866
Revenue from use of money and property	<u>15,000</u>	<u>15,000</u>	<u>23,365</u>	<u>8,365</u>
 Total cash receipts	 <u>\$ 2,233,300</u>	 <u>\$ 2,233,300</u>	 2,555,198	 <u>\$ 321,898</u>
 (Deduct) beginning accrued revenues			 (282,467)	
Add ending accrued revenues			<u>446,092</u>	
 Total revenues			 <u>2,718,823</u>	
 EXPENDITURES				
Payments to Ken Nelson Auto Plaza	<u>\$ 250,000</u>	<u>\$ 250,000</u>	42,910	<u>\$ 207,090</u>
 (Deduct) beginning accrued expenditures			 (10,876)	
Add ending accrued expenditures			<u>12,402</u>	
 Total expenditures			 <u>44,436</u>	
 Excess of revenues over expenditures			 2,674,387	
 OTHER FINANCING USES				
Operating transfers out	<u>\$ (11,200,000)</u>	<u>\$ (11,200,000)</u>	<u>(3,053,665)</u>	<u>\$ 8,146,335</u>
 Deficiency of revenues over expenditures and other financing uses			 (379,278)	
 FUND BALANCE, BEGINNING OF YEAR			 <u>1,622,480</u>	
 FUND BALANCE, END OF YEAR			 <u>\$ 1,243,202</u>	

CITY OF DIXON, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2006

NOTE 1 - BASIS OF ACCOUNTING

Annual budgets are adopted for all governmental funds using the cash basis of accounting, which is a different basis of accounting other than generally accepted in the United States of America, but is allowed under Illinois Compiled Statutes for Cities.

NOTE 2 - EXCESS OF DISBURSEMENTS OVER APPROPRIATIONS

No major funds had an excess of disbursements over appropriations.

NOTE 3 - NOTE TO SCHEDULE OF FUNDING PROGRESS

The required contribution was determined as part of the actuarial valuation method using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increase of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15.00% corridor.

SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET
April 30, 2006

	Special Revenue											Debt Service					
	General Government				Highways and Streets			Culture and Recreation			Cemetery		Welfare		Public Safety		
	Downtown Redevelopment Project	Social Security	Illinois Municipal Retirement	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Oakwood Cemetery	Civil Defense	Emergency Vehicle		Public Safety				
ASSETS																	
Cash and cash equivalents	\$ 3,612	\$ 1,788	\$ 1,930,289	\$ 66,667	\$ 89,483	\$ 120,235	\$ 181,164	\$ 116,908	\$ 1,788	\$ 27,075	\$ 484,410	\$ 16	\$ 4,121,496				
Investments	-	-	-	-	130,958	-	88,224	-	-	-	-	-	219,182				
Receivables:																	
General property taxes	-	70,251	383,212	-	-	-	239,050	56,173	35,196	13,656	-	-	1,387,500				
Motor fuel tax allotments	-	-	-	-	36,528	-	-	-	-	-	-	-	56,528				
Accounts, less allowance for estimated uncollectibles	-	-	-	-	-	265	-	-	29,919	-	107,196	-	137,380				
Notes receivable	-	66,463	-	-	-	-	-	-	-	-	-	-	66,463				
Prepaid insurance	-	-	-	-	-	7,237	6,265	736	3,429	-	-	-	17,667				
Due from other funds	-	-	400,000	631,945	-	-	-	-	-	-	-	-	1,631,945				
TOTAL ASSETS	\$ 3,612	\$ 72,039	\$ 2,713,501	\$ 698,612	\$ 256,969	\$ 127,737	\$ 514,703	\$ 173,817	\$ 70,332	\$ 40,731	\$ 591,606	\$ 16	\$ 7,618,161				
LIABILITIES																	
Vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,113	\$ 2,977	\$ -	\$ 3,192	\$ -	\$ 1,876	\$ -	\$ 15,158				
Accrued liabilities:																	
Payroll	-	-	-	-	-	1,853	6,336	-	5,923	-	-	-	14,112				
Deferred property tax revenue	-	70,251	383,212	-	-	-	239,050	56,173	35,196	13,656	-	-	1,387,500				
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total liabilities	-	70,251	383,212	-	-	8,966	248,363	56,173	44,311	13,656	1,876	-	1,416,770				
FUND BALANCES																	
Reserved for prepaid insurance	-	-	-	-	-	7,237	6,265	736	3,429	-	-	-	17,667				
Unreserved	3,612	1,788	2,330,289	698,612	256,969	111,534	260,075	116,908	22,592	27,075	589,730	16	6,183,724				
Total fund balances	3,612	1,788	2,330,289	698,612	256,969	118,771	266,340	117,644	26,021	27,075	589,730	16	6,201,391				
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,612	\$ 72,039	\$ 1,954,849	\$ 698,612	\$ 256,969	\$ 127,737	\$ 514,703	\$ 173,817	\$ 70,332	\$ 40,731	\$ 591,606	\$ 16	\$ 7,618,161				

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2006

	Special Revenue													Debt Service	
	General Government				Highways and Streets			Airport			Culture and Recreation			Public	
	Downtown	Illinois Municipal Retirement	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Oakwood Cemetery	Civil Defense	Welfare	Emergency Vehicle	Safety	Debt Service	Total	
REVENUES															
General property taxes	\$ 66,151	\$ 237,126	\$ 301,519	\$ 360,659	\$ -	\$ 224,915	\$ 52,922	\$ 33,075	\$ 12,834	\$ -	\$ -	\$ -	\$ -	\$ 1,289,201	
Personal property replacement tax	-	-	-	-	-	48,953	-	-	-	-	-	-	-	48,953	
Motor fuel tax allotments	-	-	-	467,558	-	-	-	-	-	-	-	-	-	467,558	
User fees	-	-	-	-	-	19,499	-	-	-	271,225	-	-	-	290,724	
Cemetery lot sales and services	-	-	-	-	-	-	-	70,688	-	-	-	-	-	70,688	
Revenue from use of money and property	53	1,683	4,383	42,230	335	6,875	3,637	6,840	463	11,102	1	-	-	174,867	
Miscellaneous	-	-	-	-	-	6,925	-	200	-	-	-	-	-	15,815	
State of Illinois Grant	-	-	-	-	-	19,631	-	-	-	-	-	-	-	19,631	
Total revenues	53	67,834	241,509	402,889	335	326,798	56,559	110,803	13,297	282,327	1	-	-	2,377,437	
EXPENDITURES															
Salaries	-	-	-	-	-	184,192	37,739	169,566	3,081	60,397	-	-	-	506,734	
Maintenance	-	-	-	-	-	11,509	-	14,507	2,750	6,006	-	-	-	50,085	
Supplies, services and professional services	-	-	15,218	-	-	50,460	1,387	15,922	-	4,003	-	-	-	106,383	
Insurance	-	-	-	-	-	38,323	1,225	28,680	-	-	-	-	-	85,397	
New property and equipment	-	-	-	-	-	-	-	318	-	-	-	-	-	147,269	
Debt payments:															
Principal	-	-	250,000	-	-	-	-	-	-	-	-	-	-	250,000	
Interest	-	-	21,110	-	-	-	-	-	-	-	-	-	-	21,110	
Miscellaneous	9	-	-	-	-	402	592	2,289	1,461	89,429	-	-	-	94,203	
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	1,183	
Payments to pensions	-	-	-	139,008	-	-	-	-	-	-	-	-	-	139,008	
Payments to Social Security System	-	-	-	2,000	-	-	-	-	-	-	-	-	-	162,773	
Administrative fee	-	-	-	2,000	-	-	-	-	-	-	-	-	-	4,000	
Total expenditures	9	-	286,328	141,008	-	284,886	40,943	231,282	7,292	159,835	-	-	-	1,568,145	
Excess (deficiency) of revenues over expenditures	44	67,834	(44,819)	261,881	335	41,912	15,616	(120,479)	6,005	122,492	1	-	-	809,292	

(continued)

NUNIAJUK FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 Year Ended April 30, 2006

	Special Revenue											Debt Service						
	General Government				Highways and Streets			Culture and Recreation				Cemetery	Welfare	Public Safety	Emergency Vehicle	Debt Service	Total	
	Downtown	Illinois Municipal Retirement	Social Security	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Oakwood Cemetery	Civil Defense								
Garbage	3,568		1,464,790	698,277	(118,320)	109,226	224,428	102,028	16,159	21,070	467,238	15						
Public Benefit	3,954	174,917	1,464,790	698,277	(118,320)	109,226	224,428	102,028	16,159	21,070	467,238	15						
Redevelopment Project	(70,000)																	
Operating transfers in						96,000												
Operating transfers out																		
OTHER FINANCING SOURCES (USES)																		
Operating transfers in						96,000												
Operating transfers out																		
Total other financing sources (uses)						96,000												
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	44	(2,166)	169,636	335	375,289	9,545	41,912	15,616	9,862	6,005	122,492	1						
FUND BALANCE, BEGINNING OF YEAR																		
	3,612	\$ 1,788	\$ 1,634,426	\$ 698,612	\$ 256,969	\$ 118,771	\$ 266,340	\$ 117,644	\$ 26,021	\$ 27,075	\$ 589,730	\$ 16						
FUND BALANCE (DEFICIT), END OF YEAR																		

COMBINING BALANCE SHEET

April 30, 2006

	Private Purpose Trust					Agency Fund
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Memorial Arch Preservation	Total	
ASSETS						
Cash and cash equivalents	\$ 454,387	\$ -	\$ 15,227	\$ 669	\$ 470,283	\$ 4,129
Investments	-	2,198,584	18,064	-	2,216,648	-
Receivables:						
Accounts, net of allowance for estimated uncollectibles	13,468	-	-	-	13,468	-
Due from other funds:						
General	-	-	-	-	-	-
TOTAL ASSETS	\$ 467,855	\$ 2,198,584	\$ 33,291	\$ 669	\$ 2,700,399	\$ 4,129
LIABILITIES						
Performance deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,129
Total liabilities	-	-	-	-	-	4,129
FUND BALANCES/NET ASSETS						
Reserved for perpetual endowment	467,855	-	-	-	467,855	-
Reserved for deferred compensation	-	2,198,584	-	-	2,198,584	-
Unreserved	-	-	33,291	669	33,960	-
Total fund balances/net assets	467,855	2,198,584	33,291	669	2,700,399	-
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 467,855	\$ 2,198,584	\$ 33,291	\$ 669	\$ 2,700,399	\$ 4,129

CITY OF DIXON, ILLINOIS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2006

	<u>Private Purpose Trusts</u>				<u>Total</u>
	<u>Cemetery Endowment</u>	<u>Deferred Compensation</u>	<u>Petunia Endowment</u>	<u>Dixon Memorial Arch Preservation</u>	
ADDITIONS					
Contributions	\$ 12,827	\$ 114,032	\$ -	\$ -	\$ 126,859
Revenue from use of money and property	<u>2,533</u>	<u>263,863</u>	<u>993</u>	<u>1</u>	<u>267,390</u>
Total revenues	<u>15,360</u>	<u>377,895</u>	<u>993</u>	<u>1</u>	<u>394,249</u>
DEDUCTIONS					
Withdrawals	-	217,048	-	-	217,048
Administrative	<u>-</u>	<u>12,672</u>	<u>5,062</u>	<u>-</u>	<u>17,734</u>
Total expenditures	<u>-</u>	<u>229,720</u>	<u>5,062</u>	<u>-</u>	<u>234,782</u>
Net (decrease) increase	<u>15,360</u>	<u>148,175</u>	<u>(4,069)</u>	<u>1</u>	<u>159,467</u>
NET ASSETS BEGINNING OF YEAR	<u>452,495</u>	<u>2,050,409</u>	<u>37,360</u>	<u>668</u>	<u>2,540,932</u>
NET ASSETS END OF YEAR	<u>\$ 467,855</u>	<u>\$ 2,198,584</u>	<u>\$ 33,291</u>	<u>\$ 669</u>	<u>\$ 2,700,399</u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
April 30, 2006

	<u>Pension Trust Funds</u>		
	<u>Firefighters'</u> <u>Pension</u>	<u>Police</u> <u>Pension</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 474,031</u>	<u>\$ 652,305</u>	<u>\$ 1,126,336</u>
Investments, at fair value			
Mutual funds	<u>7,176,808</u>	<u>10,627,292</u>	<u>17,804,100</u>
TOTAL ASSETS	<u>7,650,839</u>	<u>11,279,597</u>	<u>18,930,436</u>
LIABILITIES			
Vouchers payable	<u>42,764</u>	<u>43,684</u>	<u>86,448</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 7,608,075</u>	<u>\$ 11,235,913</u>	<u>\$ 18,843,988</u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2006

	<u>Pension Trust Funds</u>		
	<u>Firefighters'</u> <u>Pension</u>	<u>Police</u> <u>Pension</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 247,363	\$ 352,057	\$ 599,420
Plan members	72,408	129,342	201,750
Total contributions	<u>319,771</u>	<u>481,399</u>	<u>801,170</u>
Investment Income	<u>667,023</u>	<u>1,141,646</u>	<u>1,808,669</u>
Total additions	<u>986,794</u>	<u>1,623,045</u>	<u>2,609,839</u>
DEDUCTIONS			
Benefit payments	583,056	627,202	1,210,258
Management fees	61,790	91,440	153,230
Administrative and audit fee	5,500	5,500	11,000
Other	1,496	1,957	3,453
Total deductions	<u>651,842</u>	<u>726,099</u>	<u>1,377,941</u>
NET INCREASE	334,952	896,946	1,231,898
NET ASSETS HELD IN TRUST FOR			
PENSION BENEFITS, BEGINNING OF YEAR	<u>7,273,123</u>	<u>10,338,967</u>	<u>17,612,090</u>
NET ASSETS HELD IN TRUST FOR			
PENSION BENEFITS, END OF YEAR	<u>\$ 7,608,075</u>	<u>\$ 11,235,913</u>	<u>\$ 18,843,988</u>

SCHEDULE OF ASSESSED VALUATIONS, KAIROS, REAL ESTATE TAXES
April 30, 2006

Fund	2004				2003				2002			
	Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections
Corporate	\$144,114,282	.2564	\$ 369,509	\$ 360,405	\$145,241,904	.2564	\$ 372,400	\$ 340,377	\$ 138,913,140	.2564	\$ 356,173	\$ 330,057
Police Protection	144,114,282	.1500	216,171	210,893	145,241,904	.1500	217,863	199,126	138,913,140	.1491	207,119	191,935
Fire Protection	82,807,952	.1500	124,212	123,768	86,276,994	.1500	129,415	124,663	85,676,924	.1484	127,145	121,423
Audit	144,114,282	.0299	43,090	42,094	145,241,904	.0290	42,120	38,497	138,913,140	.0300	41,674	38,618
Road and Bridge	144,114,282	-	-	70,439	145,241,904	-	-	77,275	138,913,140	-	-	76,467
Street and Bridge	144,114,282	-	-	-	145,241,904	-	-	-	138,913,140	-	-	-
Public Benefit	144,114,282	.0500	72,057	70,251	145,241,904	.0500	72,621	66,375	138,913,140	.0497	69,040	63,979
Band	144,114,282	.0400	57,646	56,173	145,241,904	.0400	58,097	53,099	138,913,140	.0398	55,287	51,234
Library	144,114,282	.1500	216,171	210,893	145,241,904	.1500	217,863	199,126	138,913,140	.1491	207,119	191,935
Cemetery	144,114,282	.0250	36,029	35,196	145,241,904	.0250	36,310	33,189	138,913,140	.0249	34,589	32,052
Fire Pension	82,807,952	.3116	258,030	260,737	86,276,994	.2841	245,113	235,824	85,676,924	.2735	234,326	223,782
Police Pension	144,114,282	.2661	383,488	374,061	145,241,904	.2460	357,295	326,566	138,913,140	.1827	253,794	235,188
IMRF	144,114,282	.2726	392,856	383,212	145,241,904	.2520	366,010	334,531	138,913,140	.2285	317,417	294,144
Civil Defense	144,114,282	.0097	13,979	13,656	145,241,904	.0090	13,072	11,947	138,913,140	.0082	11,391	10,556
Claim and Judgment Tax	144,114,282	.2034	293,128	285,931	145,241,904	.1867	271,167	247,844	138,913,140	.2996	416,184	385,672
Library Maintenance	144,114,282	.0200	28,823	28,157	145,241,904	.0200	29,048	26,550	138,913,140	.0200	27,783	25,745
Social Security	144,114,282	.2279	328,436	320,423	145,241,904	.2107	306,025	279,704	138,913,140	.1910	265,324	245,872
TIF District	5,529,901	-	259,056	269,539	5,369,479	-	236,807	236,500	5,245,315	-	224,052	223,488
			<u>\$ 3,092,681</u>	<u>\$ 3,115,828</u>			<u>\$ 2,971,226</u>	<u>\$ 2,831,193</u>			<u>\$ 2,848,417</u>	<u>\$ 2,742,147</u>

Note- Collections may exceed extensions on the tax rates because mobile home tax, which is not based upon assessed valuations as above computed, was collected and is included in the "collections" amounts.

CITY OF DIXON, ILLINOIS
INSURANCE COVERAGE AND STATISTICS
April 30, 2006

<u>Amount of Coverage</u>	<u>Risk Covered</u>	<u>Insurer</u>	<u>Expiration Date</u>
Replacement cost (up to \$8 million)	Blanket coverage - buildings and equipment	Illinois Risk Management Association	12/31/06
\$50,000 per occurrence	Crime	Illinois Risk Management Association	12/31/06
Statutory	Worker's compensation	Illinois Risk Management Association	12/31/06
\$250 million	Employer's liability	Illinois Risk Management Association	12/31/06
\$30 million	Auto liability including trucks and tractors	Illinois Risk Management Association	12/31/06
\$5 million	Flood and earthquake	Illinois Risk Management Association	12/31/06
\$8 million	Comprehensive general liability	Illinois Risk Management Association	12/31/06
\$50,000	Valuable papers and records	Illinois Risk Management Association	12/31/06
Replacement cost (up to \$17,000,000)	Boiler and machinery	Hartford	04/30/07
\$15,000	Blanket bond	Western Surety Company	08/25/06

The following statistics as of April 30, 2006, were furnished by the Water Department:

Number of metered customers	5,521
Number of unmetered customers for fire protection only	65
Number of hydrants	868
Gallons of water through master meters	840,409,600
Gallons of water billed through meters	792,015,000
Percent billed through meters	94%