



**CITY OF DIXON, ILLINOIS**  
Dixon, Illinois

**BASIC FINANCIAL STATEMENTS**  
April 30, 2010

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>ACCOUNTANT'S REPORT .....</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	2
Statement of Activities.....	3
Balance Sheet – Governmental Funds .....	4
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	7
Statement of Net Assets – Proprietary Funds.....	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	10
Statement of Cash Flows – Proprietary Funds .....	11
Statement of Fiduciary Net Assets – Fiduciary Funds .....	12
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	13
Notes to Basic Financial Statements .....	14

	PAGE
<b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>	<b>51</b>
Schedule of Funding Progress – Pension Trust Funds, Illinois Municipal Retirement Fund and Other Post–Employment Benefits.....	52
<b>General Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Appropriation (NON-GAAP Basis) and Actual .....	53
<b>Illinois Municipal Retirement Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Appropriation (NON-GAAP Basis) and Actual .....	58
<b>Municipal Sales Tax Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Appropriation (NON-GAAP Basis) and Actual .....	59
Notes to Required Supplemental Information.....	60
<b>OTHER SUPPLEMENTAL INFORMATION .....</b>	<b>61</b>
<u>Non-Major Funds</u>	
Combining Balance Sheet .....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	63
<u>Fiduciary Funds</u>	
Combining Balance Sheet .....	64
<u>Private Purpose Trust Funds</u>	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	65
<u>Pension Trust Funds</u>	
Combining Statement of Plan Net Assets .....	66
Combining Statement of Changes in Plan Net Assets .....	67
<b>SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS     AND COLLECTIONS .....</b>	<b>68</b>
<b>INSURANCE COVERAGE AND STATISTICS .....</b>	<b>69</b>



**Clifton  
Gunderson LLP**  
Certified Public Accountants & Consultants

### 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, 2010 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 52 and budgetary comparison information on pages 53 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have not audited or reviewed the accompanying required supplementary information, and accordingly do not express an opinion or any other form of assurance on such information. The other supplemental information on pages 61 through 69 is presented only for additional analysis purposes. We have not audited or reviewed the accompanying other 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  
August 24, 2010

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**April 30, 2010**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 816,508	\$ 465,799	\$ 1,282,307
Investments	532,041	270,656	802,697
Restricted cash	-	287,989	287,989
Restricted investments	-	163,779	163,779
General property taxes receivable	3,740,517	-	3,740,517
Due from State of Illinois	1,077,851	-	1,077,851
Motor fuel tax receivable	34,578	-	34,578
Accounts receivable	230,094	795,055	1,025,149
Other receivables	290,018	720	290,738
Notes receivable	10,368	-	10,368
Internal balances	305,498	(305,498)	-
Inventory	48,458	100,025	148,483
Prepaid insurance	48,230	55,721	103,951
Land and improvements	2,530,861	149,073	2,679,934
Construction in progress	208,420	1,651,056	1,859,476
Other capital assets, net of depreciation	43,453,601	37,840,184	81,293,785
<b>TOTAL ASSETS</b>	<b>53,327,043</b>	<b>41,474,559</b>	<b>94,801,602</b>
<b>LIABILITIES</b>			
Vouchers payable	450,921	192,209	643,130
Accrued payroll and taxes	435,779	39,219	474,998
Accrued interest	176,021	126,818	302,839
Accrued liabilities	80,960	-	80,960
Deferred license income	37,276	-	37,276
Deferred property tax revenue	3,740,517	-	3,740,517
Consumer deposits	-	391,242	391,242
Long-term liabilities:			
Due within one year	1,262,064	1,318,028	2,580,092
Due in more than one year	11,236,965	19,706,188	30,943,153
Total liabilities	17,420,503	21,773,704	39,194,207
<b>NET ASSETS (DEFICITS)</b>			
Invested in capital assets, net of related debt	33,693,853	18,616,097	52,309,950
Restricted for:			
Special revenue	8,410,197	-	8,410,197
Debt service	18	-	18
Enterprise funds	-	451,768	451,768
Unrestricted	(6,197,528)	632,990	(5,564,538)
<b>TOTAL NET ASSETS (DEFICITS)</b>	<b>\$ 35,906,540</b>	<b>\$ 19,700,855</b>	<b>\$ 55,607,395</b>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS  
STATEMENT OF ACTIVITIES  
Year Ended April 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities							
General government	\$ 3,601,031	\$ 270,910	\$ -	\$ 32,365	\$ (3,297,756)	\$ -	\$ (3,297,756)
Public safety	4,807,166	530,266	-	-	(4,276,900)	-	(4,276,900)
Public works	139,118	-	-	-	(139,118)	-	(139,118)
Highways and streets	2,113,323	-	-	-	(2,113,323)	-	(2,113,323)
Traffic development	77,690	-	-	-	(77,690)	-	(77,690)
Welfare	25,016	-	-	-	(25,016)	-	(25,016)
Culture and recreation	450,615	22,119	117,597	-	(310,899)	-	(310,899)
Airport	57,331	-	-	-	(57,331)	-	(57,331)
Cemetery	262,708	61,142	-	-	(201,566)	-	(201,566)
Interest on long-term debt	548,217	-	-	-	(548,217)	-	(548,217)
Total governmental activities	12,082,215	884,437	117,597	32,365	(11,047,816)	-	(11,047,816)
Business-type activities:							
Landfill	16,788	1,221,758	-	-	-	1,204,970	1,204,970
Sewer	2,881,024	2,055,300	-	-	-	(625,724)	(625,724)
Water Department	1,939,761	1,666,709	-	1,033,551	-	760,499	760,499
Total business-type activities	4,837,573	4,943,767	-	1,033,551	-	1,139,745	1,139,745
<b>Total primary government</b>	<b>\$ 16,919,788</b>	<b>\$ 5,828,204</b>	<b>\$ 117,597</b>	<b>\$ 1,065,916</b>	<b>(11,047,816)</b>	<b>1,139,745</b>	<b>(9,908,071)</b>
<b>General Revenues:</b>							
Property taxes					3,691,963	-	3,691,963
Sales tax					3,392,775	-	3,392,775
Personal property replacement tax					614,531	-	614,531
Income tax and surcharge					1,149,515	-	1,149,515
Foreign fire insurance tax					24,226	-	24,226
Motel tax					58,960	-	58,960
Utility tax					646,105	-	646,105
Telecom tax					85,861	-	85,861
Motor fuel tax allotments					409,501	-	409,501
Interest					139,579	10,097	149,676
Other					1,156,469	191,004	1,347,473
Internal activity - transfers/capital contributions					(3,169,484)	3,169,484	-
Total general revenues and transfers					8,200,001	3,370,585	11,570,586
Change in net assets					(2,847,815)	4,510,330	1,662,515
<b>NET ASSETS, BEGINNING OF YEAR</b>					<b>39,754,355</b>	<b>15,180,525</b>	<b>53,944,880</b>
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 35,906,540</b>	<b>\$ 19,700,855</b>	<b>\$ 55,607,395</b>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2010

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 296,644	\$ 15,270	\$ 6,308	\$ 13,965	\$ 484,321	\$ 816,508
Investments	16,385	163,618	17,170	26,712	308,156	532,041
Receivables:						
General property taxes	2,001,331	451,239	-	-	1,287,947	3,740,517
State income tax	451,373	-	-	-	-	451,373
Sales tax	-	-	534,470	-	-	534,470
Motor fuel tax allotments	-	-	-	-	34,578	34,578
Utility tax	92,008	-	-	-	-	92,008
Accounts	7,600	-	-	-	222,494	230,094
Circuit Clerk	12,593	-	-	-	-	12,593
Other	174,433	-	-	-	102,992	277,425
Notes receivable	-	-	-	-	10,368	10,368
Inventory	48,458	-	-	-	-	48,458
Prepaid insurance	40,558	-	-	-	13,391	53,949
Due from other funds	249,498	3,303,551	-	-	4,186,946	7,739,995
<b>TOTAL ASSETS</b>	<b>\$ 3,390,881</b>	<b>\$ 3,933,678</b>	<b>\$ 557,948</b>	<b>\$ 40,677</b>	<b>\$ 6,651,193</b>	<b>\$ 14,574,377</b>
<b>LIABILITIES</b>						
Vouchers payable	\$ 136,947	\$ -	\$ 10,691	\$ 1,345	\$ 301,938	\$ 450,921
Accrued liabilities:						
Payroll	407,618	-	-	-	17,367	424,985
Accrued payroll taxes and other withholdings	10,794	-	-	-	-	10,794
Other	86,679	-	-	-	-	86,679
Deferred license income	37,276	-	-	-	-	37,276
Deferred property tax revenue	2,001,331	451,239	-	-	1,287,947	3,740,517
Due to other funds	5,258,250	-	50,000	1,526,216	600,031	7,434,497
<b>Total liabilities</b>	<b>7,938,895</b>	<b>451,239</b>	<b>60,691</b>	<b>1,527,561</b>	<b>2,207,283</b>	<b>12,185,669</b>
<b>FUND (DEFICIT) BALANCES</b>						
Unrestricted						
Reserved for inventory and prepaids	89,016	-	-	-	13,391	102,407
Unreserved						
General	(4,637,030)	-	-	-	-	(4,637,030)
Special revenue	-	3,482,439	497,257	-	4,430,501	8,410,197
Capital projects	-	-	-	(1,486,884)	-	(1,486,884)
Debt service	-	-	-	-	18	18
<b>Total fund (deficit) balances</b>	<b>(4,548,014)</b>	<b>3,482,439</b>	<b>497,257</b>	<b>(1,486,884)</b>	<b>4,443,910</b>	<b>2,388,708</b>
<b>TOTAL LIABILITIES AND FUND (DEFICIT) BALANCES</b>	<b>\$ 3,390,881</b>	<b>\$ 3,933,678</b>	<b>\$ 557,948</b>	<b>\$ 40,677</b>	<b>\$ 6,651,193</b>	<b>\$ 14,574,377</b>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**Year Ended April 30, 2010**

Total governmental fund balances	\$ 2,388,708
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 \$22,885,787	46,192,882
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(11,699,000)
Contract payable	(45,666)
Other post-employment benefits	(196,965)
Net pension obligation	(557,398)
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>(176,021)</u>
<b>Total net assets - governmental activities</b>	<b><u>\$ 35,906,540</u></b>

See accountant's compilation report and accompanying notes.



CITY OF DIXON, ILLINOIS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended April 30, 2010

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 1,972,544	\$ 443,396	\$ -	\$ -	\$ 1,276,023	\$ 3,691,963
Foreign fire insurance tax	-	-	-	-	24,226	24,226
Intergovernmental revenues	2,538,168	-	3,392,775	-	576,267	6,507,210
Licenses, permits, and other fees	270,910	-	-	-	-	270,910
Fines and penalties	159,894	-	-	-	-	159,894
Charges for services	-	-	-	-	453,633	453,633
Revenue from use of money and property	335	16,833	189	1,227	120,995	139,579
Other	489,586	-	-	650,000	26,883	1,166,469
<b>Total revenues</b>	<b>5,431,437</b>	<b>460,229</b>	<b>3,392,964</b>	<b>651,227</b>	<b>2,478,027</b>	<b>12,413,884</b>
<b>EXPENDITURES</b>						
General government	2,229,580	-	52,188	-	52,314	2,334,082
Public safety						
Police protection and community relations	2,635,980	-	-	-	-	2,635,980
Fire fighting and prevention and emergency vehicle	1,288,127	-	-	-	331,992	1,620,119
Public works	139,118	-	-	-	-	139,118
Highways and streets	735,156	-	-	-	1,347,113	2,082,269
Traffic development	77,690	-	-	-	-	77,690
Welfare-Civil Defense	-	-	-	-	25,016	25,016
Culture and recreation	-	-	-	-	459,315	459,315
Airport operations	-	-	-	-	117,177	117,177
Cemetery operations	-	-	-	-	248,014	248,014
Capital outlay	-	-	-	7,533,663	100,902	7,634,565
Debt Service						
Principal	-	-	-	647,000	-	647,000
Interest	-	-	-	558,295	-	558,295
Payments to pensions	747,479	179,151	-	-	-	926,630
Payments to Social Security System	-	-	-	-	183,165	183,165
<b>Total expenditures</b>	<b>7,853,130</b>	<b>179,151</b>	<b>52,188</b>	<b>8,738,958</b>	<b>2,865,008</b>	<b>19,688,435</b>
Excess (deficiency) of revenues over expenditures	(2,421,693)	281,078	3,340,776	(8,087,731)	(386,981)	(7,274,551)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	1,010,000	-	-	4,925,000	-	5,935,000
Operating transfers out	(400,000)	-	(3,460,000)	-	(450,000)	(4,310,000)
<b>Total other financing sources (uses)</b>	<b>610,000</b>	<b>-</b>	<b>(3,460,000)</b>	<b>4,925,000</b>	<b>(450,000)</b>	<b>1,625,000</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,811,693)	281,078	(119,224)	(3,162,731)	(836,981)	(5,649,551)
<b>FUND (DEFICIT) BALANCE, BEGINNING OF YEAR</b>	<b>(2,736,321)</b>	<b>3,201,361</b>	<b>616,481</b>	<b>1,675,847</b>	<b>5,280,891</b>	<b>8,038,259</b>
<b>FUND (DEFICIT) BALANCE, END OF YEAR</b>	<b>\$ (4,548,014)</b>	<b>\$ 3,482,439</b>	<b>\$ 497,257</b>	<b>\$ (1,486,884)</b>	<b>\$ 4,443,910</b>	<b>\$ 2,388,708</b>

See accountant's compilation report and accompanying notes.

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, 2010

Net change in fund balances - total governmental funds	\$ (5,649,551)
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.	2,344,012
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. This is the amount by which debt repayments exceeded debt proceeds.	447,646
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>10,078</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ (2,847,815)</u></b>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
April 30, 2010

	Business-Type Activities			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 27,720	\$ 99,498	\$ 338,581	\$ 465,799
Restricted cash	-	-	287,989	287,989
Investments:				
Unrestricted	-	-	270,656	270,656
Restricted	-	-	163,779	163,779
Receivables:				
Accounts	-	23,824	771,231	795,055
Interest	-	-	720	720
Due from other funds:				
Sewerage Fund	1,335,744	-	-	1,335,744
Water Department	-	509,237	-	509,237
Other governmental funds	750,000	1,025,000	-	1,775,000
Inventory	-	-	100,025	100,025
Prepaid insurance	-	17,804	37,917	55,721
	<u>2,113,464</u>	<u>1,675,363</u>	<u>1,970,898</u>	<u>5,759,725</u>
Total current assets				
<b>PROPERTY AND EQUIPMENT</b>				
Assets not depreciated				
Land	-	-	149,073	149,073
Construction in progress	-	-	1,651,056	1,651,056
Total assets not depreciated	<u>-</u>	<u>-</u>	<u>1,800,129</u>	<u>1,800,129</u>
Assets being depreciated				
Sewerage system	-	19,093,114	-	19,093,114
Water system	-	3,985,743	15,041,516	19,027,259
Building and improvements	-	335,995	-	335,995
Wastewater treatment plant	-	17,503,572	-	17,503,572
Machinery and equipment	58,928	545,337	428,514	1,032,779
Furniture and fixtures	-	8,953	111,373	120,326
Transportation equipment	-	111,836	461,475	573,311
	<u>58,928</u>	<u>41,584,550</u>	<u>16,042,878</u>	<u>57,686,356</u>
Less accumulated depreciation	<u>(58,928)</u>	<u>(14,316,178)</u>	<u>(5,471,066)</u>	<u>(19,846,172)</u>
Net property and equipment being depreciated	<u>-</u>	<u>27,268,372</u>	<u>10,571,812</u>	<u>37,840,184</u>
Net property and equipment	<u>-</u>	<u>27,268,372</u>	<u>12,371,941</u>	<u>39,640,313</u>
Total assets	<u>2,113,464</u>	<u>28,943,735</u>	<u>14,342,839</u>	<u>45,400,038</u>

(continued)

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**April 30, 2010**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
<b>LIABILITIES</b>				
Current liabilities:				
Vouchers payable	-	42,054	150,155	192,209
Accrued liabilities:				
Payroll	-	10,704	23,454	34,158
Interest	-	107,754	19,064	126,818
Vacation pay	-	-	5,061	5,061
Due to other funds:				
Other governmental funds	1,860,000	200,000	20,498	2,080,498
Landfill Fund	-	1,335,744	-	1,335,744
Sewerage Fund	-	-	509,237	509,237
Consumer deposits	-	-	391,242	391,242
Notes payable - current portion	-	946,588	-	946,588
EPA loan payable - current portion	-	-	344,440	344,440
Bonds payable - current portion	-	-	27,000	27,000
<b>Total current liabilities</b>	<u>1,860,000</u>	<u>2,642,844</u>	<u>1,490,151</u>	<u>5,992,995</u>
Long-term liabilities:				
Notes payable	-	11,687,693	-	11,687,693
EPA loan payable	-	-	7,959,495	7,959,495
Bonds payable	-	-	59,000	59,000
<b>Total long-term liabilities</b>	<u>-</u>	<u>11,687,693</u>	<u>8,018,495</u>	<u>19,706,188</u>
<b>Total liabilities</b>	<u>1,860,000</u>	<u>14,330,537</u>	<u>9,508,646</u>	<u>25,699,183</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	14,634,091	3,982,006	18,616,097
Restricted	-	-	451,768	451,768
Unrestricted	253,464	(20,893)	400,419	632,990
<b>Total net assets</b>	<u>\$ 253,464</u>	<u>\$ 14,613,198</u>	<u>\$ 4,834,193</u>	<u>\$ 19,700,855</u>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended April 30, 2010**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
<b>OPERATING REVENUES</b>				
User fees	\$ -	\$ 1,953,207	\$ 1,484,673	\$ 3,437,880
Host fees	1,221,758	-	-	1,221,758
Labor and merchandise	-	-	71,707	71,707
Miscellaneous	-	102,093	110,329	212,422
Total operating revenues	<u>1,221,758</u>	<u>2,055,300</u>	<u>1,666,709</u>	<u>4,943,767</u>
<b>OPERATING EXPENSES</b>				
Salaries	2,700	257,354	631,495	891,549
Maintenance of site and buildings	-	151,082	169,638	320,720
Other maintenance	-	2,572	811	3,383
Supplies and services	-	27,868	109,571	137,439
Electricity	-	249,111	203,107	452,218
Fuel, gas and oil	-	25,337	40,626	65,963
Professional service and fees	-	28,611	44,092	72,703
Insurance	-	54,379	114,158	168,537
Miscellaneous	5,247	26,524	3,498	35,269
Dues and subscriptions	-	1,228	-	1,228
Travel and education expense	278	1,440	-	1,718
Training	-	180	3,194	3,374
Depreciation	8,563	1,724,057	407,433	2,140,053
Total operating expenses	<u>16,788</u>	<u>2,549,743</u>	<u>1,727,623</u>	<u>4,294,154</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,204,970</u>	<u>(494,443)</u>	<u>(60,914)</u>	<u>649,613</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	1,507	594	7,996	10,097
Income from reimbursement agreement	-	191,004	-	191,004
Grant revenue	-	-	1,033,551	1,033,551
Interest expense	-	(331,281)	(212,138)	(543,419)
Total nonoperating revenues (expenses)	<u>1,507</u>	<u>(139,683)</u>	<u>829,409</u>	<u>691,233</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,206,477	(634,126)	768,495	1,340,846
<b>CAPITAL CONTRIBUTIONS</b>	-	4,794,484	-	4,794,484
<b>TRANSFERS IN</b>	210,000	-	-	210,000
<b>TRANSFERS OUT</b>	<u>(1,835,000)</u>	<u>-</u>	<u>-</u>	<u>(1,835,000)</u>
<b>CHANGE IN NET ASSETS</b>	(418,523)	4,160,358	768,495	4,510,330
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>671,987</u>	<u>10,452,840</u>	<u>4,065,698</u>	<u>15,190,525</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 253,464</u>	<u>\$ 14,613,198</u>	<u>\$ 4,834,193</u>	<u>\$ 19,700,855</u>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended April 30, 2010**

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Department Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,221,758	\$ 2,031,476	\$ 1,617,160	\$ 4,870,394
Payments to employees	(2,700)	(264,603)	(618,068)	(885,371)
Payments to suppliers	-	(618,520)	(859,093)	(1,477,613)
Other payments	(5,525)	-	-	(5,525)
Net cash provided by operating activities	<u>1,213,533</u>	<u>1,148,353</u>	<u>139,999</u>	<u>2,501,885</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from reimbursement agreement	-	191,004	-	191,004
Operating transfers to other funds	(1,625,000)	-	-	(1,625,000)
Net cash provided by (used in) non-capital financing activities	<u>(1,625,000)</u>	<u>191,004</u>	<u>-</u>	<u>(1,433,996)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from EPA loan	-	-	858,522	858,522
Proceeds from grant revenue	-	-	1,033,551	1,033,551
Advances from (to) other funds	(100,000)	(171,402)	91,900	(179,502)
Principal paid on revenue bond	-	-	(26,000)	(26,000)
Principal paid on notes payable	-	(922,828)	(328,298)	(1,251,126)
Payment of interest on debt	-	(331,281)	(212,138)	(543,419)
Acquisition of capital assets	-	(125,741)	(1,663,668)	(1,789,409)
Net cash used in capital financing activities	<u>(100,000)</u>	<u>(1,551,252)</u>	<u>(246,131)</u>	<u>(1,897,383)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of investments	-	-	(5,426)	(5,426)
Interest income	1,507	594	7,996	10,097
Net cash provided by investing activities	<u>1,507</u>	<u>594</u>	<u>2,570</u>	<u>4,671</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(509,960)	(211,301)	(103,562)	(824,823)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>537,680</u>	<u>310,799</u>	<u>730,132</u>	<u>1,578,611</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 27,720</u>	<u>\$ 99,498</u>	<u>\$ 626,570</u>	<u>\$ 753,788</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,204,970	\$ (494,443)	\$ (60,914)	\$ 649,613
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	8,563	1,724,057	407,433	2,140,053
Effects of changes in operating assets and liabilities				
Accounts receivable	-	(23,824)	(63,992)	(87,816)
Prepaid insurance	-	3	130	133
Inventory	-	-	20,184	20,184
Accounts payable	-	(50,191)	(190,713)	(240,904)
Consumer deposits	-	-	14,443	14,443
Accrued liabilities	-	(7,249)	13,428	6,179
Net cash provided by operating activities	<u>\$ 1,213,533</u>	<u>\$ 1,148,353</u>	<u>\$ 139,999</u>	<u>\$ 2,501,885</u>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**April 30, 2010**

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,939,172	\$ 34,886	\$ 5,369	\$ 1,979,427
Investments	17,299,488	2,491,869	-	19,791,357
Receivables:				
Accounts	-	12,884	-	12,884
Investment income	<u>54,134</u>	<u>-</u>	<u>-</u>	<u>54,134</u>
<b>TOTAL ASSETS</b>	<u>19,292,794</u>	<u>2,539,639</u>	<u>5,369</u>	<u>21,837,802</u>
<b>LIABILITIES</b>				
Vouchers payable	46,420	-	-	46,420
Performance deposits	<u>-</u>	<u>-</u>	<u>5,369</u>	<u>5,369</u>
<b>TOTAL LIABILITIES</b>	<u>46,420</u>	<u>-</u>	<u>5,369</u>	<u>51,789</u>
<b>NET ASSETS</b>				
Net assets held in trust for pension benefits	19,246,374	-	-	19,246,374
Net assets held in trust for other purposes	<u>-</u>	<u>2,539,639</u>	<u>-</u>	<u>2,539,639</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 19,246,374</u>	<u>\$ 2,539,639</u>	<u>\$ -</u>	<u>\$ 21,786,013</u>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended April 30, 2010**

	<b><u>Pension</u></b>	<b><u>Private-</u></b>
	<b><u>Trust</u></b>	<b><u>Purpose</u></b>
		<b><u>Trust</u></b>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 747,478	\$ -
Plan members	261,569	-
Other	-	150,598
Total contributions	<u>1,009,047</u>	<u>150,598</u>
Investment income	<u>2,773,411</u>	<u>342,469</u>
Other income	<u>131</u>	<u>-</u>
Total additions	<u>3,782,589</u>	<u>493,067</u>
<b>DEDUCTIONS</b>		
Benefit payments	1,535,903	-
Management fees	137,531	-
Withdrawals	-	192,027
Administrative and audit fee	17,720	21,621
Other	19,640	-
Total deductions	<u>1,710,794</u>	<u>213,648</u>
<b>CHANGE IN NET ASSETS</b>	<b>2,071,795</b>	<b>279,419</b>
<b>NET ASSETS HELD IN TRUST, BEGINNING OF YEAR</b>	<b><u>17,174,579</u></b>	<b><u>2,260,220</u></b>
<b>NET ASSETS HELD IN TRUST, END OF YEAR</b>	<b><u>\$ 19,246,374</u></b>	<b><u>\$ 2,539,639</u></b>

See accountant's compilation report and accompanying notes.



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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. The effect of material interfund activity has been removed from these statements.

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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Government-Wide Statements (Continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, highways and streets, traffic development, etc.) and business-type activities. 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.

**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 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. GASB Statement 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 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.

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements – Fund Financial Statements (Continued)**

Governmental Fund Types (continued)

**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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 is reported using accounting principles similar to proprietary funds.

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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Major, Nonmajor and Fiduciary Fund 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.

**Riverfront Project Fund** - This fund is used to account for the revenues and expenditures associated with the riverfront project. 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  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**Foreign Fire Insurance Fund** - This fund is used to account for the revenues and expenditures associated with the foreign fire insurance tax. Financing is provided by foreign fire insurance tax.

**Veteran's Memorial Commission Fund** - This fund is used to account for the revenues and expenditures associated with the Veteran's Memorial Park. Financing is provided from donations and contributions.

**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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

**New Accounting Standards**

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The City will be required to adopt GASB 54 in its April 30, 2012 financial statements. The City has not determined the effect, if any, the adoption of GASB No. 54 will have on the City's net assets.

**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 twelve months or less. Any maturity dates over twelve 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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are uncollateralized customer obligations which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount plus accrued penalties. Any late unpaid accounts bear penalties at 10% of water portion. Account balances with invoices over 45 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the City could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. An allowance for doubtful accounts has been provided to uncollectible accounts receivable in the amount of \$52,500.

**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 individual governmental activities and individual business-type 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, 2010, 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:



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

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

**Impairment of Long-Lived Assets**

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Property Taxes**

Property taxes generated from the 2008 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2010 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 ensuing 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 principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity/Net Assets**

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 appropriable for expenditure. Proprietary fund equity is classified the same as in the government-wide statements.

**Interfund Transactions**

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

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

**Compensated Absences**

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

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

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, 2010, \$5,061 of accrued vacation is included in accrued employee compensation.

**Proprietary Funds Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - 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 deposits and investments was \$24,305,613 and the bank balances totaled \$24,464,639. Cash on hand was \$1,943.

At year end, the investment maturities are as follows:

<u>Investment Type</u>	<u>Fair value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10 or more</u>
Certificates of Deposit	\$ 1,269,388	\$ 299,296	\$ 970,092	\$ -	\$ -
U.S. Treasuries and Agencies	7,844,098	1,003,120	731,977	719,848	5,389,153
Corporate Bonds	610,541	-	610,541	-	-
Illinois Treasurer's Investment Pool	145,371	145,371	-	-	-
Mutual Funds	<u>8,844,104</u>	<u>8,844,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$18,713,502</u></b>	<b><u>\$10,291,891</u></b>	<b><u>\$2,312,610</u></b>	<b><u>\$ 719,848</u></b>	<b><u>\$5,389,153</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**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, 2010, the City had \$145,371 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.

**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, 2010, \$-0- of the City's deposits were exposed to custodial credit risk.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have more than 5.00% of its investments with any one issuer.

**NOTE 3 - NOTES RECEIVABLE**

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 2.50% and the entire balance was due April 30, 2010. The note was secured by a mortgage on the property. The note was paid in full during the year.

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 2.50% and the entire balance of the note was due October 1, 2011. The note was secured by a junior mortgage on the property. The note was paid in full during the year.

On January 6, 2009, the City entered into a promissory note for building renovations with Juana Ayala and Kora Rivera of Dixon for \$13,558. Interest is at 2.50% and the entire balance of the note is due March 6, 2014. The note is secured by a junior mortgage on the property. The balance at April 30, 2010 is \$10,368.

The notes receivable are due as follows:

**Year Ending April 30**

2011	\$ 2,649
2012	2,716
2013	2,784
2014	<u>2,219</u>
<b>Total</b>	<b><u>\$ 10,368</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2010, was as follows:

	<u>Balance at May 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2010</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,530,861	\$ -	\$ -	\$ 2,530,861
Construction in progress	<u>2,930,278</u>	<u>148,824</u>	<u>2,870,682</u>	<u>208,420</u>
Total capital assets not being depreciated	<u>5,461,139</u>	<u>148,824</u>	<u>2,870,682</u>	<u>2,739,281</u>
Capital assets being depreciated:				
Buildings	12,146,367	-	-	12,146,367
Equipment	5,625,183	315,656	71,342	5,869,497
Infrastructure	<u>40,902,440</u>	<u>7,421,084</u>	<u>-</u>	<u>48,323,524</u>
Total capital assets being depreciated	<u>58,673,990</u>	<u>7,736,740</u>	<u>71,342</u>	<u>66,339,388</u>
Less accumulated depreciation:				
Buildings	3,724,366	306,041	-	4,030,407
Equipment	3,531,781	436,083	71,342	3,896,522
Infrastructure	<u>13,030,112</u>	<u>1,928,746</u>	<u>-</u>	<u>14,958,858</u>
Total accumulated depreciation	<u>20,286,259</u>	<u>2,670,870</u>	<u>71,342</u>	<u>22,885,787</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 43,848,870</b></u>	<u><b>\$5,214,694</b></u>	<u><b>\$2,870,682</b></u>	<u><b>\$ 46,192,882</b></u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Balance at May 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2010</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 149,073	\$ -	\$ -	\$ 149,073
Construction in progress	<u>5,724,982</u>	<u>1,522,910</u>	<u>5,596,836</u>	<u>1,651,056</u>
Total capital assets not being depreciated	<u>5,874,055</u>	<u>1,522,910</u>	<u>5,596,836</u>	<u>1,800,129</u>
Capital assets being depreciated:				
Sewerage system	14,029,316	5,063,798	-	19,093,114
Water system	13,454,076	5,573,183	-	19,027,259
Building and improvements	325,365	10,630	-	335,995
Machinery and equipment	1,022,572	10,207	-	1,032,779
Furniture and fixtures	120,326	-	-	120,326
Transportation equipment	573,311	-	-	573,311
Waste Water Treatment Plant	<u>17,503,572</u>	<u>-</u>	<u>-</u>	<u>17,503,572</u>
Total capital assets being depreciated	<u>47,028,538</u>	<u>10,657,818</u>	<u>-</u>	<u>57,686,356</u>
Less accumulated depreciation:				
Sewerage system	6,162,711	671,924	-	6,834,635
Water system	4,841,116	505,092	-	5,346,208
Building and improvements	145,204	2,171	-	147,375
Machinery and equipment	847,066	43,398	-	890,464
Furniture and fixtures	119,507	819	-	120,326
Transportation equipment	397,268	41,472	-	438,740
Waste Water Treatment Plant	<u>5,193,247</u>	<u>875,177</u>	<u>-</u>	<u>6,068,424</u>
Total accumulated depreciation	<u>17,706,119</u>	<u>2,140,053</u>	<u>-</u>	<u>19,846,172</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$35,196,474</b></u>	<u><b>\$10,040,675</b></u>	<u><b>\$5,596,836</b></u>	<u><b>\$39,640,313</b></u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
General government	\$ 457,197
Public safety	444,798
Highways and streets	1,697,099
Culture and recreation	1,300
Airport	45,787
Cemetery	<u>24,689</u>
<b>Total depreciation expense</b>	<b><u>\$ 2,670,870</u></b>
Business-type activities:	
Landfill	\$ 8,563
Sewer	1,724,057
Water department	<u>407,433</u>
<b>Total depreciation expense</b>	<b><u>\$ 2,140,053</u></b>

**NOTE 5 - PAYMENTS TO KEN NELSON AUTO PLAZA**

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The agreement expires in May 2024. The amount of ROT rebate expenses during fiscal year ending April 30, 2010 was \$52,188.

**NOTE 6 - LEGAL DEBT MARGIN**

The following schedule illustrates the legal debt margin of the City as of April 30, 2010:

Assessed valuation – 2009	<u>\$ 189,198,951</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 16,318,410
Total debt:	
General Obligation Debt Certificates	\$ 11,699,000
EPA loans payable	8,303,935
Notes payable	12,634,281
Water Revenue Bonds	86,000
Contract payable	45,666
Deduct bonds exempt from debt limitation computation:	
General Obligation Debt Certificates	(11,699,000)
EPA loans payable	(8,303,935)
Notes payable	(12,634,281)
Water Revenue Bonds	<u>(86,000)</u>
<b>Legal debt margin</b>	<b><u>\$ 16,272,744</u></b>



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 7 - LONG-TERM DEBT**

Transactions for the year ended April 30, 2010 are summarized as follows:

**Governmental Activities**

	<u>Balance</u> <u>May 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>April 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Debt certificates	\$ 12,346,000	\$ -	\$ 647,000	\$ 11,699,000	\$ 679,000
Contract payable	71,333	-	25,667	45,666	25,666
Net pension obligation	400,244	157,154	-	557,398	557,398
Other post-employment benefits	<u>129,098</u>	<u>67,867</u>	<u>-</u>	<u>196,965</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>\$ 12,946,675</u></b>	<b><u>\$ 225,021</u></b>	<b><u>\$ 672,667</u></b>	<b><u>\$ 12,499,029</u></b>	<b><u>\$1,262,064</u></b>

**Business-type Activities**

EPA loans payable	\$ 7,773,711	\$ 858,522	\$ 328,298	\$ 8,303,935	\$ 344,440
Notes payable	13,557,109	-	922,828	12,634,281	946,588
Bonds payable	<u>112,000</u>	<u>-</u>	<u>26,000</u>	<u>86,000</u>	<u>27,000</u>
<b>Total business-type activities</b>	<b><u>\$ 21,442,820</u></b>	<b><u>\$ 858,522</u></b>	<b><u>\$1,277,126</u></b>	<b><u>\$ 21,024,216</u></b>	<b><u>\$1,318,028</u></b>

**Governmental Activities**

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 5.00%.

On April 1, 2008, the City of Dixon issued General Obligation Debt Certificates, Series 2008 of \$6,500,000 (par value) with interest rate of 4.05%.

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activities (Continued)**

Governmental activities debt certificates payable at April 30, 2010, are comprised of the following individual issues:

General Obligation Debt Certificates:

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

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 447,000	\$ 288,541
2012	470,000	265,957
2013	496,000	242,211
2014	522,000	217,151
2015	550,000	190,778
2016-2020	<u>3,226,000</u>	<u>505,894</u>
<b>Total</b>	<b><u>\$ 5,711,000</u></b>	<b><u>\$ 1,710,532</u></b>

\$6,500,000 – 2008 General Obligation Debt Certificates various amounts due annually at 4.05% interest through December 30, 2027. Debt service requirements are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 232,000	\$ 244,569
2012	242,000	235,094
2013	252,000	225,210
2014	262,000	214,917
2015	272,000	204,216
2016-2020	1,537,000	844,884
2021-2025	1,874,000	504,578
2026-2028	<u>1,317,000</u>	<u>108,970</u>
<b>Total</b>	<b><u>\$ 5,988,000</u></b>	<b><u>\$ 2,582,438</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activities (Continued)**

Contract Payable

The City of Dixon entered into a contract payable on October 4, 2004, with Katherine Shaw Bethea Hospital (KSB) for repair work done on a parking structure over a six year period. The contract calls for the City to pay KSB 1/6th of the amount for said repair work, without interest, on or before November 1st of each year, commencing November 1, 2005. The total costs to be repaid over the contract amounted to \$94,000. The following schedule discloses principal and interest requirements to maturity of the contract:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,666	\$ -	\$ 15,666
<b>Total</b>	<u>\$ 15,666</u>	<u>\$ -</u>	<u>\$ 15,666</u>

The City of Dixon entered into an installment contract payable on January 7, 2008, with A & J Properties, LLC for the purchase of land. The contract calls for an initial \$100,000 payment upon execution of the agreement, \$5,000 due on December 1, 2008, followed by four equal payments of \$10,000 due on December 1<sup>st</sup> of each following year. The contract does not bear interest. The total costs to be paid over the contract amount to \$145,000. The following schedule discloses principal and interest requirements to maturity of the contract:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 10,000	\$ -	\$ 10,000
2012	10,000	-	10,000
2013	10,000	-	10,000
<b>Total</b>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

Net Pension Obligation

At April 30, 2010, the City had the following net pension obligation:

Firefighters' Pension	<u>\$ 557,398</u>
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Other Post-Employment Benefits

See Note 11

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities**

Business-type activities notes payable outstanding at April 30, 2010 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.015%	\$ 173,299
River Street sanitary sewer replacement	2.815	167,928
Waste Water Treatment Plant expansion	2.535	<u>12,293,054</u>
<b>Total</b>		<b><u>\$ 12,634,281</u></b>

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

<u>Year Ending April 30</u>	<u>South Side Sewer Trunk</u>		<u>River Street Sewer Replacement</u>		<u>Waste Water Treatment Plant Expansion</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 29,425	\$ 5,005	\$ 28,644	\$ 4,527	\$ 888,519	\$ 306,033
2012	30,319	4,111	29,456	3,715	911,186	283,366
2013	31,240	3,190	30,291	2,880	934,431	260,121
2014	32,189	2,241	31,150	2,021	958,269	236,284
2015	33,167	1,263	32,032	1,138	982,715	211,838
2016-2020	16,959	256	16,355	230	5,302,658	670,105
2021-2022	-	-	-	-	2,315,276	73,827
<b>Total</b>	<b><u>\$ 173,299</u></b>	<b><u>\$ 16,066</u></b>	<b><u>\$ 167,928</u></b>	<b><u>\$ 14,511</u></b>	<b><u>\$12,293,054</u></b>	<b><u>\$ 2,041,574</u></b>

Business-type activities bonds payable outstanding at April 30, 2010 consisted of the following:

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 require interest to be paid on 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, 2009. The following schedule discloses principal and interest requirements to maturity on all bonds:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 27,000	\$ 3,526	\$ 30,526
2012	29,000	2,419	31,419
2013	<u>30,000</u>	<u>1,230</u>	<u>31,230</u>
<b>Total</b>	<b><u>\$ 86,000</u></b>	<b><u>\$ 7,175</u></b>	<b><u>\$ 93,175</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities (Continued)**

EPA Loans Payable

The Water Department entered into a loan agreement on August 22, 2005, with the Environmental Protection Agency for improvements to the City of Dixon Public Water Supply facilities. The work includes the removal of two concrete water storage reservoirs and the construction of a new 1.25 million gallon storage reservoir along with a waterworks building. The loan bears a 2.50% 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 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>
2011	\$ 132,777	\$ 66,039	\$ 198,816
2012	136,116	62,700	198,816
2013	139,541	59,275	198,816
2014	143,051	55,765	198,816
2015	146,650	52,166	198,816
2016-2020	790,477	203,603	994,080
2021-2025	895,034	99,046	994,080
2026-2027	<u>290,919</u>	<u>7,305</u>	<u>298,224</u>
<b>Total</b>	<b><u>\$ 2,674,565</u></b>	<b><u>\$ 605,899</u></b>	<b><u>\$ 3,280,464</u></b>

The Water Department entered into a loan agreement on November 19, 2007, with the Environmental Protection Agency for improvements to the City of Dixon Public Water Supply facilities. The work includes the construction of two water treatment plants to provide compliance with radium standards for the City of Dixon Public Water Supply. The loan bears a 2.50% interest rate with a term of 20 years with principal and interest payments due in March and September of each year. 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>
2011	\$ 211,663	\$ 121,346	\$ 333,009
2012	224,969	120,368	345,337
2013	230,629	114,708	345,337
2014	236,430	108,907	345,337
2015	242,378	102,959	345,337
2016-2020	1,306,475	420,210	1,726,685
2021-2025	1,479,284	247,401	1,726,685
2026-2029	<u>1,147,122</u>	<u>58,236</u>	<u>1,205,358</u>
<b>Total</b>	<b><u>\$ 5,078,950</u></b>	<b><u>\$ 1,294,135</u></b>	<b><u>\$ 6,373,085</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities (Continued)**

EPA Loans Payable (continued)

The Water Department entered into a loan agreement on July 15, 2009, with the Environmental Protection Agency for the construction of two new 1,500 gallons per minute water treatment facilities to provide compliance with radium standards for the City of Dixon public water supply. As of the year ended April 30, 2010, the Water Department has received \$1,334,747 in loan proceeds and has accrued \$249,224 in amounts owed to contractors, for which loan proceeds have not yet been received. The total loan of \$4,134,201 has been approved at a zero percent simple interest rate with a term of 20 years, with principal payments due in January and July of each year. Of the total loan amount, \$2,067,101 of eligible costs are being funded under the American Recovery and Reinvestment Act, of which one-half (1/2), \$1,033,551 will not be required to be repaid. \$2,067,100 of eligible costs are being funded from the Public Water Supply Loan Program (PWSLP). The construction loan is recorded as a current liability until the project has been completed.

Restricted Cash and Investments

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

	<b>Time deposits in banks</b>
Bond account (Net of \$-0- available for operations)	\$ 30,526
Depreciation account (Net of \$18,558 available for operations)	30,000
Consumer deposit account (Net of \$65,339 available for operations)	<u>391,242</u>
<b>Total</b>	<b><u>\$ 451,768</u></b>

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**NOTE 8 - LEASE AGREEMENT**

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 \$9,504.

**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, 2010:

	<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	28	23
Current employees	<u>28</u>	<u>16</u>
<b>Total</b>	<u>56</u>	<u>39</u>

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**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.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
April 30, 2009	\$ 488,480	83.99%	\$ -
April 30, 2008	333,426	116.81%	-
April 30, 2007	284,630	137.82%	-



**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**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.

Contributions

Covered employees are required to contribute 9.455% 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.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
April 30, 2009	\$ 494,370	68.21%	\$ 557,398
April 30, 2008	348,067	85.70%	400,244
April 30, 2007	339,627	79.63%	350,463

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**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, 2009
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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Actuarial valuation date	April 30, 2009	April 30, 2009	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 11,578,395	\$ 8,312,658	\$ 19,891,053
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>4,426,320</u>	<u>4,456,212</u>	<u>8,882,532</u>
Total actuarial accrued liability	16,004,715	12,768,870	28,773,585
Actuarial value of assets	<u>10,314,513</u>	<u>6,670,337</u>	<u>16,984,850</u>
<b>Unfunded actuarial accrued liability</b>	<b><u>\$ 5,690,202</u></b>	<b><u>\$ 6,098,533</u></b>	<b><u>\$ 11,788,735</u></b>

(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, 2010

**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, 2009	April 30, 2009	
Actuarially determined employer contribution requirement as a dollar amount:			
Normal cost	\$ 208,627	\$ 194,434	\$ 403,061
Amortization of unfunded actuarial accrued liability	<u>279,853</u>	<u>299,936</u>	<u>579,789</u>
	<u>\$ 488,480</u>	<u>\$ 494,370</u>	<u>\$ 982,850</u>
As a percent of current covered payroll:			
Normal cost	14.15%	21.90%	36.05%
Amortization of unfunded actuarial accrued liability	<u>18.98</u>	<u>33.79</u>	<u>52.77</u>
	<u>33.13%</u>	<u>55.69%</u>	<u>88.82%</u>
Contribution made as a dollar amount:			
Employer	\$ 410,262	\$ 337,216	\$ 747,478
Employee	<u>168,196</u>	<u>93,373</u>	<u>261,569</u>
	<u>\$ 578,458</u>	<u>\$ 430,589</u>	<u>\$ 1,009,047</u>
As a percent of current covered payroll:			
Employer	27.83%	37.99%	65.82%
Employee	<u>11.41</u>	<u>10.52</u>	<u>21.93</u>
	<u>39.24%</u>	<u>48.51%</u>	<u>87.75%</u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**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 52 of this statement.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation of assets available:		
As a percent of the actuarial accrued liability	<u>64.45%</u>	<u>52.24%</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>386.02%</u>	<u>687.00%</u>

**Police and Firefighters' Pension Plan Statements**

**STATEMENTS OF PLAN NET ASSETS**

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
<b>ASSETS</b>		
Cash	\$ 1,063,448	\$ 875,724
Investments, at fair value		
Mutual funds	10,631,947	6,667,541
Investment income receivable	<u>33,184</u>	<u>20,950</u>
<b>TOTAL ASSETS</b>	<u>11,728,579</u>	<u>7,564,215</u>
<b>LIABILITIES</b>		
Vouchers payable	<u>-</u>	<u>46,420</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$11,728,579</u>	<u>\$ 7,517,795</u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Police and Firefighters' Pension Plan Statements (Continued)**

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 410,262	\$ 337,216
Plan members	<u>168,196</u>	<u>93,373</u>
Total contributions	578,458	430,589
Investment income	1,708,868	1,064,543
Other income	<u>89</u>	<u>42</u>
Total additions	<u>2,287,415</u>	<u>1,495,174</u>
<b>DEDUCTIONS</b>		
Benefit payments	876,210	659,693
Management fees	86,749	50,782
Administrative and audit fee	8,985	8,735
Other	<u>16,450</u>	<u>3,190</u>
Total deductions	<u>988,394</u>	<u>722,400</u>
<b>NET INCREASE</b>	1,299,021	772,774
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<u>10,429,558</u>	<u>6,745,021</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<u>\$11,728,579</u>	<u>\$ 7,517,795</u>

**Illinois Municipal Retirement Fund**

*Plan Description.* The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the City's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2009 was 7.69% of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2010**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Illinois Municipal Retirement Fund (Continued)**

*Annual Pension Cost.* For 2009, the City's annual pension cost of \$172,766 for the Regular plan was equal to the City's required and actual contributions.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2009	\$ 172,766	100%	\$ -
December 31, 2008	159,627	100%	-
December 31, 2007	167,095	100%	-

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10.00% 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 the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15.00% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 23 years.

*Funded Status and Funding Progress.* As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 81.09% funded. The actuarial accrued liability for benefits was \$8,012,828 and the actuarial value of assets was \$6,497,209, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,515,619. The covered payroll (annual payroll of active employees covered by the plan) was \$2,246,627 and the ratio of the UAAL to the covered payroll was 67.46%. In conjunction with the December 2009 actuarial valuation, the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20.00% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30-year basis.

The schedule of funding progress, presented as Required Supplemental Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS**

The City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective May 1, 2008. This statement requires the costs of postemployment benefits other than pension benefits to be recognized over a period that approximates an employee's years of service. Additional disclosures required by this statement are included below.

**Plan Description**

In addition to providing the pension benefits described in Note 10, the City provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

**Benefits Provided**

The City provides continued health insurance coverage at a reduced rate to all eligible retirees, which creates a subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose not to participate in the plan or continue under the City's plan at a Medicare Supplement rate.

**Membership**

At April 30, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>91</u>
<b>Total</b>	<u><u>101</u></u>
Participating employers	<u><u>1</u></u>

**Funding Policy**

The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Premium cost sharing arrangements vary depending on the bargaining unit and date of retirement. Qualified retirees pay a percentage of the premium cost for single and dependent coverage based on Medicare status and family status.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Costs and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City first had an actuarial valuation performed for the plan as of April 30, 2009 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2009. The City's annual OPEB cost (expense) of \$177,181 was equal to the ARC for the fiscal year 2009, as the transition liability was set at zero as of May 1, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
April 30, 2010	\$ 179,265	\$ 111,398	0.00%	\$ 196,965
April 30, 2009	177,181	48,082	0.00%	129,098

The net OPEB obligation as of April 30, 2010, was calculated as follows:

Annual required contribution	\$ 92,069
Interest on net OPEB obligation	1,614
Adjustment to annual required contribution	<u>(3,009)</u>
Annual OPEB cost	90,674
Contributions made	<u>22,807</u>
Increase in net OPEB obligation	<u>67,867</u>
Net OPEB obligation, beginning of year	<u>129,098</u>
<b>Net OPEB obligation, end of year</b>	<b><u>\$ 196,965</u></b>

**Funded Status and Funding Progress**

The funded status of the plan as of April 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 1,615,997
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,615,997
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 5,402,360
UAAL as a percentage of covered payroll	29.91%



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Costs and Net OPEB Obligation (Continued)**

Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 2.50%, salary increases comprised of a wage inflation component of 1.90%, and an ultimate healthcare trend rate of 10.00% initially and an ultimate rate of 4.20%. The calculations assume a level-percentage-of-pay 30-year open amortization period for retirees.

The actuarial value of assets was not determined as the City has not advance funded its obligation.

**NOTE 12 - DEFERRED COMPENSATION PLAN**

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

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 13 - INTERFUND TRANSFERS/BALANCES**

Interfund transfers during the year ended April 30, 2010, were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General Fund:</b>		
Municipal Sales Tax Fund	\$ 600,000	\$ -
Capital Development Fund	-	400,000
Landfill Fund	100,000	-
Nonmajor Governmental	310,000	-
<b>Total General Fund</b>	<u>1,010,000</u>	<u>400,000</u>
<b>Municipal Sales Tax Fund:</b>		
General Fund	-	600,000
Capital Development Fund	-	2,650,000
Landfill Fund	-	210,000
Nonmajor Governmental	-	-
<b>Total Municipal Sales Tax Fund</b>	<u>-</u>	<u>3,460,000</u>
<b>Capital Development Fund:</b>		
General Fund	400,000	-
Municipal Sales Tax Fund	2,650,000	-
Landfill Fund	1,735,000	-
Nonmajor Governmental	140,000	-
<b>Total Capital Development Fund</b>	<u>4,925,000</u>	<u>-</u>
<b>Landfill Fund:</b>		
General Fund	-	100,000
Municipal Sales Tax Fund	210,000	-
Capital Development Fund	-	1,735,000
<b>Total Landfill Fund</b>	<u>210,000</u>	<u>1,835,000</u>
<b>Nonmajor Governmental</b>		
General Fund	-	310,000
Capital Development Fund	-	140,000
<b>Total Nonmajor Governmental</b>	<u>-</u>	<u>450,000</u>
<b>Total operating transfers</b>	<u>\$ 6,145,000</u>	<u>\$ 6,145,000</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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 13 - INTERFUND TRANSFERS/BALANCES (CONTINUED)**

Interfund balances at April 30, 2010, consisted of the following:

<u>Due from:</u>	<u>General</u> <u>Fund</u>	<u>Municipal</u> <u>Sales Tax</u>	<u>Capital</u> <u>Development</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>	<u>Sewerage</u> <u>Fund</u>	<u>Water</u> <u>Department</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
<b>Due to:</b>								
General Fund Illinois	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,498	\$ 229,000	\$ 249,498
Municipal Retirement Fund	1,206,000	-	550,000	1,260,000	-	-	287,551	3,303,551
Landfill Fund	500,000	-	250,000	-	1,335,744	-	-	2,085,744
Sewerage Fund	975,000	50,000	-	-	-	509,237	-	1,534,237
Other Governmental Funds	<u>2,577,250</u>	<u>-</u>	<u>726,216</u>	<u>600,000</u>	<u>200,000</u>	<u>-</u>	<u>83,480</u>	<u>4,186,946</u>
<b>Total</b>	<u>\$5,258,250</u>	<u>\$ 50,000</u>	<u>\$ 1,526,216</u>	<u>\$ 1,860,000</u>	<u>\$ 1,535,744</u>	<u>\$ 529,735</u>	<u>\$ 600,031</u>	<u>\$ 11,359,976</u>

Interfund loans existing at April 30, 2010 and their purpose were as follows:

The General Fund owed non-major governmental funds, Sewerage Fund, Landfill Fund, and the Illinois Municipal Retirement Fund \$2,577,250, \$975,000, \$500,000, and \$1,206,000, respectively for money loaned to cover the cash flow of the General Fund.

The Water Department owed the Sewerage Fund and General Fund \$509,237 and \$20,498, respectively for revenues and fees collected on behalf of the Sewerage Fund and insurance expense paid by the General Fund, but not yet remitted at April 30, 2010.

The Sewerage Fund owed the Landfill Fund and a non-major governmental fund \$1,335,744 and \$200,000, respectively for various capital expenditures.

The Landfill Fund owed the Illinois Municipal Retirement Fund and a non-major governmental fund \$1,260,000 and \$600,000, respectively for transfers to the Capital Development Fund.

The Capital Development Fund owed the Landfill Fund, Illinois Municipal Retirement Fund, and non-major governmental funds \$250,000, \$550,000, and \$726,216, respectively for various capital expenditures.

The Municipal Sales Tax Fund owed the Sewerage Fund \$50,000 for various capital expenditures.

**NOTE 14 - DISBURSEMENTS IN EXCESS OF APPROPRIATIONS AND FUND DEFICITS**

**Excess of expenditures over appropriations in individual funds**

The following funds had an excess of expenditures over appropriations for the year ended April 30, 2010:

	<u>Budget</u>	<u>Actual</u>
Riverfront TIF Fund	\$ 126,000	\$ 210,700
Foreign Fire Insurance Tax Fund	-	19,367
Veterans Memorial Commission Fund	-	43,017

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 14 - DISBURSEMENTS IN EXCESS OF APPROPRIATIONS AND FUND DEFICITS (CONTINUED)**

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

General Fund	\$ (4,548,014)
Capital Development	(1,486,884)
Municipal Airport Fund	(127,164)
Oakwood Cemetery Fund	(445,354)

The City is planning on financing these fund deficits with transfers from other funds.

**NOTE 15 - SANITARY LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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

**NOTE 16 - RISK MANAGEMENT**

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

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

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

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 17 - CONSTRUCTION COMMITMENTS**

As of April 30, 2010, the City had remaining obligations under construction contracts as follows:

	<b>Project amount <u>authorized</u></b>	<b>Expended <u>to date</u></b>	<b><u>Commitment</u></b>
Radium Project Phase II	\$ 3,817,000	\$ 1,580,018	\$ 2,236,982
South Hennepin Avenue	939,873	-	939,873
Terminal Apron Rehabilitation	440,225	-	440,225
T-Hangar Taxiway Rehabilitation	916,688	-	916,688

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2010**

**NOTE 18 - LEE COUNTY INDUSTRIAL DEVELOPMENT ASSOCIATION**

The Water Department entered into an agreement with the Lee County Industrial Development Association (LCIDA) during July 1998. The agreements reflect 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, 2010.

**NOTE 19 - DIXON COMMUNITY FIRE PROTECTION DISTRICT**

The City of Dixon has filed objections related to taxes that the Dixon Community Fire Protection District (District) is receiving from certain property in Lee County. During the year ended April 30, 2007, the District and the City entered into an agreement whereby the District paid \$105,121 and \$93,138 of the 2006 and 2007 tax levy, respectively, which was received in fiscal years 2008 and 2009, by the City. The agreement was effective through the 2009 fiscal year. No provisions for extension of the agreement have yet been established. As of the date of this report, no agreement has been made regarding future tax revenues.

**NOTE 20 - RISKS AND UNCERTAINTIES**

The Pension Trust Funds invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

**NOTE 21 - SUBSEQUENT EVENT**

Management evaluated subsequent events through August 24, 2010, the date the financial statements were available to be issued.

On May 18, 2010, the City entered into a debt agreement with Midland States Bank in order to meet the necessary expenses of the City. Tax Anticipation Warrants in the amount of \$1,000,000 have been issued at a rate of 4.75%, with interest payable on November 1, 2010 and 2011 and principal due in full at November 1, 2011. The debt is secured by the property tax revenue derived from the 2009 General Purpose Levies.

On October 25, 2010, the City entered into a loan agreement with the Illinois Environmental Protection Agency for construction of a new 2,000 gallon per minute water treatment facility to provide compliance with radium standards for the City of Dixon public water supply. The projected budget for the construction is \$4,213,750 and the projected completion date is December 2011. The total loan of \$4,187,022 has been approved at a 1.25% simple interest rate. \$1,046,756 of the loan amount will be forgiven by the State of Illinois pursuant to principal forgiveness provisions contained in the Loan Rules. \$3,140,266 of the loan amount will be required to be repaid along with all accrued interest. Payments are to be made semi-annually with the first payment due June 1, 2012.

See accountant's compilation report.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF DIXON, ILLINOIS  
SCHEDULE OF FUNDING PROGRESS  
PENSION TRUST FUNDS, ILLINOIS MUNICIPAL  
RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS  
April 30, 2010

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)
<b>Police Pension Fund</b>						
4/30/07	\$ 11,933,318	\$ 14,084,184	\$ 2,150,866	84.73%	\$ 1,290,523	166.67%
4/30/08	11,901,713	14,679,665	2,777,952	81.08%	1,419,857	195.65%
4/30/09	10,314,513	16,004,715	5,690,202	64.45%	1,474,079	386.02%
<b>Firemen Pension Fund</b>						
4/30/07	\$ 7,458,023	\$ 11,399,630	\$ 3,941,607	65.42%	\$ 819,518	480.97%
4/30/08	8,572,757	11,916,453	3,343,696	71.94%	859,152	389.19%
4/30/09	6,670,337	12,768,870	6,098,533	52.24%	887,705	687.00%

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.

<b>IMRF</b>						
12/31/07	\$ 7,592,390	\$ 7,343,466	\$ (248,924)	103.39%	\$ 2,267,236	0.00%
12/31/08	6,446,681	7,742,308	1,295,627	83.27%	2,286,925	56.65%
12/31/09	6,497,209	8,012,828	1,515,619	81.09%	2,246,629	67.46%
<b>Other Post-Employment Benefits</b>						
4/30/09	\$ -	\$ 1,569,928	\$ 1,569,928	0.00%	\$ 5,380,371	29.18%
4/30/10	-	1,615,997	1,615,997	0.00%	5,402,360	29.91%

Information for prior years is not available as the City implemented Governmental Accounting Standards Board Statement No. 45 for fiscal year 2009.

See accountant's compilation report.

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, 2010

	<u>Appropriation</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 1,790,750	\$ 1,790,750	\$ 1,972,544	\$ 181,794
Intergovernmental revenue:				
Personal property replacement tax	-	-	619,776	619,776
Income tax and surcharge	1,210,000	1,210,000	1,030,052	(179,948)
Utility tax	700,000	700,000	657,072	(42,928)
Telecom tax	-	-	87,405	87,405
Motel tax	64,000	64,000	58,960	(5,040)
	<u>1,974,000</u>	<u>1,974,000</u>	<u>2,453,265</u>	<u>479,265</u>
Licenses, permits, and other fees	283,500	283,500	268,436	(15,064)
Fines and penalties	229,000	229,000	156,442	(72,558)
Miscellaneous grants	-	-	32,365	32,365
Revenue from use of money and property	-	-	335	335
Other	898,500	898,500	444,608	(453,892)
	<u>5,175,750</u>	<u>5,175,750</u>	<u>5,327,995</u>	<u>\$ 152,245</u>
(Deduct) beginning accrued revenues				
add beginning deferred revenues			(597,287)	
Add ending accrued revenues				
(deduct) deferred revenues			<u>700,729</u>	
			<u>5,431,437</u>	
<b>EXPENDITURES</b>				
DEPARTMENT OF PUBLIC AFFAIRS				
Salaries	\$ 84,600	\$ 84,600	19,200	\$ 65,400
Supplies and services	275,000	275,000	193,596	81,404
Professional services and fees	290,000	290,000	137,645	152,355
Insurance	5,000	5,000	100	4,900
Public relations	15,000	15,000	10,213	4,787
Main Street	15,000	15,000	15,000	-
Travel expense	5,000	5,000	3,499	1,501
Dues and subscriptions	5,000	5,000	1,402	3,598
Leadership Council	2,000	2,000	-	2,000
Tourism Council	90,000	90,000	79,443	10,557
Plan commission	10,000	10,000	60	9,940
Electrical commission	1,000	1,000	-	1,000
Human Rights Board	1,000	1,000	-	1,000
TIF District	25,000	25,000	-	25,000
Historic Preservation	5,000	5,000	-	5,000

(continued)



CITY OF DIXON, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2010

EXPENDITURES (Continued)	Appropriation		Actual	Variance Positive (Negative)
	Original	Final		
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	9,282	5,718
Zoning Board of Appeals	5,000	5,000	-	5,000
Miscellaneous	25,000	25,000	223,930	(198,930)
Condemnation Board	20,000	20,000	382	19,618
Riverfront	500,000	500,000	495,517	4,483
	<u>1,421,100</u>	<u>1,421,100</u>	<u>1,216,769</u>	<u>204,331</u>
DEPARTMENT OF ACCOUNTS AND FINANCE				
Salaries	207,700	207,700	172,870	34,830
Maintenance	20,000	20,000	5,868	14,132
Supplies and services	77,000	77,000	12,261	64,739
Professional services and fees	247,000	247,000	127,529	119,471
Notices and publications	5,000	5,000	2,071	2,929
Insurance	710,000	710,000	238,754	471,246
New property and equipment	100,000	100,000	-	100,000
Miscellaneous	25,000	25,000	8,970	16,030
Travel expense	5,000	5,000	2,531	2,469
Dues and subscriptions	5,000	5,000	1,708	3,292
	<u>1,401,700</u>	<u>1,401,700</u>	<u>572,562</u>	<u>829,138</u>
DEPARTMENT OF POLICE PROTECTION				
Salaries	2,252,700	2,252,700	1,936,296	316,404
Maintenance	225,000	225,000	73,472	151,528
Supplies and services	382,500	382,500	128,286	254,214
Professional services and fees	20,000	20,000	1,425	18,575
Insurance	355,000	355,000	140,558	214,442
New property and equipment	545,000	545,000	118,082	426,918
Police training	30,000	30,000	11,103	18,897
Miscellaneous	30,000	30,000	1,072	28,928
Travel expense	25,000	25,000	9,814	15,186
Dues and subscriptions	5,000	5,000	2,808	2,192
Medicare expense	75,000	75,000	25,480	49,520
Feeding prisoners	5,000	5,000	5	4,995
Investigations	25,000	25,000	13,478	11,522
K-9 training	5,000	5,000	300	4,700
K-9 handler	10,000	10,000	3,200	6,800
K-9 miscellaneous	5,000	5,000	2,234	2,766
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	15,000	15,000	5,000	10,000
Continuing education reimbursement	25,000	25,000	2,234	22,766
Lee County rent	250,000	250,000	116,009	133,991
	<u>4,365,200</u>	<u>4,365,200</u>	<u>2,594,156</u>	<u>1,771,044</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, 2010

EXPENDITURES (Continued)	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
<b>DEPARTMENT OF FIRE PROTECTION</b>				
Salaries	1,232,700	1,232,700	1,058,023	174,677
Maintenance	70,000	70,000	11,877	58,123
Supplies and services	115,000	115,000	18,259	96,741
Insurance	175,000	175,000	94,515	80,485
New property and equipment	615,000	615,000	20,778	594,222
Fire training	50,000	50,000	36,504	13,496
Miscellaneous	100,000	100,000	2,551	97,449
Dues and subscriptions	5,000	5,000	1,575	3,425
Travel expenses	5,000	5,000	812	4,188
No sickness	4,000	4,000	1,200	2,800
Medicare expense	60,000	60,000	14,493	45,507
	<u>2,431,700</u>	<u>2,431,700</u>	<u>1,260,587</u>	<u>1,171,113</u>
<b>DEPARTMENT OF STREETS AND IMPROVEMENTS</b>				
Salaries	585,400	585,400	385,164	200,236
Maintenance	765,000	765,000	210,804	554,196
Supplies and services	259,000	259,000	51,605	207,395
Insurance	186,500	186,500	43,186	143,314
New property and equipment	312,500	312,500	6,667	305,833
Safety and training	1,000	1,000	-	1,000
Travel expense	5,000	5,000	-	5,000
Dues and subscriptions	1,500	1,500	1,138	362
Miscellaneous	2,500	2,500	2,050	450
Meal allowance	5,000	5,000	-	5,000
	<u>2,123,400</u>	<u>2,123,400</u>	<u>700,614</u>	<u>1,422,786</u>
<b>DEPARTMENT OF BUILDING AND ZONING</b>				
Salaries	180,000	180,000	144,731	35,269
Maintenance	14,500	14,500	3,319	11,181
Supplies and services	57,000	57,000	3,380	53,620
Insurance	30,000	30,000	13,355	16,645
New property and equipment	70,000	70,000	-	70,000
Training	10,000	10,000	804	9,196
Miscellaneous	5,000	5,000	-	5,000
Travel expense	5,000	5,000	1,363	3,637
Dues and subscriptions	1,000	1,000	245	755
	<u>372,500</u>	<u>372,500</u>	<u>167,197</u>	<u>205,303</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, 2010

EXPENDITURES (Continued)	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
<b>DEPARTMENT OF PUBLIC PROPERTY</b>				
Salaries	87,700	87,700	38,516	49,184
Maintenance	500,000	500,000	104,242	395,758
Supplies and services	60,000	60,000	5,664	54,336
New property and equipment	635,000	635,000	164,931	470,069
Engineering	100,000	100,000	2,019	97,981
Bond insurance	2,500	2,500	-	2,500
Holiday decorations	10,000	10,000	112	9,888
Flood control	50,000	50,000	-	50,000
Real estate taxes	10,000	10,000	222	9,778
Miscellaneous	10,000	10,000	18	9,982
	<u>1,465,200</u>	<u>1,465,200</u>	<u>315,724</u>	<u>1,149,476</u>
<b>DEPARTMENT OF TRAFFIC MAINTENANCE</b>				
Salaries	72,500	72,500	56,088	16,412
Maintenance	135,000	135,000	15,886	119,114
Supplies and service	20,000	20,000	8,595	11,405
Insurance	10,000	10,000	4,452	5,548
New property and equipment	175,000	175,000	424	174,576
Training expense	5,000	5,000	-	5,000
Miscellaneous	5,000	5,000	-	5,000
	<u>422,500</u>	<u>422,500</u>	<u>85,445</u>	<u>337,055</u>
<b>DEPARTMENT OF PUBLIC WORKS</b>				
Salaries	185,000	185,000	112,404	72,596
Maintenance	20,000	20,000	2,515	17,485
Supplies and service	45,000	45,000	6,983	38,017
Professional services and fees	90,000	90,000	3,780	86,220
Insurance	11,000	11,000	4,452	6,548
New property and equipment	30,000	30,000	646	29,354
Dues and subscriptions	5,000	5,000	1,515	3,485
Public Relations	5,000	5,000	1,053	3,947
Travel expense	5,000	5,000	594	4,406
License renewals	5,000	5,000	348	4,652
Conferences	10,000	10,000	4,369	5,631
Miscellaneous	15,000	15,000	35	14,965
	<u>426,000</u>	<u>426,000</u>	<u>138,694</u>	<u>287,306</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, 2010**

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>PAYMENTS TO PENSIONS</b>				
Firefighters' Pension Fund	400,000	400,000	337,216	62,784
Police Pension Fund	<u>500,000</u>	<u>500,000</u>	<u>410,262</u>	<u>89,738</u>
	<u>900,000</u>	<u>900,000</u>	<u>747,478</u>	<u>152,522</u>
 Total cash disbursements	 <u>\$ 15,329,300</u>	 <u>\$ 15,329,300</u>	 7,799,226	 <u>\$ 7,530,074</u>
 (Deduct) beginning accrued expenditures, add beginning prepaid expenditures			 (547,577)	
Add ending accrued expenditures, (deduct) ending prepaid expenditures			 <u>601,481</u>	
 Total expenditures			 <u>7,853,130</u>	
 Deficiency of revenues over expenditures			 <u>(2,421,693)</u>	
 <b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ 3,665,000	\$ 3,665,000	1,010,000	\$ (2,655,000)
Operating transfers out	<u>(6,150,000)</u>	<u>(6,150,000)</u>	<u>(400,000)</u>	<u>5,750,000</u>
	<u>\$ (2,485,000)</u>	<u>\$ (2,485,000)</u>	<u>610,000</u>	<u>\$ 3,095,000</u>
 Deficiency of revenues and other financing sources over expenditures and other financing uses			 (1,811,693)	
 <b>FUND DEFICIT, BEGINNING OF YEAR</b>			 <u>(2,736,321)</u>	
 <b>FUND DEFICIT, END OF YEAR</b>			 <u>\$ (4,548,014)</u>	

See accountant's compilation report.

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, 2010

	Appropriation			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 445,000	\$ 445,000	\$ 443,396	\$ (1,604)
Revenue from use of money and property	10,000	10,000	16,833	6,833
Total cash receipts	\$ 455,000	\$ 455,000	460,229	\$ 5,229
(Deduct) beginning accrued revenues			-	
Add ending accrued revenues			-	
Total revenues			460,229	
<b>EXPENDITURES</b>				
Payments to pensions	\$ 500,000	\$ 500,000	177,151	\$ 322,849
Administration service	5,000	5,000	2,000	3,000
Total cash disbursements	\$ 505,000	\$ 505,000	179,151	\$ 325,849
(Deduct) beginning accrued expenditures			-	
Add ending accrued expenditures			-	
Total expenditures			179,151	
Excess of revenues over expenditures			281,078	
FUND BALANCE, BEGINNING OF YEAR			3,201,361	
FUND BALANCE, END OF YEAR			\$ 3,482,439	

See accountant's compilation report.

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, 2010

	<u>Appropriation</u>			<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Sales tax	\$ 3,100,000	\$ 3,100,000	\$ 2,655,406	\$ (444,594)
Non-home rule sales tax	-	-	733,577	733,577
Revenue from use of money and property	<u>7,500</u>	<u>7,500</u>	<u>189</u>	<u>(7,311)</u>
Total cash receipts	<u>\$ 3,107,500</u>	<u>\$ 3,107,500</u>	3,389,172	<u>\$ 281,672</u>
(Deduct) beginning accrued revenues			(530,678)	
Add ending accrued revenues			<u>534,470</u>	
Total revenues			<u>3,392,964</u>	
<b>EXPENDITURES</b>				
Payments to Ken Nelson Auto Plaza	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>53,215</u>	<u>\$ 196,785</u>
Total cash disbursements	<u>\$ 250,000</u>	<u>\$ 250,000</u>	53,215	<u>\$ 196,785</u>
(Deduct) beginning accrued expenditures			(11,718)	
Add ending accrued expenditures			<u>10,691</u>	
Total expenditures			<u>52,188</u>	
Excess of revenues over expenditures			3,340,776	
<b>OTHER FINANCING USES</b>				
Operating transfers out	<u>\$ (17,200,000)</u>	<u>\$ (17,200,000)</u>	<u>(3,460,000)</u>	<u>\$ 13,740,000</u>
Deficiency of revenues over expenditures and other financing uses			(119,224)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>616,481</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 497,257</u>	

See accountant's compilation report.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**April 30, 2010**

**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 10.00% 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.

See accountant's compilation report.

**OTHER SUPPLEMENTAL INFORMATION**



CITY OF DUNON, ILLINOIS  
 NON-MAJOR FUNDS  
 COMBINING BALANCE SHEET  
 April 30, 2010

	Special Revenue												Debt Service																																																																																																																																																																																																																																																																																																																																																																																																																
	General Government				Highways and Streets		Airport		Culture and Recreation		Public Safety																																																																																																																																																																																																																																																																																																																																																																																																																		
	TIF Districts		Other		Motor		Municipal		Veteran's Memorial		Civil			Foreign																																																																																																																																																																																																																																																																																																																																																																																																															
Subbase	Public Benefit	Downtown Redevelopment Project	Riverfront Project	Social Security	Working Cash	Fuel Tax	Municipal Airport	Library	Band	Commission	Grants	Debt	Emergency Vehicle	File Insurance	Debt Service	Total																																																																																																																																																																																																																																																																																																																																																																																																													
ASSETS																		Cash and cash equivalents																		Investments																		Receivables:																		General property taxes																		Motor fuel tax allotments																		Accounts receivable																		Prepaid insurance																		Due from other funds																		TOTAL ASSETS	\$ 3,954	\$ 20,435	\$ 38,678	\$ 4,462	\$ 121,709	\$ 3,102	\$ 53,912	\$ 2,901	\$ 203,731	\$ 25,067	\$ 56,855	\$ 1,115	\$ 43,256	\$ 6,653	\$ 20,184	\$ 18	\$ 484,331	LIABILITIES																		Vouchers payable																		Accrued liabilities:																		Payroll																		Deferred property tax revenue																		Due to other funds																		Total liabilities																		FUND BALANCES																		Reserved for prepaid insurance																		Reserved for debt service																		Unreserved																		Total fund balances (deficits)																		TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,954	\$ 103,108	\$ 532,083	\$ 116,117	\$ 2,814,957	\$ 702,289	\$ 242,286	\$ 114,103	\$ 617,620	\$ 281,828	\$ 56,855	\$ 64,014	\$ 56,257	\$ 822,509	\$ 20,184	\$ 18	\$ 6,651,193
Cash and cash equivalents																		Investments																		Receivables:																		General property taxes																		Motor fuel tax allotments																		Accounts receivable																		Prepaid insurance																		Due from other funds																		TOTAL ASSETS	\$ 3,954	\$ 20,435	\$ 38,678	\$ 4,462	\$ 121,709	\$ 3,102	\$ 53,912	\$ 2,901	\$ 203,731	\$ 25,067	\$ 56,855	\$ 1,115	\$ 43,256	\$ 6,653	\$ 20,184	\$ 18	\$ 484,331	LIABILITIES																		Vouchers payable																		Accrued liabilities:																		Payroll																		Deferred property tax revenue																		Due to other funds																		Total liabilities																		FUND BALANCES																		Reserved for prepaid insurance																		Reserved for debt service																		Unreserved																		Total fund balances (deficits)																		TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,954	\$ 103,108	\$ 532,083	\$ 116,117	\$ 2,814,957	\$ 702,289	\$ 242,286	\$ 114,103	\$ 617,620	\$ 281,828	\$ 56,855	\$ 64,014	\$ 56,257	\$ 822,509	\$ 20,184	\$ 18	\$ 6,651,193																		
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CITY OF DIXON, ILLINOIS  
 FIDUCIARY FUNDS  
 COMBINING BALANCE SHEET  
 April 30, 2010

	Private Purpose Trust					Agency Fund
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	Total	Construction Deposits and Escrow
<b>ASSETS</b>						
Cash and cash equivalents	\$ 18,793	\$ -	\$ 15,423	\$ 670	\$ 34,886	\$ 5,369
Investments	464,660	2,016,873	10,336	-	2,491,869	-
Receivables: Accounts	12,884	-	-	-	12,884	-
<b>TOTAL ASSETS</b>	<b>\$ 496,337</b>	<b>\$ 2,016,873</b>	<b>\$ 25,759</b>	<b>\$ 670</b>	<b>\$ 2,539,639</b>	<b>\$ 5,369</b>
<b>LIABILITIES</b>						
Performance deposits	-	-	-	-	-	\$ 5,369
Total liabilities	-	-	-	-	-	5,369
<b>FUND BALANCES/NET ASSETS</b>						
Reserved for perpetual endowment	496,337	-	-	-	496,337	-
Reserved for deferred compensation Unreserved	-	2,016,873	-	-	2,016,873	-
Total fund balances/net assets	496,337	2,016,873	25,759	670	2,539,639	-
<b>TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS</b>	<b>\$ 496,337</b>	<b>\$ 2,016,873</b>	<b>\$ 25,759</b>	<b>\$ 670</b>	<b>\$ 2,539,639</b>	<b>\$ 5,369</b>

See accountant's compilation report.

CITY OF DIXON, ILLINOIS  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
Year Ended April 30, 2010

	Private Purpose Trusts				
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	Total
<b>ADDITIONS</b>					
Contributions	\$ 7,431	\$ 142,417	\$ 750	\$ -	\$ 150,598
Revenue from use of money and property	-	341,784	685	-	342,469
Total revenues	7,431	484,201	1,435	-	493,067
<b>DEDUCTIONS</b>					
Withdrawals	-	192,027	-	-	192,027
Administrative	-	10,725	10,896	-	21,621
Total expenditures	-	202,752	10,896	-	213,648
Net (decrease) increase	7,431	281,449	(9,461)	-	279,419
<b>NET ASSETS</b>					
BEGINNING OF YEAR	488,906	1,735,424	35,220	670	2,260,220
<b>NET ASSETS</b>					
END OF YEAR	\$ 496,337	\$ 2,016,873	\$ 25,759	\$ 670	\$ 2,539,639

See accountant's compilation report.

**CITY OF DIXON, ILLINOIS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF PLAN NET ASSETS  
April 30, 2010**

	Pension Trust Funds		
	Firefighters' Pension	Police Pension	Total
<b>ASSETS</b>			
Cash	\$ 875,724	\$ 1,063,448	\$ 1,939,172
Investments, at fair value			
Mutual funds	6,667,541	10,631,947	17,299,488
Investment income receivable	20,950	33,184	54,134
<b>TOTAL ASSETS</b>	<b>7,564,215</b>	<b>11,728,579</b>	<b>19,292,794</b>
<b>LIABILITIES</b>			
Vouchers payable	46,420	-	46,420
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 7,517,795</b>	<b>\$ 11,728,579</b>	<b>\$ 19,246,374</b>

See accountant's compilation report.

**CITY OF DIXON, ILLINOIS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
Year Ended April 30, 2010**

	<u>Pension Trust Funds</u>		
	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 337,216	\$ 410,262	\$ 747,478
Plan members	93,373	168,196	261,569
Total contributions	<u>430,589</u>	<u>578,458</u>	<u>1,009,047</u>
Investment income	<u>1,064,543</u>	<u>1,708,868</u>	<u>2,773,411</u>
Other income	<u>42</u>	<u>89</u>	<u>131</u>
Total additions	<u>1,495,174</u>	<u>2,287,415</u>	<u>3,782,589</u>
<b>DEDUCTIONS</b>			
Benefit payments	659,693	876,210	1,535,903
Management fees	50,782	86,749	137,531
Administrative and audit fee	8,735	8,985	17,720
Other	3,190	16,450	19,640
Total deductions	<u>722,400</u>	<u>988,394</u>	<u>1,710,794</u>
<b>NET INCREASE</b>	772,774	1,299,021	2,071,795
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<u>6,745,021</u>	<u>10,429,558</u>	<u>17,174,579</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<u>\$ 7,517,795</u>	<u>\$ 11,728,579</u>	<u>\$ 19,246,374</u>

See accountant's compilation report.

CITY OF DIXON, ILLINOIS  
SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS  
Tax Years 2006, 2007 and 2008

Fund	2008			2007			2006		
	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions
Corporate	\$ 169,121,105	.2616	\$ 442,421	\$ 161,316,631	.2463	\$ 397,323	\$ 148,029,423	.2556	\$ 378,363
Police Protection	169,121,105	.1484	250,976	161,316,631	.1462	239,071	148,029,423	.1486	221,452
Fire Protection	91,025,825	.1008	91,754	91,236,223	.1221	111,389	85,957,489	.1500	128,936
Audit	169,121,105	.0288	48,707	161,316,631	.0288	46,459	148,029,423	.0289	44,261
Road and Bridge	169,121,105	-	-	161,316,631	-	-	148,029,423	-	-
Public Benefit	169,121,105	.0481	81,347	161,316,631	.0480	77,432	148,029,423	.0498	73,719
Band	169,121,105	.0384	64,943	161,316,631	.0383	61,784	148,029,423	.0398	58,916
Library	169,121,105	.1443	244,042	161,316,631	.1441	232,457	148,029,423	.1486	221,452
Cemetery	169,121,105	.0241	40,738	161,316,631	.0241	38,877	148,029,423	.0250	37,007
Fire Pension	91,025,825	.3731	339,617	91,236,223	.3282	299,437	85,957,489	.3151	270,852
Police Pension	169,121,105	.2427	410,457	161,316,631	.2423	390,870	148,029,423	.2718	382,722
IMRF	169,121,105	.2623	443,605	161,316,631	.2619	398,459	148,029,423	.2853	392,281
Civil Defense	169,121,105	.0953	15,728	161,316,631	.0953	15,002	148,029,423	.0957	14,359
Claim and Judgment Tax	169,121,105	.1901	321,499	161,316,631	.2047	330,215	148,029,423	.2028	300,204
Library Maintenance	169,121,105	.0193	32,640	161,316,631	.0193	31,134	148,029,423	.0200	29,606
Social Security	169,121,105	.2193	370,883	161,316,631	.2180	353,283	148,029,423	.2273	336,471
TIF District 1	2,757,918	-	314,914	2,756,589	-	300,864	2,871,014	-	282,255
TIF District 3	4,118,764	-	111,386	3,993,892	-	97,695	4,279,675	-	60,602
			\$ 3,625,677	\$ 3,691,863		\$ 3,445,600	\$ 3,253,521		\$ 3,322,848

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, 2010**

<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	12/31/10
\$50,000 per occurrence	Crime	Illinois Risk Management Association	12/31/10
Statutory	Worker's compensation	Illinois Risk Management Association	12/31/10
\$3 million per accident	Employer's liability	Illinois Risk Management Association	12/31/10
\$30 million	Auto liability including trucks and tractors	Illinois Risk Management Association	12/31/10
\$5 million	Flood and earthquake	Illinois Risk Management Association	12/31/10
\$8 million	Comprehensive general liability	Illinois Risk Management Association	12/31/10
\$50,000	Valuable papers and records	Illinois Risk Management Association	12/31/10
Up to \$2 million	Airport liability	Phoenix Aviation Managers, Inc.	01/01/11
Replacement cost (up to \$17,000,000)	Boiler and machinery	Cincinnati Insurance Company	04/30/11
\$15,000	Blanket bond	Western Surety Company	08/25/10

The following statistics as of April 30, 2010, were furnished by the Water Department:

Number of metered customers	5,862
Number of unmetered customers for fire protection only	69
Number of hydrants	891
Gallons of water through master meters	838,915,835
Gallons of water billed through meters	697,999,500
Percent billed through meters	84%

See accountant's compilation report.