



CITY OF DIXON, ILLINOIS
Dixon, Illinois
BASIC FINANCIAL STATEMENTS
April 30, 2007

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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, 2007 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 41 and budgetary comparison information on pages 42 through 49, 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
June 1, 2007

CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,305,503	\$ 4,821,921	\$ 7,127,424
Investments	2,839,407	187,002	3,026,409
Restricted cash	-	166,608	166,608
Restricted investments	-	222,359	222,359
General property taxes receivable	3,326,349	-	3,326,349
Due from State of Illinois	799,048	-	799,048
Motor fuel tax receivable	37,877	-	37,877
Accounts receivable	198,990	715,290	914,280
Other receivable	152,613	720	153,333
Notes receivable	67,528	-	67,528
Due from external parties	960,000	-	960,000
Inventory	23,331	153,326	176,657
Prepaid insurance	140,855	31,151	172,006
Land and improvements	2,076,381	-	2,076,381
Construction in progress	99,037	3,605,904	3,704,941
Other capital assets, net of depreciation	32,672,323	29,184,315	61,856,638
TOTAL ASSETS	45,699,242	39,088,596	84,787,838
LIABILITIES			
Voucher payable	298,718	265,228	563,946
Accrued payroll and taxes	323,311	17,117	340,428
Accrued interest	115,317	208,880	324,197
Deferred license income	33,182	-	33,182
Deferred property tax revenue	3,326,349	-	3,326,349
Consumer deposits	-	331,549	331,549
Due to external parties	-	960,000	960,000
Long-term liabilities:			
Due within one year	678,285	901,085	1,579,370
Due in more than one year	6,537,000	17,589,024	24,126,024
Total liabilities	11,312,162	20,272,883	31,585,045
NET ASSETS			
Invested in capital assets, net of related debt	27,632,456	13,850,456	41,482,912
Restricted for:			
Special revenue	8,207,433	-	8,207,433
Debt service	15,605	-	15,605
Capital projects	(958,985)	-	(958,985)
Enterprise funds	-	388,967	388,967
Unrestricted	(509,429)	4,576,290	4,066,861
TOTAL NET ASSETS	\$ 34,387,080	\$ 18,815,713	\$ 53,202,793

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, 2007

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	\$ 2,588,625	\$ 283,344	\$ 10,917	\$ -	\$ (2,294,364)	\$ -	\$ (2,294,364)
Public safety	4,110,459	508,628	-	-	(3,601,831)	-	(3,601,831)
Public works	124,239	-	-	-	(124,239)	-	(124,239)
Highways and streets	2,053,691	-	-	-	(2,053,691)	-	(2,053,691)
Traffic development	82,189	-	-	-	(82,189)	-	(82,189)
Welfare	7,993	-	-	-	(7,993)	-	(7,993)
Culture and recreation	364,887	20,903	19,504	-	(324,480)	-	(324,480)
Airport	73,797	-	-	-	(73,797)	-	(73,797)
Cemetery	268,326	61,282	-	-	(207,044)	-	(207,044)
Interest on long-term debt	93,559	-	-	-	(93,559)	-	(93,559)
Total governmental activities	<u>9,767,765</u>	<u>874,157</u>	<u>30,421</u>	<u>-</u>	<u>(8,863,187)</u>	<u>-</u>	<u>(8,863,187)</u>
Business-type activities:							
Landfill	29,932	1,543,404	-	-	-	1,513,472	1,513,472
Sewer	2,922,619	2,162,977	-	-	-	(759,642)	(759,642)
Water Department	1,563,350	1,504,342	-	-	-	(59,008)	(59,008)
Total business-type activities	<u>4,515,901</u>	<u>5,210,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,822</u>	<u>694,822</u>
Total primary government	<u>\$ 14,283,666</u>	<u>\$ 6,084,880</u>	<u>\$ 30,421</u>	<u>\$ -</u>	<u>(8,863,187)</u>	<u>694,822</u>	<u>(8,168,365)</u>
General revenues:							
Property taxes					3,121,534	-	3,121,534
Sales tax					3,044,384	-	3,044,384
Personal property replacement tax					769,994	-	769,994
Income tax and surcharge					1,354,572	-	1,354,572
Foreign fire insurance tax					15,757	-	15,757
Motel tax					58,638	-	58,638
Utility tax					668,773	-	668,773
Telecom tax					95,950	-	95,950
Motor fuel tax allotments					470,295	-	470,295
Interest					392,747	184,352	577,099
Other					227,632	171,079	398,711
Transfers - internal activity					1,597,000	(1,597,000)	-
Total general revenues and transfers					<u>11,817,276</u>	<u>(1,241,569)</u>	<u>10,575,707</u>
Change in net assets					2,954,089	(546,747)	2,407,342
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					<u>31,432,991</u>	<u>19,362,460</u>	<u>50,795,451</u>
NET ASSETS, END OF YEAR					<u>\$ 34,387,080</u>	<u>\$ 18,815,713</u>	<u>\$53,202,793</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, 2007

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 450,928	\$ 59,744	\$ 228,367	\$ 265,326	\$ 1,301,138	\$ 2,305,503
Investments	127,667	986,234	337,457	-	1,388,049	2,839,407
Receivables:						
General property taxes	1,809,619	402,344	-	-	1,114,386	3,326,349
State income tax	246,850	-	-	-	-	246,850
Sales tax	-	-	480,916	-	-	480,916
Motor fuel tax allotments	-	-	-	-	37,877	37,877
Utility tax	71,282	-	-	-	-	71,282
Accounts	7,600	-	-	-	191,390	198,990
Circuit Clerk	14,598	-	-	-	-	14,598
Other	138,015	-	-	-	-	138,015
Notes receivable	-	-	-	-	67,528	67,528
Inventory	23,331	-	-	-	-	23,331
Prepaid insurance	127,487	-	-	1,643	11,725	140,855
Due from other funds	22,000	1,560,000	-	-	1,706,257	3,288,257
TOTAL ASSETS	\$ 3,039,377	\$ 3,008,322	\$ 1,046,740	\$ 266,969	\$ 5,818,350	\$ 13,179,758
LIABILITIES						
Voucher payable	\$ 207,912	\$ -	\$ 11,582	\$ -	\$ 79,224	\$ 298,718
Accrued liabilities:						
Payroll	301,550	-	-	-	9,113	310,663
Accrued payroll taxes and other withholdings	12,648	-	-	-	-	12,648
Deferred license income	33,182	-	-	-	-	33,182
Deferred property tax revenue	1,809,619	402,344	-	-	1,114,386	3,326,349
Due to other funds	1,081,946	-	-	1,224,311	22,000	2,328,257
Total liabilities	<u>3,446,857</u>	<u>402,344</u>	<u>11,582</u>	<u>1,224,311</u>	<u>1,224,723</u>	<u>6,309,817</u>
FUND (DEFICIT) BALANCES						
Restricted	-	-	-	-	15,588	15,588
Unrestricted						
Reserved for inventory and prepaids	150,818	-	-	1,643	11,725	164,186
Unreserved						
General	(558,298)	-	-	-	-	(558,298)
Special Revenue	-	2,605,978	1,035,158	-	4,566,297	8,207,433
Capital Projects	-	-	-	(958,985)	-	(958,985)
Debt Service	-	-	-	-	17	17
Total fund balances	<u>(407,480)</u>	<u>2,605,978</u>	<u>1,035,158</u>	<u>(957,342)</u>	<u>4,593,627</u>	<u>6,869,941</u>
TOTAL LIABILITIES AND FUND (DEFICIT) BALANCES	\$ 3,039,377	\$ 3,008,322	\$ 1,046,740	\$ 266,969	\$ 5,818,350	\$ 13,179,758

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, 2007

Total governmental fund balances	\$ 6,869,941
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 \$16,181,750	34,847,741
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds-payable	(6,934,000)
Net pension obligation	(281,285)
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>(115,317)</u>
Total net assets - governmental activities	<u>\$ 34,387,080</u>

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CITY OF DIXON, ILLINOIS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year Ended April 30, 2007

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 1,718,530	\$ 382,474	\$ -	\$ -	\$ 1,020,530	\$ 3,121,534
Foreign fire insurance tax	15,757	-	-	-	-	15,757
Intergovernmental revenues	2,905,651	-	3,044,384	-	542,992	6,493,027
Licenses, permits, and other fees	283,344	-	-	-	-	283,344
Fines and penalties	159,788	-	-	-	-	159,788
Charges for services	-	-	-	-	431,025	431,025
Revenue from use of money and property	44,171	55,144	30,611	59,925	202,896	392,747
Other	202,033	-	-	574	25,025	227,632
Total revenues	<u>5,329,274</u>	<u>437,618</u>	<u>3,074,995</u>	<u>60,499</u>	<u>2,222,468</u>	<u>11,124,854</u>
EXPENDITURES						
General government	1,290,387	-	63,039	-	105,818	1,459,244
Public safety						
Police protection and community relations	2,611,761	-	-	-	-	2,611,761
Fire fighting and prevention and emergency vehicle	1,441,154	-	-	-	202,548	1,643,702
Public works	124,239	-	-	-	-	124,239
Highways and streets	715,929	-	-	-	18,650	734,579
Traffic development	82,189	-	-	-	-	82,189
Welfare-Civil Defense	-	-	-	-	7,993	7,993
Culture and recreation - Library and Band	-	-	-	-	363,588	363,588
Airport operations	-	-	-	-	118,946	118,946
Cemetery operations	-	-	-	-	252,417	252,417
Capital outlay	-	-	-	5,133,882	37,156	5,171,038
Debt Service						
Principal	-	-	-	363,000	260,000	623,000
Interest	-	-	-	364,100	11,610	375,710
Payments to Pensions	633,825	161,929	-	-	-	795,754
Payments to Social Security System	-	-	-	-	175,217	175,217
Total expenditures	<u>6,899,484</u>	<u>161,929</u>	<u>63,039</u>	<u>5,860,982</u>	<u>1,553,943</u>	<u>14,539,377</u>
Excess (deficiency) of revenues over expenditures	<u>(1,570,210)</u>	<u>275,689</u>	<u>3,011,956</u>	<u>(5,800,483)</u>	<u>668,525</u>	<u>(3,414,523)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,200,000	-	-	5,023,000	127,000	6,350,000
Operating transfers out	(407,000)	-	(3,220,000)	(1,053,000)	(73,000)	(4,753,000)
Total other financing sources (uses)	<u>793,000</u>	<u>-</u>	<u>(3,220,000)</u>	<u>3,970,000</u>	<u>54,000</u>	<u>1,597,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(777,210)</u>	<u>275,689</u>	<u>(208,044)</u>	<u>(1,830,483)</u>	<u>722,525</u>	<u>(1,817,523)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>369,730</u>	<u>2,330,289</u>	<u>1,243,202</u>	<u>873,141</u>	<u>3,871,102</u>	<u>8,687,464</u>
FUND (DEFICIT) BALANCE, END OF YEAR	<u>\$ (407,480)</u>	<u>\$ 2,605,978</u>	<u>\$ 1,035,158</u>	<u>\$ (957,342)</u>	<u>\$ 4,593,627</u>	<u>\$ 6,869,941</u>

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 and notes to basic financial statements.

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, 2007

Net change in fund balances - total governmental funds	\$ (1,817,523)
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.	3,998,703
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.	
	577,544
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>195,365</u>
Change in net assets of governmental activities	<u><u>\$ 2,954,089</u></u>

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CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2007

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 472,845	\$ 3,313,589	\$ 1,035,487	\$ 4,821,921
Restricted cash	-	-	166,608	166,608
Investments:				
Unrestricted	-	-	187,002	187,002
Restricted	-	-	222,359	222,359
Receivables:				
Accounts	-	-	715,290	715,290
Interest	-	-	720	720
Due from other funds:				
Sewerage Fund	2,535,744	-	-	2,535,744
Water Department	-	432,978	-	432,978
Capital Development	750,000	-	-	750,000
Inventory	-	-	153,326	153,326
Prepaid insurance	-	12,963	18,188	31,151
	<u>3,758,589</u>	<u>3,759,530</u>	<u>2,498,980</u>	<u>10,017,099</u>
Total current assets				
PROPERTY AND EQUIPMENT				
Assets not depreciated				
Construction in progress	-	171,817	3,434,087	3,605,904
Assets being depreciated				
Sewerage system	-	13,494,023	-	13,494,023
Water system	-	3,985,744	6,235,271	10,221,015
Building and improvements	-	325,365	-	325,365
Wastewater treatment plant	-	17,316,676	-	17,316,676
Machinery and equipment	58,928	492,711	428,515	980,154
Furniture and fixtures	-	8,953	111,372	120,325
Transportation equipment	-	83,701	407,900	491,601
	<u>58,928</u>	<u>35,707,173</u>	<u>7,183,058</u>	<u>42,949,159</u>
Less accumulated depreciation	<u>(26,794)</u>	<u>(9,223,039)</u>	<u>(4,515,011)</u>	<u>(13,764,844)</u>
Net property and equipment being depreciated	<u>32,134</u>	<u>26,484,134</u>	<u>2,668,047</u>	<u>29,184,315</u>
Net property and equipment	<u>32,134</u>	<u>26,655,951</u>	<u>6,102,134</u>	<u>32,790,219</u>
TOTAL ASSETS	<u>\$ 3,790,723</u>	<u>\$ 30,415,481</u>	<u>\$ 8,601,114</u>	<u>\$ 42,807,318</u>

	Business-Type Activities			
	Landfill Fund	Sewerage Fund	Water	Total
			Department Fund	
LIABILITIES				
Current liabilities:				
Vouchers payable	\$ 12,545	\$ 79,539	\$ 173,144	\$ 265,228
Accrued liabilities:				
Payroll	-	6,418	6,300	12,718
Interest	-	131,284	77,596	208,880
Vacation Pay	-	-	4,399	4,399
Due to other funds:				
Social Security Fund	600,000	-	-	600,000
IMRF Fund	1,110,000	-	-	1,110,000
Landfill Fund	-	2,535,744	-	2,535,744
Sewerage Fund	-	-	432,978	432,978
Consumer deposits	-	-	331,549	331,549
Notes payable - current portion	-	877,085	-	877,085
EPA loan payable	-	-	2,995,250	2,995,250
Bonds payable - current portion	-	-	24,000	24,000
Total current liabilities	<u>1,722,545</u>	<u>3,630,070</u>	<u>4,045,216</u>	<u>9,397,831</u>
Long-term liabilities:				
Notes payable	-	14,456,774	-	14,456,774
Bonds payable	-	-	137,000	137,000
Total long-term liabilities	<u>-</u>	<u>14,456,774</u>	<u>137,000</u>	<u>14,593,774</u>
Total liabilities	<u>1,722,545</u>	<u>18,086,844</u>	<u>4,182,216</u>	<u>23,991,605</u>
NET ASSETS				
Invested in capital assets, net of related debt	32,134	11,150,275	2,668,047	13,850,456
Restricted	-	-	388,967	388,967
Unrestricted	<u>2,036,044</u>	<u>1,178,362</u>	<u>1,361,884</u>	<u>4,576,290</u>
Total fund equity	<u>2,068,178</u>	<u>12,328,637</u>	<u>4,418,898</u>	<u>18,815,713</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,790,723</u>	<u>\$ 30,415,481</u>	<u>\$ 8,601,114</u>	<u>\$ 42,807,318</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, 2007

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
OPERATING REVENUES				
User fees	\$ -	\$ 2,153,546	\$ 1,393,605	\$ 3,547,151
Host fees	1,535,104	-	-	1,535,104
Labor and merchandise	-	-	86,365	86,365
Miscellaneous	8,300	9,431	24,372	42,103
Total operating revenues	<u>1,543,404</u>	<u>2,162,977</u>	<u>1,504,342</u>	<u>5,210,723</u>
OPERATING EXPENSES				
Salaries	2,700	286,715	578,844	868,259
Maintenance of site and buildings	-	143,666	450,174	593,840
Other maintenance	-	3,224	9,351	12,575
Supplies and services	-	24,336	77,749	102,085
Electricity	-	218,775	78,993	297,768
Fuel, gas and oil	-	21,728	23,154	44,882
Professional service and fees	-	53,111	(38,730)	14,381
Insurance	60	69,089	132,838	201,987
Miscellaneous	14,151	29,584	33,368	77,103
Dues and subscriptions	-	1,187	-	1,187
Travel and education expense	-	1,122	-	1,122
Training	1,235	815	1,064	3,114
Depreciation	11,786	1,669,636	209,394	1,890,816
Total operating expenses	<u>29,932</u>	<u>2,522,988</u>	<u>1,556,199</u>	<u>4,109,119</u>
OPERATING INCOME (LOSS)	<u>1,513,472</u>	<u>(360,011)</u>	<u>(51,857)</u>	<u>1,101,604</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	26,437	136,186	21,729	184,352
Income from reimbursement agreement	-	175,087	-	175,087
Loss on disposal of equipment	-	(4,008)	-	(4,008)
Interest expense	-	(399,631)	(7,151)	(406,782)
Total nonoperating revenues (expenses)	<u>26,437</u>	<u>(92,366)</u>	<u>14,578</u>	<u>(51,351)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,539,909	(452,377)	(37,279)	1,050,253
CAPITAL CONTRIBUTION	-	-	-	-
TRANSFERS IN	-	1,453,000	-	1,453,000
TRANSFERS OUT	<u>(3,050,000)</u>	<u>-</u>	<u>-</u>	<u>(3,050,000)</u>
CHANGE IN NET ASSETS	(1,510,091)	1,000,623	(37,279)	(546,747)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>3,578,269</u>	<u>11,328,014</u>	<u>4,456,177</u>	<u>19,362,460</u>
NET ASSETS, END OF YEAR	<u>\$ 2,068,178</u>	<u>\$ 12,328,637</u>	<u>\$ 4,418,898</u>	<u>\$ 18,815,713</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, 2007

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Department Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,535,104	\$ 2,162,977	\$ 1,411,188	\$ 5,109,269
Payments to employees	(2,700)	(296,687)	(525,086)	(824,473)
Payments to suppliers	(9,618)	(1,558,841)	(695,201)	(2,263,660)
Other payments	(7,146)	-	-	(7,146)
Net cash provided by operating activities	<u>1,515,640</u>	<u>307,449</u>	<u>190,901</u>	<u>2,013,990</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers from (to) other funds	<u>(3,050,000)</u>	<u>1,453,000</u>	<u>-</u>	<u>(1,597,000)</u>
Net cash provided by (used) in non-capital financing activities	<u>(3,050,000)</u>	<u>1,453,000</u>	<u>-</u>	<u>(1,597,000)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Proceeds from reimbursement agreement	-	175,087	-	175,087
Proceeds from EPA loan	-	-	1,398,961	1,398,961
Advances from (to) other funds	1,110,000	(606,911)	206,911	710,000
Principal paid on revenue bond	-	-	(23,000)	(23,000)
Principal paid on notes payable	-	(855,072)	-	(855,072)
Payment of interest on debt	-	(399,631)	(7,151)	(406,782)
Acquisition of capital assets	-	(198,817)	(1,834,864)	(2,033,681)
Net cash provided by (used in) capital financing activities	<u>1,110,000</u>	<u>(1,885,344)</u>	<u>(259,143)</u>	<u>(1,034,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	-	-	398,982	398,982
Purchases of investments	-	-	(409,361)	(409,361)
Interest income	26,438	136,186	21,729	184,353
Net cash provided by investing activities	<u>26,438</u>	<u>136,186</u>	<u>11,350</u>	<u>173,974</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(397,922)	11,291	(56,892)	(443,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>870,767</u>	<u>3,302,298</u>	<u>1,258,987</u>	<u>5,432,052</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 472,845</u>	<u>\$ 3,313,589</u>	<u>\$ 1,202,095</u>	<u>\$ 4,988,529</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,513,472	\$ (360,011)	\$ (51,857)	\$ 1,101,604
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,786	1,669,636	209,394	1,890,816
Effects of changes in operating assets and liabilities				
Accounts receivable	-	-	(93,154)	(93,154)
Prepaid insurance	60	11,459	12,313	23,832
Accounts payable	(9,678)	(1,003,663)	37,691	(975,650)
Consumer deposits	-	-	22,756	22,756
Accrued liabilities	-	(9,972)	53,758	43,786
Net cash provided by operating activities	<u>\$ 1,515,640</u>	<u>\$ 307,449</u>	<u>\$ 190,901</u>	<u>\$ 2,013,990</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, 2007

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,170,298	\$ 127,145	\$ 4,679	\$ 1,302,122
Investments	18,804,172	2,691,801	-	21,495,973
Receivables:				
Accounts, net of allowance for estimated uncollectibles	-	14,577	-	14,577
TOTAL ASSETS	<u>19,974,470</u>	<u>2,833,523</u>	<u>4,679</u>	<u>22,812,672</u>
LIABILITIES				
Vouchers payable	90,801	-	-	90,801
Performance deposits	-	-	4,679	4,679
TOTAL LIABILITIES	<u>90,801</u>	<u>-</u>	<u>4,679</u>	<u>95,480</u>
NET ASSETS				
Net assets held in trust for pension benefits	19,883,669	-	-	19,883,669
Net assets held in trust for other purposes	-	2,833,523	-	2,833,523
TOTAL NET ASSETS	<u>\$ 19,883,669</u>	<u>\$ 2,833,523</u>	<u>\$ -</u>	<u>\$ 22,717,192</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, 2007

	Pension Trust	Private- Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 633,825	\$ -
Plan members	245,625	-
Other	<u>-</u>	<u>113,819</u>
Total contributions	<u>879,450</u>	<u>113,819</u>
Investment Income	<u>1,647,454</u>	<u>163,840</u>
Total additions	<u>2,526,904</u>	<u>277,659</u>
DEDUCTIONS		
Benefit payments	1,276,167	-
Management fees	195,254	-
Withdrawals	-	124,991
Administrative and audit fee	10,500	19,544
Other	<u>5,302</u>	<u>-</u>
Total deductions	<u>1,487,223</u>	<u>144,535</u>
NET INCREASE	1,039,681	133,124
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	<u>18,843,988</u>	<u>2,700,399</u>
NET ASSETS HELD IN TRUST, END OF YEAR	<u>\$ 19,883,669</u>	<u>\$ 2,833,523</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
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2007

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), the City has no component units.

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, 2007

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, 2007

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.

Illinois Municipal Retirement Fund - This fund is used to account for the revenues and expenditures associated with contributions to the retirement fund. Financing is provided by property taxes.

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.

The City reports the following non-major funds:

Garbage Fund - This fund is used to account for the revenues and expenditures associated with the City garbage. Financing is provided by garbage user charges.

Public Benefit Fund - This fund is used to account for the revenues and expenditures associated with City development. Financing is provided by property taxes.

Downtown Redevelopment Project Fund - This fund is used to account for the revenues and expenditures associated with downtown redevelopment. Financing is provided by property taxes.

Social Security Fund - This fund is used to account for the revenues and expenditures associated with the cost of City employees participating in the social security system. Financing is provided by property taxes.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2007

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

Reporting Major, Nonmajor and Fiduciary Fund Statements (Continued)

Working Cash Fund - This fund is used to account for the revenues and expenditures associated with the working cash funds. Financing is provided by investment income.

Motor Fuel Tax Fund - This fund is used to account for the revenues and expenditures associated with construction, maintenance and extension of City streets. Financing is provided by State Motor Fuel Tax allotments.

Municipal Airport Fund - This fund is used to account for the revenues and expenditures associated with the operation of the airport facility. Financing is provided by airport user charges.

Library Fund - This fund is used to account for the revenues and expenditures associated with the library. Financing is provided by property taxes, personal property replacement tax and user charges.

Band Fund - This fund is used to account for the revenues and expenditures associated with the band. Financing is provided by property taxes.

Oakwood Cemetery - This fund is used to account for the revenues and expenditures associated with the operation and maintenance of the cemetery. Financing is provided by property taxes and lot sales and services.

Civil Defense Fund - This fund is used to account for the revenues and expenditures associated with the operation and maintenance of the civil defense systems. Financing is provided by property taxes.

Emergency Vehicle Fund - This fund is used to account for the revenues and expenditures associated with operation of the emergency vehicles. Financing is provided by user fees.

Debt Service Fund - This fund is used to account for the revenues and expenditures associated with the payments of any outstanding debt. Financing is provided by various funds.

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, 2007

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.

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.

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.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2007

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, 2007, are recorded as prepaid items.

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 2007 were \$782,492 of which \$86,786 has been capitalized.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2007

PROPERTY TAXES

Property taxes generated from the 2005 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2007 on the budgetary cash basis. Recognition of the revenue is deferred until the year it is intended to finance. The City's property tax is levied each year at the time the budget for the ensuring year is passed and is extended against the assessed valuation of the City on January 1 of that year. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

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.

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.

CITY OF DIXON, ILLINOIS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
April 30, 2007

INTERFUND TRANSACTIONS (CONTINUED)

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, 2007, \$4,399 of accrued vacation is included in accrued employee compensation.

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

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

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 \$8,594,211 and the bank balances totaled \$9,022,134. Cash on hand was \$1,943.

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	\$ 2,468,565	\$ 2,468,565	\$ -	\$ -	\$ -
U.S. Treasuries and Agencies	9,862,813	4,875	1,679,372	2,112,665	6,065,901
Illinois Treasurer's Investment Pool	1,137,839	1,137,839	-	-	-
Mutual Funds	8,946,234	8,946,234	-	-	-
Total	\$22,415,451	\$12,557,513	\$1,679,372	\$2,112,665	\$6,065,901

Investments in The Illinois Funds

The State Treasurer maintains the Illinois Treasurer's Investment Pool (Pool) at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The relationship between the City and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At April 30, 2007, the City had \$1,137,839 in the Pool, which approximates fair value.

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

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.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 1 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2007, \$616,692 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 Illinois Treasurer's Investment Pool maintained by the State Treasurer. These investments are 5.08%, respectively, of the City's total investments.

NOTE 2 - NOTES RECEIVABLE

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, 2007 is \$6,208.

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, 2007 is \$22,208.

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, 2007 is \$13,854.

On August 21, 2007, the City entered into a promissory note for building renovations with John McLane of Dixon for \$25,000. Interest is at 2.5% and the entire balance of the note is due October 1, 2011. The note is secured by a junior mortgage on the property. The balance at April 30, 2007 is \$25,594.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2007, was as follows:

	<u>Balance at May 1, 2006</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance At April 30, 2007</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,076,381	\$ -	\$ -	\$ 2,076,381
Construction in progress	<u>5,673,660</u>	<u>99,037</u>	<u>5,673,660</u>	<u>99,037</u>
Total capital assets not being depreciated	<u>7,750,041</u>	<u>99,037</u>	<u>5,673,660</u>	<u>2,175,418</u>
Capital assets being depreciated:				
Buildings	3,635,455	9,073,173	-	12,708,628
Equipment	4,667,229	638,321	649,890	4,655,660
Infrastructure	<u>29,780,664</u>	<u>1,709,121</u>	<u>-</u>	<u>31,489,785</u>
Total capital assets being depreciated	<u>38,083,348</u>	<u>11,420,615</u>	<u>649,890</u>	<u>48,854,073</u>
Less accumulated depreciation:				
Buildings	2,944,181	189,983	-	3,134,164
Equipment	3,259,822	305,710	613,802	2,951,730
Infrastructure	<u>8,780,348</u>	<u>1,315,508</u>	<u>-</u>	<u>10,095,856</u>
Total accumulated depreciation	<u>14,984,351</u>	<u>1,811,201</u>	<u>613,802</u>	<u>16,181,750</u>
Governmental activities capital assets, net	<u>\$30,849,038</u>	<u>\$ 9,708,451</u>	<u>\$5,709,748</u>	<u>\$34,847,741</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 1,771,046	\$ 1,834,858	\$ -	\$ 3,605,904
Capital assets being depreciated:				
Sewerage system	13,467,023	27,000	-	13,494,023
Water system	10,049,192	171,823	-	10,221,015
Building and improvements	325,365	-	-	325,365
Machinery and equipment	993,473	-	13,319	980,154
Furniture and fixtures	120,325	-	-	120,325
Transportation equipment	521,781	-	30,180	491,601
Waste Water Treatment Plant	<u>17,316,676</u>	<u>-</u>	<u>-</u>	<u>17,316,676</u>
Total capital assets being depreciated	<u>42,793,835</u>	<u>198,823</u>	<u>43,499</u>	<u>42,949,159</u>
Less accumulated depreciation:				
Sewerage system	4,237,185	635,903	-	4,873,088
Water system	3,815,303	291,018	-	4,106,321
Building and improvements	141,077	1,376	-	142,453
Machinery and equipment	719,307	47,421	9,311	757,417
Furniture and fixtures	82,542	15,489	-	98,031
Transportation equipment	340,272	33,775	30,180	343,867
Waste Water Treatment Plant	<u>2,577,833</u>	<u>865,834</u>	<u>-</u>	<u>3,443,667</u>
Total accumulated depreciation	<u>11,913,519</u>	<u>1,890,816</u>	<u>39,491</u>	<u>13,764,844</u>
Business-type activities capital assets, net	<u>\$32,651,362</u>	<u>\$ 142,865</u>	<u>\$ 4,008</u>	<u>\$32,790,219</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General government	\$	151,278
Public safety		281,696
Highways and streets		1,319,496
Culture and recreation		1,299
Airport		41,523
Cemetery		<u>15,909</u>
Total depreciation expense	\$	<u>1,811,201</u>
Business-type activities:		
Landfill	\$	11,786
Sewer		1,669,636
Water department		<u>209,394</u>
Total depreciation expense	\$	<u>1,890,816</u>

NOTE 4 - 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, 2007 was \$63,039.

NOTE 5 - LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the City as of April 30, 2007:

Assessed valuation - 2006		<u>\$159,901,533</u>
Statutory debt limitation (8.625% of assessed valuation)		\$ 13,791,507
Total debt:		
Central Business District Tax Increment Revenue Bonds	\$	15,000
General Obligation Debt Certificates		6,919,000
General obligation debt:		
Water Revenue Bonds		161,000
Deduct bonds exempt from debt limitation computation:		
Central Business District Tax Increment Revenue Bonds		(15,000)
General Obligation Debt Certificates		(6,919,000)
Water Revenue Bonds		<u>(161,000)</u>
Legal debt margin		<u>\$ 13,791,507</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended April 30, 2007 are summarized as follows:

Governmental Activities	<u>Balance May 1, 2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance April 30, 2007</u>	<u>Due Within One Year</u>
Bonds payable	\$ 7,557,000	\$ -	\$623,000	\$ 6,934,000	\$397,000
Net pension obligation	<u>235,829</u>	<u>45,456</u>	<u>-</u>	<u>281,285</u>	<u>281,285</u>
Total governmental activities	\$ <u>7,792,829</u>	\$ <u>45,456</u>	\$ <u>623,000</u>	\$ <u>7,215,285</u>	\$ <u>678,285</u>
 Business-Type Activities					
EPA loan payable	\$ 1,596,289	\$1,398,961	\$ -	\$ 2,995,250	\$ -
Notes payable	16,188,931	-	855,072	15,333,859	877,085
Bonds payable	<u>184,000</u>	<u>-</u>	<u>23,000</u>	<u>161,000</u>	<u>24,000</u>
Total business-type activities	\$ <u>17,969,220</u>	\$ <u>1,398,961</u>	\$ <u>878,072</u>	\$ <u>18,490,109</u>	\$ <u>901,085</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, 2007, there is \$15,588 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, 2007, 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, 2007:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ <u>15,000</u>	\$ <u>690</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 6 - 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>
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
2013-2017	2,759,000	946,815
2018-2020	<u>2,035,000</u>	<u>209,219</u>
	<u>\$6,919,000</u>	<u>\$ 2,700,343</u>

Net Pension Obligation

At April 30, 2007, the City had the following net pension obligation:

Firefighters' Pension

\$ 281,285

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2007 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.105%	\$ 256,471
River Street sanitary sewer replacement	2.815	249,208
Waste Water Treatment Plant expansion	2.535	<u>14,828,180</u>
		<u>\$15,333,859</u>

CITY OF DIXON, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2007

NOTE 6 - 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, 2007 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
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
2013-2017	113,554	6,950	109,828	6,269	4,916,694	1,056,066
2018-2022	-	-	-	-	5,576,656	396,112
Total	\$256,471	\$36,183	\$249,208	\$32,744	\$14,828,180	\$3,090,108

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, 2007. The following schedule discloses principal and interest requirements to maturity on all bonds.

Year Ending April 30	Principal	Interest	Total
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>\$161,000</u>	<u>\$23,985</u>	<u>\$ 184,985</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 6 - 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. As of the year ended April 30, 2007, the Water Department has received \$2,995,250 in loan proceeds and has accrued \$58,413 of interest which has been capitalized. The loan bears a 2.5% interest rate with a term of 20 years with principal and interest payments due in April and October of each year. 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.

Subsequent to year end, the EPA Loan was finalized and the project has been completed. The following schedule discloses principal and interest requirements to maturity on the loan.

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$123,240	\$ 88,230	\$ 211,470
2009	126,340	72,476	198,816
2010	129,518	69,298	198,816
2011	132,776	66,040	198,816
2012	136,117	62,699	198,816
2013 - 2017	733,701	260,379	994,080
2018 - 2022	830,748	163,332	994,080
2023 - 2027	<u>841,223</u>	<u>53,444</u>	<u>894,667</u>
	<u>\$3,053,663</u>	<u>\$835,898</u>	<u>\$3,889,561</u>

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 \$-0- available for operations)	\$ 27,418
Depreciation account (Net of \$17,835 available for operations)	30,000
Consumer deposit account (Net of \$62,585 available for operations)	<u>331,549</u>
Total	<u>\$388,967</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2007

NOTE 7 - 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 between \$199 and \$516 monthly for single coverage and \$865 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 10 retiree participants was \$42,295.

NOTE 8 - 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. The lease was terminated on November 30, 2006.

On December 19, 2006, the City of Dixon, as lessee, approved a lease agreement with Lee County, Illinois, for police dispatching, call taking and telecommunications services in the Law Enforcement Building. The lease term commenced December 1, 2006 and is for five years. Provided that neither party gives notice at the end of the five year term, the contract will self-renew for an annual term. However, after the initial five year term expires, either party may terminate the agreement upon giving six months prior written notice to the other party of its intent to terminate. Currently, the lease calls for monthly payments from the City in the amount of \$8,863.

NOTE 9 - 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 10 - 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	26	16
Total	<u>50</u>	<u>38</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 10 - 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, 2007

NOTE 10 - 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, 2006		
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, 2006	April 30, 2006	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 8,528,565	\$ 7,172,629	\$15,701,194
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>4,586,830</u>	<u>3,364,200</u>	<u>7,951,030</u>
Total actuarial accrued liability	13,115,395	10,536,829	23,652,224
Actuarial value of assets	<u>11,235,914</u>	<u>7,608,075</u>	<u>18,843,989</u>
Unfunded actuarial accrued liability	<u>\$ 1,879,481</u>	<u>\$ 2,928,754</u>	<u>\$ 4,808,235</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, 2007

NOTE 10 - 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, 2006	April 30, 2006	
Actuarially determined contribution requirement - employer as a dollar amount:			
Normal cost	\$181,681	\$175,230	\$356,911
Amortization of unfunded actuarial accrued liability	<u>83,882</u>	<u>130,711</u>	<u>214,593</u>
	<u>\$265,563</u>	<u>\$305,941</u>	<u>\$571,504</u>
As a percent of current covered payroll:			
Normal cost	14.65%	22.48%	37.13%
Amortization of unfunded actuarial accrued liability	<u>9.91</u>	<u>8.46</u>	<u>18.37</u>
	<u>24.56%</u>	<u>30.94%</u>	<u>55.50%</u>
Contribution made as a dollar amount:			
Employer	\$373,340	\$260,485	\$633,825
Employee	<u>165,732</u>	<u>79,893</u>	<u>245,625</u>
	<u>\$539,072</u>	<u>\$340,378</u>	<u>\$879,450</u>
As a percent of current covered payroll:			
Employer	30.12%	33.43%	
Employee	<u>13.37</u>	<u>10.25</u>	
	<u>43.49%</u>	<u>43.68%</u>	

CITY OF DIXON, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2007

NOTE 10 - 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>85.67%</u>	<u>72.20%</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>151.61%</u>	<u>375.88%</u>

Police and Firefighter's Pension Plan Statements

STATEMENTS OF PLAN NET ASSETS

	Police Pension	Firefighters' Pension
ASSETS		
Cash	\$ 768,027	\$ 402,271
Investments, at fair value Mutual funds	<u>11,216,345</u>	<u>7,587,827</u>
TOTAL ASSETS	<u>11,984,372</u>	<u>7,990,098</u>
LIABILITIES		
Vouchers payable	<u>47,112</u>	<u>43,689</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$11,937,260</u>	<u>\$7,946,409</u>

CITY OF DIXON, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 April 30, 2007

NOTE 10 - PENSION PLANS (CONTINUED)

Police and Firefighter's Pension Plan Statements (continued)

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
ADDITIONS		
Contributions	\$ 373,340	\$ 260,485
Employer	<u>165,732</u>	<u>79,893</u>
Plan members	<u>539,072</u>	<u>340,378</u>
Total contributions	<u>973,671</u>	<u>673,783</u>
Investment income	<u>1,512,743</u>	<u>1,014,161</u>
Total additions		
DEDUCTIONS		
Benefit payments	683,928	592,239
Management fees	119,597	75,657
Administrative and audit fee	5,250	5,250
Other	<u>2,621</u>	<u>2,681</u>
Total deductions	<u>811,396</u>	<u>675,827</u>
	701,347	338,334
NET INCREASE		
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>11,235,913</u>	<u>7,608,075</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$11,937,260</u>	<u>\$7,946,409</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 2006 was 7.61% 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, 2006 was 26 years.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 10 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (continued)

Annual Pension Cost and Net Pension Obligation

For December 31, 2006, the City's annual pension cost of \$155,801 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004 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 2006 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, 2006	\$155,801	100%	\$ -
December 31, 2005	132,285	100	-
December 31, 2004	58,738	100	-

* Digest of Changes

Assumptions

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For regular members, fewer normal and early retirements are expected to occur.

NOTE 11 - 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, 2007

NOTE 12 - INTERFUND TRANSFERS/BALANCES

Interfund transfers during the year ended April 30, 2007, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Municipal Sales Tax Fund	\$1,200,000	\$ -
Capital Development Fund	-	400,000
Nonmajor Governmental	-	7,000
Total General Fund	<u>1,200,000</u>	<u>407,000</u>
Municipal Sales Tax Fund:		
General Fund	-	1,200,000
Capital Development Fund	-	1,500,000
Sewerage Fund	-	400,000
Nonmajor Governmental	-	120,000
Total Municipal Sales Tax Fund	<u>-</u>	<u>3,220,000</u>
Capital Development Fund:		
General Fund	400,000	-
Municipal Sales Tax Fund	1,500,000	-
Landfill Fund	3,050,000	-
Sewerage Fund	-	1,053,000
Nonmajor Governmental	73,000	-
Total Capital Development Fund	<u>5,023,000</u>	<u>1,053,000</u>
Landfill Fund:		
Capital Development Fund	-	3,050,000
Sewerage Fund:		
Capital Development Fund	1,053,000	-
Municipal Sales Tax Fund	400,000	-
Total Sewerage Fund	<u>1,453,000</u>	<u>-</u>
Nonmajor Governmental	<u>127,000</u>	<u>73,000</u>
Total operating transfers	<u>\$7,803,000</u>	<u>\$7,803,000</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, 2007, consisted of the following:

	<u>General Fund</u>	<u>Capital Development Fund</u>	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due from:							
Due to:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$22,000	\$ 22,000
Illinois Municipal Retirement Fund	450,000	-	1,110,000	-	-	-	1,560,000
Landfill Fund	-	750,000	-	2,535,744	-	-	3,285,744
Sewerage Fund	-	-	-	-	432,978	-	432,978
Other Governmental Funds	631,946	474,311	600,000	-	-	-	1,706,257
Total	<u>\$1,081,946</u>	<u>\$1,224,311</u>	<u>\$1,710,000</u>	<u>\$2,535,744</u>	<u>\$432,978</u>	<u>\$22,000</u>	<u>\$7,006,979</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 12 - INTERFUND TRANSFERS/BALANCES (CONTINUED)

Interfund loans existing at April 30, 2007, and their purpose were as follows:

The General Fund owed a non-major governmental fund and the Illinois Municipal Retirement Fund \$631,946 and \$450,000, respectively for money loaned to cover the cash flow of the General Fund.

The Water Department owed the Sewer Fund \$432,978 for revenues and fees collected on behalf of the Sewer Fund, but not yet remitted at April 30, 2007.

The Sewer Fund owed the Landfill Fund \$2,535,744 for various capital expenditures.

The Landfill Fund owed the Illinois Municipal Retirement Fund and a non-major governmental fund \$1,110,000 and \$600,000, respectively for transfers to the Capital Development Fund.

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

The Capital Development Fund owed two non-major governmental funds \$474,311 for various capital expenditures.

NOTE 13 - DISBURSEMENTS IN EXCESS OF APPROPRIATIONS AND FUND DEFICITS

Excesses of expenditures over appropriations in individual funds - None.

The following two funds had deficit fund balances or deficit retained earnings balances:

General Fund	\$ (407,480)
Capital Development Fund	\$ (957,342)

The City is planning on financing these fund deficits with transfers from Enterprise Funds and taking out a note payable in the future year.

NOTE 14 - 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 15 - 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.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2007

NOTE 16 - CONSTRUCTION COMMITMENTS

As of April 30, 2007, 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	\$7,576,028	\$7,543,162	\$ 32,866
Tollway Intersection Resurfacing	1,500,000	1,460,000	40,000
Toll Booth Demolition and Relocation	2,500,000	1,677,000	823,000
Traffic Signals - Route 26, South Galena, & Bloody Gulch	1,750,000	1,251,500	498,500
Water Treatment Facility	455,000	364,000	91,000
River Street Project (Stage I)	523,943	-	523,943
Northwest Area Sewer Extension	270,000	175,500	94,500
Highland Avenue Sewer Separation	20,000	5,000	15,000

NOTE 17 - 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, 2007.

NOTE 18 - RESTATEMENT OF PRIOR YEAR NET ASSETS

During the fiscal year ending April 30, 2006, net assets for the Landfill and Sewer Funds were incorrect due to a transfer error. A reconciliation of the adjustments made to the current year fund balances are as follows:

	<u>Fund Balance</u>	
	<u>Landfill</u>	<u>Sewer</u>
Beginning balance, as previously reported	\$3,878,269	\$11,028,014
Adjustment to properly record transfer	<u>(300,000)</u>	<u>300,000</u>
Beginning balance, restated	<u>\$3,578,269</u>	<u>\$11,328,014</u>

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, 2007

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}
Police Pension Fund						
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%
4/30/06	11,235,914	13,115,395	1,879,481	85.67%	1,239,676	151.61%
Firemen Pension Fund						
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%
4/30/06	7,608,075	10,536,829	2,928,754	72.20%	779,179	375.88%

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.

IMRF						
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%
12/31/06	7,239,824	6,786,304	(453,520)	106.68%	2,047,314	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, 2007

	<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	\$ 1,489,928	\$ 1,489,928	\$ 1,718,530	\$ 228,602
Foreign fire insurance tax	15,885	15,885	15,757	(128)
Intergovernmental revenue:				
Personal property replacement tax	-	-	670,522	670,522
Income tax and surcharge	900,000	900,000	1,328,383	428,383
Utility tax	675,000	675,000	689,525	14,525
Telecom tax	-	-	82,129	82,129
Motel tax	55,000	55,000	58,638	3,638
Riverfront grant	-	-	10,783	10,783
Miscellaneous grants	-	-	134	134
	<u>1,630,000</u>	<u>1,630,000</u>	<u>2,840,114</u>	<u>1,210,114</u>
Licenses, permits, and other fees	96,000	96,000	316,389	220,389
Fines and penalties	310,000	310,000	152,154	(157,846)
Revenue from use of money and property	-	-	44,171	44,171
Other	<u>319,870</u>	<u>319,870</u>	<u>217,563</u>	<u>(102,307)</u>
	<u>\$ 3,861,683</u>	<u>\$ 3,861,683</u>	<u>5,304,678</u>	<u>\$ 1,442,995</u>
(Deduct) beginning accrued revenues				
add beginning deferred revenues			(420,566)	
Add ending accrued revenues				
(deduct) deferred revenues			<u>445,162</u>	
			<u>5,329,274</u>	
EXPENDITURES				
DEPARTMENT OF PUBLIC AFFAIRS				
Salaries	\$ 84,600	\$ 84,600	19,200	\$ 65,400
Supplies and services	275,000	275,000	231,680	43,320
Professional services and fees	265,000	265,000	100,306	164,694
Insurance	5,000	5,000	-	5,000
Public relations	15,000	15,000	8,290	6,710
Main Street	15,000	15,000	15,000	-
Travel expense	5,000	5,000	2,871	2,129
Dues and subscriptions	4,000	4,000	2,788	1,212
Leadership Council	2,000	2,000	-	2,000
Tourism Council	90,000	90,000	61,998	28,002
Plan commission	10,000	10,000	-	10,000
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)
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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, 2007

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
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	3,592	11,408
Zoning Board of Appeals	5,000	5,000	-	5,000
Miscellaneous	25,000	25,000	6,239	18,761
Condemnation Board	20,000	20,000	-	20,000
Riverfront	225,000	225,000	61,415	163,585
	<u>1,120,100</u>	<u>1,120,100</u>	<u>540,879</u>	<u>579,221</u>
DEPARTMENT OF ACCOUNTS AND FINANCE				
Salaries	181,470	182,470	153,215	29,255
Maintenance	20,000	20,000	9,641	10,359
Supplies and services	67,000	67,000	17,876	49,124
Professional services and fees	237,000	236,000	111,481	124,519
Notices and publications	5,000	5,000	1,966	3,034
Insurance	700,000	700,000	217,190	482,810
New property and equipment	100,000	100,000	-	100,000
Miscellaneous	25,000	25,000	2,503	22,497
Travel expense	5,000	5,000	790	4,210
Dues and subscriptions	5,000	5,000	1,335	3,665
	<u>1,345,470</u>	<u>1,345,470</u>	<u>515,997</u>	<u>829,473</u>
DEPARTMENT OF POLICE PROTECTION				
Salaries	1,935,200	1,940,200	1,667,452	272,748
Maintenance	225,000	225,000	84,025	140,975
Supplies and services	367,500	367,500	126,670	240,830
Professional services and fees	20,000	20,000	148	19,852
Insurance	352,500	352,500	183,773	168,727
New property and equipment	745,000	738,000	273,705	464,295
Police training	30,000	30,000	19,192	10,808
Miscellaneous	30,000	30,000	936	29,064
Travel expense	25,000	25,000	9,663	15,337
Dues and subscriptions	5,000	5,000	2,442	2,558
Medicare expense	75,000	75,000	23,795	51,205
Feeding prisoners	5,000	5,000	13	4,987
Investigations	25,000	25,000	8,789	16,211
K-9 training	5,000	5,000	300	4,700
K-9 handler	1,000	3,000	2,400	600
K-9 miscellaneous	5,000	5,000	698	4,302
No sickness policy	50,000	50,000	3,300	46,700
Federal Grant Matching Funds-Tobacco Grant	30,000	30,000	-	30,000
Education bonus	10,000	10,000	4,500	5,500
Lee County rent	250,000	250,000	164,183	85,817
	<u>4,191,200</u>	<u>4,191,200</u>	<u>2,575,984</u>	<u>1,615,216</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, 2007

	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
EXPENDITURES (Continued)				
DEPARTMENT OF FIRE PROTECTION				
Salaries	1,077,700	1,077,700	955,026	122,674
Maintenance	70,000	70,000	11,613	58,387
Supplies and services	115,000	125,000	45,280	79,720
Insurance	175,000	175,000	126,582	48,418
New property and equipment	616,000	616,000	218,753	397,247
Fire training	50,000	50,000	17,583	32,417
Miscellaneous	100,000	90,000	2,565	87,435
Dues and subscriptions	5,000	5,000	2,001	2,999
Travel expenses	5,000	5,000	2,065	2,935
No sickness	4,000	4,000	2,400	1,600
Medicare expense	60,000	60,000	12,629	47,371
	<u>2,277,700</u>	<u>2,277,700</u>	<u>1,396,497</u>	<u>881,203</u>
DEPARTMENT OF STREETS AND IMPROVEMENTS				
Salaries	535,400	555,400	388,540	166,860
Maintenance	646,000	626,000	190,329	435,671
Supplies and services	219,000	219,000	64,077	154,923
Insurance	186,500	186,500	57,219	129,281
New property and equipment	310,000	310,000	411	309,589
Safety and training	1,000	1,000	-	1,000
Alcohol/drug testing	-	-	6,199	(6,199)
Travel expense	5,000	5,000	848	4,152
Dues and subscriptions	1,500	1,500	1,038	462
Miscellaneous	2,500	2,500	50	2,450
Meal allowance	5,000	5,000	360	4,640
	<u>1,911,900</u>	<u>1,911,900</u>	<u>709,071</u>	<u>1,202,829</u>
DEPARTMENT OF BUILDING AND ZONING				
Salaries	162,000	162,000	119,998	42,002
Maintenance	12,000	12,000	2,388	9,612
Supplies and services	57,000	57,000	3,468	53,532
Insurance	30,000	30,000	15,834	14,166
New property and equipment	70,000	70,000	115	69,885
Training	10,000	10,000	1,117	8,883
Miscellaneous	5,000	5,000	112	4,888
Travel expense	5,000	5,000	1,307	3,693
Dues and subscriptions	1,000	1,000	250	750
	<u>352,000</u>	<u>352,000</u>	<u>144,589</u>	<u>207,411</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, 2007

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
DEPARTMENT OF PUBLIC PROPERTY				
Salaries	67,700	67,800	21,218	46,582
Maintenance	410,000	410,000	53,021	356,979
Supplies and services	37,000	36,900	1,785	35,115
New property and equipment	115,000	115,000	5,311	109,689
Engineering	100,000	100,000	10,101	89,899
Bond Insurance	2,500	2,500	100	2,400
Holiday decorations	10,000	10,000	-	10,000
Flood control	50,000	50,000	-	50,000
Real estate taxes	10,000	10,000	-	10,000
Miscellaneous	10,000	10,000	1,213	8,787
	<u>812,200</u>	<u>812,200</u>	<u>92,749</u>	<u>719,451</u>
DEPARTMENT OF TRAFFIC MAINTENANCE				
Salaries	69,500	69,500	50,535	18,965
Maintenance	135,000	135,000	18,973	116,027
Supplies and service	20,000	20,000	2,882	17,118
Insurance	10,000	10,000	5,527	4,473
New property and equipment	175,000	175,000	5,171	169,829
Training expense	5,000	5,000	-	5,000
Miscellaneous	5,000	5,000	-	5,000
	<u>419,500</u>	<u>419,500</u>	<u>83,088</u>	<u>336,412</u>
DEPARTMENT OF PUBLIC WORKS				
Salaries	155,000	155,000	101,209	53,791
Maintenance	15,000	15,000	-	15,000
Supplies and service	45,000	45,000	11,513	33,487
Professional services and fees	75,000	75,000	-	75,000
Insurance	11,000	11,000	4,953	6,047
New property and equipment	15,000	15,000	625	14,375
Dues and subscriptions	5,000	5,000	-	5,000
Public Relations	-	2,000	-	2,000
Travel expense	5,000	5,000	-	5,000
License renewals	5,000	5,000	2,930	2,070
Conferences	10,000	10,000	-	10,000
Miscellaneous	15,000	13,000	-	13,000
	<u>356,000</u>	<u>356,000</u>	<u>121,230</u>	<u>234,770</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, 2007

	Appropriation		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
PAYMENTS TO PENSIONS				
Firefighters' Pension Fund	-	-	260,485	(260,485)
Police Pension Fund	-	-	373,340	(373,340)
	-	-	633,825	(633,825)
Total cash disbursements	<u>\$ 12,786,070</u>	<u>\$ 12,786,070</u>	6,813,909	<u>\$ 5,972,161</u>
(Deduct) beginning accrued expenditures, add beginning prepaid expenditures			(309,048)	
Add ending accrued expenditures, (deduct) ending prepaid expenditures			394,623	
Total expenditures			<u>6,899,484</u>	
Deficiency of revenues over expenditures			(1,570,210)	
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 3,937,177	\$ 3,937,177	1,200,000	\$ (2,737,177)
Operating transfers out	(5,650,000)	(5,650,000)	(407,000)	5,243,000
	<u>\$ (1,712,823)</u>	<u>\$ (1,712,823)</u>	793,000	<u>\$ 2,505,823</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses			(777,210)	
FUND BALANCE, BEGINNING OF YEAR			<u>369,730</u>	
FUND DEFICIT, END OF YEAR			<u>\$ (407,480)</u>	

CITY OF DIXON, ILLINOIS
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
 Year Ended April 30, 2007

	Appropriation		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 334,500	\$ 334,500	\$ 382,474	\$ 47,974
Revenue from use of money and property	35,000	35,000	55,144	20,144
Total cash receipts	\$ 369,500	\$ 369,500	437,618	\$ 68,118
(Deduct) beginning accrued revenues			-	
Add ending accrued revenues			-	
Total revenues			437,618	
EXPENDITURES				
Payments to pensions	\$ 450,000	\$ 450,000	159,929	\$ 290,071
Administration service	5,000	5,000	2,000	3,000
Total cash disbursements	\$ 455,000	\$ 455,000	161,929	\$ 293,071
(Deduct) beginning accrued expenditures			-	
Add ending accrued expenditures			-	
Total expenditures			161,929	
Excess of revenues over expenditures			275,689	
OTHER FINANCING USES				
Operating transfers out	\$ (450,000)	\$ (450,000)	-	\$ 450,000
Excess of revenues over expenditures and other financing uses			275,689	
FUND BALANCE, BEGINNING OF YEAR			2,330,289	
FUND BALANCE, END OF YEAR			\$ 2,605,978	

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, 2007

	<u>Appropriation</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive
				(Negative)
REVENUES				
Sales tax	\$ 2,570,000	\$ 2,570,000	\$ 2,380,060	\$ (189,940)
Non-home rule sales tax	-	-	629,500	629,500
Revenue from use of money and property	<u>15,000</u>	<u>15,000</u>	<u>30,611</u>	<u>15,611</u>
Total cash receipts	<u>\$ 2,585,000</u>	<u>\$ 2,585,000</u>	3,040,171	<u>\$ 455,171</u>
(Deduct) beginning accrued revenues			(446,092)	
Add ending accrued revenues			<u>480,916</u>	
Total revenues			<u>3,074,995</u>	
EXPENDITURES				
Payments to Ken Nelson Auto Plaza	<u>\$ 250,000</u>	<u>\$ 250,000</u>	63,859	<u>\$ 186,141</u>
(Deduct) beginning accrued expenditures			(12,402)	
Add ending accrued expenditures			<u>11,582</u>	
Total expenditures			<u>63,039</u>	
Excess of revenues over expenditures			3,011,956	
OTHER FINANCING USES				
Operating transfers out	<u>\$ (16,200,000)</u>	<u>\$ (16,200,000)</u>	<u>(3,220,000)</u>	<u>\$ 12,980,000</u>
Deficiency of revenues over expenditures and other financing uses			(208,044)	
FUND BALANCE, BEGINNING OF YEAR			<u>1,243,202</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,035,158</u>	

CITY OF DIXON, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2007

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

CITY OF DIXON, ILLINOIS
NONMAJOR FUNDS
COMBINING BALANCE SHEET
April 30, 2007

	Special Revenue											Debt Service			
	General Government				Highways and Streets			Culture and Recreation			Public Safety		Total		
	Garbage	Public Benefit	Downtown Redevelopment Project	Social Security	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Oakwood Cemetery	Civil Defense	Welfare		Emergency Vehicle	Debt Service
ASSETS															
Cash and cash equivalents	\$ 3,782	\$ 992	\$ 24,347	\$ 298,299	\$ 42	\$ 83,074	\$ 46,910	\$ 231,300	\$ 140,068	\$ 672	\$ 34,305	\$ 437,330	\$ 17	\$ 1,301,138	
Investments	-	-	-	524,339	-	613,655	-	63,961	-	-	-	184,094	-	1,388,049	
Receivables:															
General property taxes	-	73,719	342,856	336,471	-	-	-	251,058	58,916	37,007	14,359	-	-	1,114,386	
Motor fuel tax allotments	-	-	-	-	-	37,877	-	-	-	-	-	-	-	37,877	
Accounts, less allowance for estimated uncollectibles	-	-	-	-	-	-	312	19,504	-	32,307	-	139,267	-	191,390	
Notes receivable	-	-	67,528	-	-	-	-	-	-	-	-	-	-	67,528	
Prepaid insurance	-	-	-	-	-	-	7,762	-	450	3,513	-	-	-	11,725	
Due from other funds	-	-	-	1,005,252	701,005	-	-	-	-	-	-	-	-	1,706,257	
TOTAL ASSETS	\$ 3,782	\$ 74,711	\$ 434,731	\$ 2,164,361	\$ 701,047	\$ 736,606	\$ 54,984	\$ 565,823	\$ 199,434	\$ 73,499	\$ 48,664	\$ 760,691	\$ 17	\$ 5,818,350	
LIABILITIES															
Vouchers payable	\$ -	\$ -	\$ 36,051	\$ -	\$ -	\$ 910	\$ 30,140	\$ 3,827	\$ -	\$ 4,419	\$ -	\$ 3,877	\$ -	\$ 79,224	
Accrued liabilities:															
Payroll	-	-	-	-	-	-	1,202	4,344	-	3,567	-	-	-	9,113	
Deferred property tax revenue	-	73,719	342,856	336,471	-	-	-	251,058	58,916	37,007	14,359	-	-	1,114,386	
Due to other funds	-	-	-	-	-	-	-	-	-	22,000	-	-	-	22,000	
Total liabilities	-	73,719	378,907	336,471	-	910	31,342	259,229	58,916	66,993	14,359	3,877	-	1,224,723	
FUND BALANCES															
Reserved for prepaid insurance	-	-	-	-	-	-	7,762	-	450	3,513	-	-	-	11,725	
Reserved for debt service	-	-	15,588	-	-	-	-	-	-	-	-	-	-	15,588	
Unreserved	3,782	992	40,236	1,827,890	701,047	735,696	15,880	306,594	140,068	2,993	34,305	756,814	17	4,566,314	
Total fund balances	3,782	992	55,824	1,827,890	701,047	735,696	23,642	306,594	140,518	6,506	34,305	756,814	17	4,593,627	
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,782	\$ 74,711	\$ 434,731	\$ 2,164,361	\$ 701,047	\$ 736,606	\$ 54,984	\$ 565,823	\$ 199,434	\$ 73,499	\$ 48,664	\$ 760,691	\$ 17	\$ 5,818,350	

CITY OF DIXON, ILLINOIS
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2007

	Special Revenue											Debt Service	
	General Government			Highways and Streets		Airport	Culture and Recreation			Cemetery	Welfare	Public Safety	
	Public Benefit	Downtown Redevelopment Project	Social Security	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Oakwood Cemetery	Civil Defense	Emergency Vehicle	Debt Service	Total
Operating transfers in	-	7,000	-	-	-	-	-	-	120,000	-	-	-	127,000
Operating transfers out	(73,000)	-	-	-	-	-	-	-	-	-	-	-	(73,000)
Total other financing sources (uses)	-	7,000	-	-	-	-	-	-	120,000	-	-	-	54,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	170	(796)	193,464	2,435	478,727	(95,129)	40,254	22,874	(19,515)	7,230	167,084	1	722,525
FUND BALANCE, BEGINNING OF YEAR	3,612	1,788	130,098	698,612	256,969	118,771	266,340	117,644	26,021	27,075	589,730	16	3,871,102
FUND BALANCE, END OF YEAR	\$ 3,782	\$ 992	\$ 55,824	\$ 701,047	\$ 735,696	\$ 23,642	\$ 306,594	\$ 140,518	\$ 6,506	\$ 34,305	\$ 756,814	\$ 17	\$ 4,593,627

CITY OF DIXON, ILLINOIS
 FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 April 30, 2007

	Private Purpose Trust				Agency Fund	
	Dixon					
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Memorial Arch Preservation	Total	Construction Deposits and Escrow
ASSETS						
Cash and cash equivalents	\$ 112,786	\$ -	\$ 13,689	\$ 670	\$ 127,145	\$ 4,679
Investments	347,331	2,329,289	15,181	-	2,691,801	-
Receivables:						
Accounts, net of allowance for estimated uncollectibles	14,577	-	-	-	14,577	-
TOTAL ASSETS	\$ 474,694	\$ 2,329,289	\$ 28,870	\$ 670	\$ 2,833,523	\$ 4,679
LIABILITIES						
Performance deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,679
Total liabilities	-	-	-	-	-	4,679
FUND BALANCES/NET ASSETS						
Reserved for perpetual endowment	474,694	-	-	-	474,694	-
Reserved for deferred compensation Unreserved	-	2,329,289	-	-	2,329,289	-
	-	-	28,870	670	29,540	-
Total fund balances/net assets	474,694	2,329,289	28,870	670	2,833,523	-
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 474,694	\$ 2,329,289	\$ 28,870	\$ 670	\$ 2,833,523	\$ 4,679

CITY OF DIXON, ILLINOIS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2007

	Private Purpose Trusts				Total
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	
ADDITIONS					
Contributions	\$ 6,839	\$ 106,980	\$ -	\$ -	\$ 113,819
Revenue from use of money and property	-	162,170	1,669	1	163,840
Total revenues	<u>6,839</u>	<u>269,150</u>	<u>1,669</u>	<u>1</u>	<u>277,659</u>
DEDUCTIONS					
Withdrawals	-	124,991	-	-	124,991
Administrative	-	13,454	6,090	-	19,544
Total expenditures	<u>-</u>	<u>138,445</u>	<u>6,090</u>	<u>-</u>	<u>144,535</u>
Net (decrease) increase	<u>6,839</u>	<u>130,705</u>	<u>(4,421)</u>	<u>1</u>	<u>133,124</u>
NET ASSETS					
BEGINNING OF YEAR	<u>467,855</u>	<u>2,198,584</u>	<u>33,291</u>	<u>669</u>	<u>2,700,399</u>
NET ASSETS					
END OF YEAR	<u>\$ 474,694</u>	<u>\$ 2,329,289</u>	<u>\$ 28,870</u>	<u>\$ 670</u>	<u>\$ 2,833,523</u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
April 30, 2007

	<u>Pension Trust Funds</u>		
	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total</u>
ASSETS			
Cash			
Investments, at fair value	\$ 402,271	\$ 768,027	\$ 1,170,298
Mutual funds	<u>7,587,827</u>	<u>11,216,345</u>	<u>18,804,172</u>
TOTAL ASSETS	<u>7,990,098</u>	<u>11,984,372</u>	<u>19,974,470</u>
LIABILITIES			
Vouchers payable	<u>43,689</u>	<u>47,112</u>	<u>90,801</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 7,946,409</u>	<u>\$ 11,937,260</u>	<u>\$ 19,883,669</u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2007

	Pension Trust Funds		
	Firefighters' Pension	Police Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 260,485	\$ 373,340	\$ 633,825
Plan members	79,893	165,732	245,625
Total contributions	<u>340,378</u>	<u>539,072</u>	<u>879,450</u>
Investment Income	<u>673,783</u>	<u>973,671</u>	<u>1,647,454</u>
Total additions	<u>1,014,161</u>	<u>1,512,743</u>	<u>2,526,904</u>
DEDUCTIONS			
Benefit payments	592,239	683,928	1,276,167
Management fees	75,657	119,597	195,254
Administrative and audit fee	5,250	5,250	10,500
Other	2,681	2,621	5,302
Total deductions	<u>675,827</u>	<u>811,396</u>	<u>1,487,223</u>
NET INCREASE	338,334	701,347	1,039,681
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>7,608,075</u>	<u>11,235,913</u>	<u>18,843,988</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 7,946,409</u>	<u>\$ 11,937,260</u>	<u>\$ 19,883,669</u>

CITY OF DIXON, ILLINOIS
 SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS, AND COLLECTIONS
 April 30, 2007

Fund	2005			2004			2003		
	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions
Corporate	\$140,783,327	.2560	\$ 360,405	\$144,114,282	.2564	\$ 369,509	\$ 145,241,904	.2564	\$ 372,400
Police Protection	140,783,327	.1498	210,893	144,114,282	.1500	216,171	145,241,904	.1500	217,863
Fire Protection	82,511,852	.1500	123,768	82,807,952	.1500	124,212	86,276,994	.1500	129,415
Audit	140,783,327	.0299	42,094	144,114,282	.0299	43,090	145,241,904	.0290	42,120
Road and Bridge	140,783,327	-	70,339	144,114,282	-	-	145,241,904	-	-
Street and Bridge	140,783,327	-	-	144,114,282	-	-	145,241,904	-	-
Public Benefit	140,783,327	.0499	70,251	144,114,282	.0500	72,057	145,241,904	.0500	72,621
Band	140,783,327	.0399	56,173	144,114,282	.0400	57,646	145,241,904	.0400	58,097
Library	140,783,327	.1498	210,893	144,114,282	.1500	216,171	145,241,904	.1500	217,863
Cemetery	140,783,327	.0250	35,196	144,114,282	.0250	36,029	145,241,904	.0250	36,310
Fire Pension	82,511,852	.3160	260,737	82,807,952	.3116	258,030	86,276,994	.2841	245,113
Police Pension	140,783,327	.2657	374,061	144,114,282	.2661	383,488	145,241,904	.2460	357,295
IMRF	140,783,327	.2722	383,212	144,114,282	.2726	392,856	145,241,904	.2520	366,010
Civil Defense	140,783,327	.0097	13,631	144,114,282	.0097	13,979	145,241,904	.0090	13,072
Claim and Judgment Tax	140,783,327	.2031	285,931	144,114,282	.2034	293,128	145,241,904	.1867	271,167
Library Maintenance	140,783,327	.0200	28,101	144,114,282	.0200	28,823	145,241,904	.0200	29,048
Social Security	140,783,327	.2276	320,423	144,114,282	.2279	328,436	145,241,904	.2107	306,025
TIF District	2,875,063	-	269,539	5,529,901	-	259,056	5,369,479	-	236,807
			<u>\$ 3,045,389</u>			<u>\$ 3,092,681</u>			<u>\$ 2,971,226</u>
			\$ 3,128,498			\$ 3,115,828			\$ 2,831,193

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, 2007

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

The following statistics as of April 30, 2007, were furnished by the Water Department:

Number of metered customers	5,552
Number of unmetered customers for fire protection only	65
Number of hydrants	876
Gallons of water through master meters	759,041,562
Gallons of water billed through meters	713,601,750
Percent billed through meters	94%