



CITY OF DIXON, ILLINOIS
Dixon, Illinois
BASIC FINANCIAL STATEMENTS
April 30, 2011

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**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, 2011 which collectively comprise City of Dixon, Illinois' basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary schedules.

The Schedule of Funding Progress on page 52 and budgetary comparison information on pages 53 through 61, 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 62 through 70 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 18, 2011

CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 594,169	\$ 705,204	\$ 1,299,373
Investments	284,067	266,526	550,593
Restricted cash	-	289,919	289,919
Restricted investments	-	170,170	170,170
General property taxes receivable	3,891,776	-	3,891,776
Due from State of Illinois	1,045,348	-	1,045,348
Motor fuel tax receivable	32,901	-	32,901
Accounts receivable, net	265,891	1,097,850	1,363,741
Other receivables	443,415	626,378	1,069,793
Notes receivable	7,726	-	7,726
Internal balances	828,110	(828,110)	-
Inventory	60,221	123,160	183,381
Prepaid insurance	57,488	47,244	104,732
Land and improvements	2,530,861	149,073	2,679,934
Construction in progress	1,371,814	5,169,742	6,541,556
Other capital assets, net of depreciation	47,197,861	35,564,613	82,762,474
TOTAL ASSETS	<u>58,611,648</u>	<u>43,381,769</u>	<u>101,993,417</u>
LIABILITIES			
Vouchers payable	295,905	1,126,575	1,422,480
Accrued payroll and taxes	451,362	40,451	491,813
Accrued interest	187,741	118,867	306,608
Accrued liabilities	146,190	-	146,190
Deferred license income	34,486	-	34,486
Deferred property tax revenue	3,891,776	-	3,891,776
Consumer deposits	-	398,670	398,670
Due to pension fund	264,032	-	264,032
Long-term liabilities:			
Due within one year	1,992,593	4,461,696	6,454,289
Due in more than one year	11,261,832	17,798,044	29,059,876
Total liabilities	<u>18,525,917</u>	<u>23,944,303</u>	<u>42,470,220</u>
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related debt	37,846,111	18,623,688	56,469,799
Restricted for:			
Special revenue	9,882,605	-	9,882,605
Debt service	18	-	18
Enterprise funds	-	460,089	460,089
Unrestricted	<u>(7,643,003)</u>	<u>353,689</u>	<u>(7,289,314)</u>
TOTAL NET ASSETS (DEFICITS)	<u>\$ 40,085,731</u>	<u>\$ 19,437,466</u>	<u>\$ 59,523,197</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended April 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities		Business-Type Activities
PRIMARY GOVERNMENT:							
Governmental activities							
General government	\$ 3,304,501	\$ 282,192	\$ -	\$ 810,314	\$ (2,211,995)	\$ -	
Public safety	5,368,536	472,193	-	171,877	(4,724,466)	-	
Public works	140,968	-	-	-	(140,968)	-	
Highways and streets	2,498,906	-	-	-	(2,498,906)	-	
Traffic development	81,326	-	-	-	(81,326)	-	
Welfare	6,670	-	-	-	(6,670)	-	
Culture and recreation	515,179	21,944	16,277	-	(476,958)	-	
Airport	161,058	-	-	1,298,390	1,137,332	-	
Cemetery	256,459	63,466	-	-	(192,993)	-	
Interest on long-term debt	275,752	-	-	-	(275,752)	-	
Total governmental activities	<u>12,609,355</u>	<u>839,795</u>	<u>16,277</u>	<u>2,280,581</u>	<u>(9,472,702)</u>	<u>-</u>	
Business-type activities:							
Landfill	3,658	690,464	-	-	-	686,806	
Sewer	3,045,686	2,573,512	-	-	-	(472,174)	
Water Department	2,281,508	2,819,244	-	1,044,824	-	1,582,560	
Total business-type activities	<u>5,330,852</u>	<u>6,083,220</u>	<u>-</u>	<u>1,044,824</u>	<u>-</u>	<u>1,797,192</u>	
Total primary government	\$ 17,940,207	\$ 6,923,015	\$ 16,277	\$ 3,325,405	(9,472,702)	1,797,192	
						(7,675,510)	
General Revenues:							
Property taxes					3,732,123	-	
Sales tax					3,465,905	-	
Personal property replacement tax					758,121	-	
Income tax and surcharge					1,332,396	-	
Foreign fire insurance tax					24,289	-	
Motel tax					61,245	-	
Utility tax					667,949	-	
Telecom tax					81,806	-	
Motor fuel tax allotments					479,701	-	
Interest					82,285	4,493	
Other					509,995	191,004	
Transfers from private purpose trust fund					200,000	-	
Internal activity - transfers/capital contributions					2,256,078	(2,256,078)	
Total general revenues and transfers					<u>13,651,893</u>	<u>(2,060,581)</u>	
CHANGE IN NET ASSETS					4,179,191	(263,389)	
NET ASSETS, BEGINNING OF YEAR					35,906,540	19,700,855	
NET ASSETS, END OF YEAR					\$ 40,085,731	\$ 19,437,466	
						\$ 59,523,197	

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2011

	General	Municipal Airport	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 100,319	\$ 2,116	\$ 11,787	\$ 2,659	\$ 4,293	\$ 472,985	\$ 594,169
Investments	7,559	-	-	1,450	2,631	272,427	284,067
Receivables:							
General property taxes	2,066,019	-	467,786	-	-	1,357,971	3,891,776
State income tax	419,710	-	-	-	-	-	419,710
Sales tax	-	-	-	556,116	-	-	556,116
Motor fuel tax allotments	-	-	-	-	-	32,901	32,901
Utility tax	69,522	-	-	-	-	-	69,522
Accounts	7,600	312	-	-	-	-	265,891
Circuit Clerk	11,505	-	-	-	-	-	11,505
Other	420,795	11,115	-	-	-	-	431,910
Notes receivable	-	-	-	-	-	7,726	7,726
Inventory	60,221	-	-	-	-	-	60,221
Prepaid insurance	51,722	5,000	-	-	-	766	57,488
Due from other funds	368,461	-	3,732,122	50,000	-	5,322,025	9,472,608
TOTAL ASSETS	\$ 3,583,433	\$ 18,543	\$ 4,211,695	\$ 610,225	\$ 6,924	\$ 7,724,790	\$ 16,155,610
LIABILITIES							
Vouchers payable	\$ 149,328	\$ 2,990	\$ -	\$ 12,218	\$ -	\$ 131,369	\$ 295,905
Accrued liabilities:							
Payroll	418,285	2,085	-	-	-	15,780	436,160
Accrued payroll taxes and other withholdings	15,202	-	-	-	-	-	15,202
Other	146,190	-	-	-	-	-	146,190
Deferred license income	34,486	-	-	-	-	-	34,486
Deferred property tax revenue	2,066,019	-	467,786	-	-	1,357,971	3,891,776
Due to other funds	6,455,659	204,377	-	50,000	1,766,216	432,278	8,908,530
Total liabilities	9,285,169	209,452	467,786	62,218	1,766,216	1,937,408	13,728,249
FUND (DEFICIT) BALANCES							
Unrestricted	111,943	5,000	-	-	-	766	117,709
Reserved for inventory and prepaids	-	-	-	-	-	-	-
Unreserved	(5,813,679)	(195,909)	3,743,909	548,007	-	5,786,598	(5,813,679)
General	-	-	-	-	(1,759,292)	-	9,892,605
Special revenue	-	-	-	-	-	-	(1,759,292)
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	18	18
Total fund (deficit) balances	(5,701,736)	(190,909)	3,743,909	548,007	(1,759,292)	5,787,382	2,427,361
TOTAL LIABILITIES AND FUND (DEFICIT) BALANCES	\$ 3,583,433	\$ 18,543	\$ 4,211,695	\$ 610,225	\$ 6,924	\$ 7,724,790	\$ 16,155,610

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, 2011**

Total governmental fund balances	\$ 2,427,361
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 \$25,724,980	51,100,536
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(12,249,000)
Contract payable	(20,000)
Other post-employment benefits	(264,832)
Net pension obligation	(720,593)
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>(187,741)</u>
Total net assets - governmental activities	\$ <u>40,085,731</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended April 30, 2011

	<u>General</u>	<u>Municipal Airport</u>	<u>Illinois Municipal Retirement</u>	<u>Municipal Sales Tax</u>	<u>Capital Development</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
General property taxes	\$ 1,996,489	\$ -	\$ 450,095	\$ -	\$ -	\$ 1,285,539	\$ 3,732,123
Foreign fire insurance tax	-	-	-	-	-	24,289	24,289
Intergovernmental revenues	3,018,740	1,298,390	-	3,465,905	-	550,632	8,333,667
Licenses, permits, and other fees	282,192	-	-	-	-	-	282,192
Fines and penalties	129,461	-	-	-	-	-	129,461
Charges for services	-	-	-	-	-	428,142	428,142
Revenue from use of money and property	-	58,351	12,605	75	36	11,218	82,285
Other	402,776	176	-	-	60,000	89,694	532,646
Total revenues	<u>5,829,658</u>	<u>1,356,917</u>	<u>462,700</u>	<u>3,465,980</u>	<u>60,036</u>	<u>2,369,514</u>	<u>13,544,805</u>
EXPENDITURES							
General government	1,865,160	-	11,342	51,230	-	63,981	1,991,713
Public safety:							
Police protection and community relations	2,859,124	-	-	-	-	-	2,859,124
Fire fighting and prevention and emergency vehicle	1,395,520	-	-	-	-	176,479	1,571,999
Public works	140,968	-	-	-	-	-	140,968
Highways and streets	731,015	-	-	-	-	170,519	901,534
Traffic development	87,091	-	-	-	-	-	87,091
Welfare-Civil Defense	-	-	-	-	-	6,670	6,670
Culture and recreation	-	-	-	-	-	523,880	523,880
Airport operations	-	1,420,662	-	-	-	-	1,420,662
Cemetery operations	-	-	-	-	-	232,474	232,474
Capital outlay	-	-	-	-	5,376,412	-	5,376,412
Debt service:							
Principal	475,666	-	-	-	679,000	-	1,154,666
Interest	-	-	-	-	264,032	-	264,032
Payments to pensions	754,836	-	189,888	-	-	-	944,724
Payments to Social Security System	-	-	-	-	-	179,203	179,203
Total expenditures	<u>8,309,380</u>	<u>1,420,662</u>	<u>201,230</u>	<u>51,230</u>	<u>6,319,444</u>	<u>1,353,206</u>	<u>17,655,152</u>
Excess (deficiency) of revenues over expenditures	<u>(2,479,722)</u>	<u>(63,745)</u>	<u>261,470</u>	<u>3,414,750</u>	<u>(6,259,408)</u>	<u>1,016,308</u>	<u>(4,110,347)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds	1,000,000	-	-	-	679,000	-	1,679,000
Operating transfers in	971,000	-	-	-	5,308,000	200,000	6,479,000
Operating transfers out	(645,000)	-	-	(3,364,000)	-	-	(4,009,000)
Total other financing sources (uses)	<u>1,326,000</u>	<u>-</u>	<u>-</u>	<u>(3,364,000)</u>	<u>5,987,000</u>	<u>200,000</u>	<u>4,149,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,153,722)</u>	<u>(63,745)</u>	<u>261,470</u>	<u>50,750</u>	<u>(272,408)</u>	<u>1,216,308</u>	<u>38,653</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(4,548,014)</u>	<u>(127,164)</u>	<u>3,482,439</u>	<u>497,257</u>	<u>(1,486,884)</u>	<u>4,571,074</u>	<u>2,388,708</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (5,701,736)</u>	<u>\$ (190,909)</u>	<u>\$ 3,743,909</u>	<u>\$ 548,007</u>	<u>\$ (1,759,292)</u>	<u>\$ 5,787,382</u>	<u>\$ 2,427,361</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2011

Net change in fund balances - total governmental funds	\$ 38,653
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.	
Capital outlay	7,009,042
Contributed capital	810,314
Loss on disposal	(24,248)
Depreciation expense	(2,887,454)
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.	
Proceeds	(1,679,000)
Payments	1,154,666
Change in net pension obligation	(163,195)
Change in other post-employment benefits	(67,867)
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.	(11,720)
Change in net assets of governmental activities	<u>\$ 4,179,191</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,888	\$ 228,087	\$ 469,229	\$ 705,204
Restricted cash	-	-	289,919	289,919
Investments:				
Unrestricted	-	-	266,526	266,526
Restricted	-	-	170,170	170,170
Receivables:				
Accounts, net	-	18,282	1,079,568	1,097,850
Other	-	-	625,658	625,658
Interest	-	-	720	720
Due from other funds:				
Sewerage fund	1,085,744	-	430,745	1,516,489
Water fund	-	561,290	-	561,290
Other governmental funds	250,000	1,985,000	-	2,235,000
Inventory	-	-	123,160	123,160
Prepaid insurance	-	4,981	42,263	47,244
	<u>1,343,632</u>	<u>2,797,640</u>	<u>3,497,958</u>	<u>7,639,230</u>
Total current assets				
PROPERTY AND EQUIPMENT				
Assets not depreciated				
Land	-	-	149,073	149,073
Construction in progress	-	-	5,169,742	5,169,742
Total assets not depreciated	<u>-</u>	<u>-</u>	<u>5,318,815</u>	<u>5,318,815</u>
Assets being depreciated				
Sewerage system	-	19,131,185	-	19,131,185
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	552,416	428,514	1,039,858
Furniture and fixtures	-	8,953	111,373	120,326
Transportation equipment	-	111,835	557,202	669,037
	<u>58,928</u>	<u>41,629,699</u>	<u>16,138,605</u>	<u>57,827,232</u>
Less accumulated depreciation	<u>(58,928)</u>	<u>(16,258,097)</u>	<u>(5,945,594)</u>	<u>(22,262,619)</u>
Net property and equipment being depreciated	<u>-</u>	<u>25,371,602</u>	<u>10,193,011</u>	<u>35,564,613</u>
Net property and equipment	<u>-</u>	<u>25,371,602</u>	<u>15,511,826</u>	<u>40,883,428</u>
Total assets	<u>1,343,632</u>	<u>28,169,242</u>	<u>19,009,784</u>	<u>48,522,658</u>

(continued)

CITY OF DIXON, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	
LIABILITIES				
Current liabilities:				
Vouchers payable	\$ -	\$ 123,523	\$ 1,003,052	\$ 1,126,575
Accrued liabilities:				
Payroll	-	10,934	24,457	35,391
Interest	-	99,501	19,366	118,867
Vacation pay	-	-	5,060	5,060
Due to other funds:				
Other governmental funds	2,667,649	390,000	5,461	3,063,110
Landfill fund	-	1,085,744	-	1,085,744
Sewerage fund	-	-	561,290	561,290
Water fund	-	430,745	-	430,745
Consumer deposits	-	-	398,670	398,670
Notes payable - current portion	-	970,961	-	970,961
EPA loan payable - current portion	-	-	3,461,735	3,461,735
Bonds payable - current portion	-	-	29,000	29,000
Total current liabilities	<u>2,667,649</u>	<u>3,111,408</u>	<u>5,508,091</u>	<u>11,287,148</u>
Long-term liabilities:				
Notes payable	-	10,716,732	-	10,716,732
EPA loan payable	-	-	7,051,312	7,051,312
Bonds payable	-	-	30,000	30,000
Total long-term liabilities	<u>-</u>	<u>10,716,732</u>	<u>7,081,312</u>	<u>17,798,044</u>
Total liabilities	<u>2,667,649</u>	<u>13,828,140</u>	<u>12,589,403</u>	<u>29,085,192</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	-	13,683,909	4,939,779	18,623,688
Restricted	-	-	460,089	460,089
Unrestricted	<u>(1,324,017)</u>	<u>657,193</u>	<u>1,020,513</u>	<u>353,689</u>
Total net assets (deficit)	<u>\$ (1,324,017)</u>	<u>\$ 14,341,102</u>	<u>\$ 6,420,381</u>	<u>\$ 19,437,466</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (DEFICITS)
PROPRIETARY FUNDS
Year Ended April 30, 2011

	Business-Type Activities			
	Landfill Fund	Sewerage Fund	Water	Total
			Department Fund	
OPERATING REVENUES				
User fees	\$ -	\$ 2,478,559	\$ 2,685,415	\$ 5,163,974
Host fees	690,464	-	-	690,464
Labor and merchandise	-	-	88,098	88,098
Miscellaneous	-	94,953	45,731	140,684
Total operating revenues	<u>690,464</u>	<u>2,573,512</u>	<u>2,819,244</u>	<u>6,083,220</u>
OPERATING EXPENSES				
Salaries	2,700	259,541	654,885	917,126
Maintenance of site and buildings	-	100,121	292,932	393,053
Other maintenance	-	1,204	1,094	2,298
Supplies and services	-	23,857	82,472	106,329
Electricity	-	231,108	260,806	491,914
Fuel, gas and oil	-	21,160	28,543	49,703
Professional service and fees	-	8,581	24,233	32,814
Insurance	-	128,610	262,015	390,625
Miscellaneous	15	19,694	3,349	23,058
Dues and subscriptions	-	1,230	-	1,230
Travel and education expense	943	1,008	-	1,951
Training	-	339	2,117	2,456
Depreciation	-	1,941,920	474,527	2,416,447
Total operating expenses	<u>3,658</u>	<u>2,738,373</u>	<u>2,086,973</u>	<u>4,829,004</u>
OPERATING INCOME (LOSS)	<u>686,806</u>	<u>(164,861)</u>	<u>732,271</u>	<u>1,254,216</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	713	152	3,628	4,493
Income from reimbursement agreement	-	191,004	-	191,004
Grant revenue	-	-	1,044,824	1,044,824
Interest expense	-	(307,313)	(194,535)	(501,848)
Total nonoperating revenues (expenses)	<u>713</u>	<u>(116,157)</u>	<u>853,917</u>	<u>738,473</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>687,519</u>	<u>(281,018)</u>	<u>1,586,188</u>	<u>1,992,689</u>
CAPITAL CONTRIBUTIONS	-	13,922	-	13,922
TRANSFERS IN	816,000	20,000	-	836,000
TRANSFERS OUT	<u>(3,081,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(3,106,000)</u>
CHANGE IN NET ASSETS	<u>(1,577,481)</u>	<u>(272,096)</u>	<u>1,586,188</u>	<u>(263,389)</u>
NET ASSETS, BEGINNING OF YEAR	<u>253,464</u>	<u>14,613,198</u>	<u>4,834,193</u>	<u>19,700,855</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (1,324,017)</u>	<u>\$ 14,341,102</u>	<u>\$ 6,420,381</u>	<u>\$ 19,437,466</u>

See accountant's compilation report and accompanying notes.

**CITY OF DIXON, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended April 30, 2011**

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Department Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 690,464	\$ 2,579,054	\$ 1,892,677	\$ 5,162,195
Payments to employees	(2,700)	(267,564)	(653,581)	(923,845)
Payments to suppliers	-	(442,620)	(132,145)	(574,765)
Other payments	(958)	-	-	(958)
Net cash provided by operating activities	<u>686,806</u>	<u>1,868,870</u>	<u>1,106,951</u>	<u>3,662,627</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from reimbursement agreement	-	191,004	-	191,004
Net operating transfers to other funds	(2,265,000)	(5,000)	-	(2,270,000)
Net cash provided by (used in) non-capital financing activities	<u>(2,265,000)</u>	<u>186,004</u>	<u>-</u>	<u>(2,078,996)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Proceeds from EPA loan	-	-	2,553,552	2,553,552
Proceeds from grant revenue	-	-	1,044,824	1,044,824
Advances from (to) other funds	1,557,649	(641,308)	(393,729)	522,612
Principal paid on revenue bond	-	-	(27,000)	(27,000)
Principal paid on notes payable	-	(946,588)	(344,440)	(1,291,028)
Payment of interest on debt	-	(307,313)	(194,535)	(501,848)
Acquisition of capital assets	-	(31,228)	(3,614,412)	(3,645,640)
Net cash provided by (used in) capital financing activities	<u>1,557,649</u>	<u>(1,926,437)</u>	<u>(975,740)</u>	<u>(1,344,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases of investments	713	152	(2,261)	(2,261)
Interest income	713	152	3,628	4,493
Net cash provided by investing activities	<u>713</u>	<u>152</u>	<u>1,367</u>	<u>2,232</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(19,832)</u>	<u>128,589</u>	<u>132,578</u>	<u>241,335</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,720</u>	<u>99,498</u>	<u>626,570</u>	<u>753,788</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,888</u>	<u>\$ 228,087</u>	<u>\$ 759,148</u>	<u>\$ 995,123</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 686,806	\$ (164,861)	\$ 732,271	\$ 1,254,216
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	1,941,920	474,527	2,416,447
Effects of changes in operating assets and liabilities				
Accounts receivable	-	5,542	(933,995)	(928,453)
Prepaid insurance	-	12,823	(4,346)	8,477
Inventory	-	-	(23,135)	(23,135)
Accounts payable	-	81,469	852,897	934,366
Consumer deposits	-	-	7,428	7,428
Accrued liabilities	-	(8,023)	1,304	(6,719)
Net cash provided by operating activities	<u>\$ 686,806</u>	<u>\$ 1,868,870</u>	<u>\$ 1,106,951</u>	<u>\$ 3,662,627</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,544,434	\$ 100,816	\$ 8,029	\$ 1,653,279
Investments	18,896,425	2,431,464	-	21,327,889
Receivables:				
Accounts	-	13,947	-	13,947
Investment income	55,516	-	-	55,516
Due from other funds	<u>264,032</u>	<u>-</u>	<u>-</u>	<u>264,032</u>
TOTAL ASSETS	<u>20,760,407</u>	<u>2,546,227</u>	<u>8,029</u>	<u>23,314,663</u>
LIABILITIES				
Vouchers payable	47,235	-	-	47,235
Performance deposits	<u>-</u>	<u>-</u>	<u>8,029</u>	<u>8,029</u>
TOTAL LIABILITIES	<u>47,235</u>	<u>-</u>	<u>8,029</u>	<u>55,264</u>
NET ASSETS				
Net assets held in trust for pension benefits	20,713,172	-	-	20,713,172
Net assets held in trust for other purposes	<u>-</u>	<u>2,546,227</u>	<u>-</u>	<u>2,546,227</u>
TOTAL NET ASSETS	<u>\$ 20,713,172</u>	<u>\$ 2,546,227</u>	<u>\$ -</u>	<u>\$ 23,259,399</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, 2011

	<u>Pension Trust</u>	<u>Private- Purpose Trust</u>
ADDITIONS		
Contributions:		
Employer	\$ 754,836	\$ -
Plan members	391,794	-
Other	-	103,126
Total contributions	<u>1,146,630</u>	<u>103,126</u>
Investment income	<u>2,070,502</u>	<u>238,585</u>
Total additions	<u>3,217,132</u>	<u>341,711</u>
DEDUCTIONS		
Benefit payments	1,577,862	-
Management fees	141,258	-
Withdrawals	-	106,347
Administrative and audit fee	21,500	28,776
Other	9,714	-
Total deductions	<u>1,750,334</u>	<u>135,123</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	1,466,798	206,588
TRANSFERS OUT	<u>-</u>	<u>(200,000)</u>
CHANGE IN NET ASSETS	1,466,798	6,588
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	<u>19,246,374</u>	<u>2,539,639</u>
NET ASSETS HELD IN TRUST, END OF YEAR	<u>\$ 20,713,172</u>	<u>\$ 2,546,227</u>

See accountant's compilation report and accompanying notes.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

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, 2011

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, 2011

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, 2011

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.

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 and grant revenues.

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.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Major, Nonmajor and Fiduciary Fund Statements (Continued)

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.

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.

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, 2011

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, 2011

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, 2011

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 \$77,500.

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, 2011, 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, 2011

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 2009 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2011 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, 2011

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

Interfund Transactions

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

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

Compensated Absences

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

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

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, 2011, \$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 \$25,291,223 and the bank balances totaled \$27,119,261. Cash on hand was \$3,122.

At year end, the investment maturities are as follows:

Investment Type	Fair value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	10 or more
Certificates of Deposit	\$ 670,856	\$ 537,143	\$ 133,713	\$ -	\$ -
U.S. Treasuries and Agencies	8,401,259	457,405	961,811	276,069	6,705,974
Corporate Bonds	607,100	361,845	245,255	-	-
Illinois Treasurer's Investment Pool	206,700	206,700	-	-	-
Mutual Funds	<u>12,162,737</u>	<u>12,162,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$22,048,652</u>	<u>\$13,725,830</u>	<u>\$ 1,340,779</u>	<u>\$ 276,069</u>	<u>\$6,705,974</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

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, 2011, the City had \$206,700 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, 2011, \$-0- of the City's deposits were exposed to custodial credit risk.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

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 - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011, was as follows:

	<u>Balance at May 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,530,861	\$ -	\$ -	\$ 2,530,861
Construction in progress	<u>208,420</u>	<u>1,312,218</u>	<u>148,824</u>	<u>1,371,814</u>
Total capital assets not being depreciated	<u>2,739,281</u>	<u>1,312,218</u>	<u>148,824</u>	<u>3,902,675</u>
Capital assets being depreciated:				
Buildings	12,146,367	-	-	12,146,367
Equipment	5,869,497	205,909	72,509	6,002,897
Infrastructure	<u>48,323,524</u>	<u>6,450,053</u>	<u>-</u>	<u>54,773,577</u>
Total capital assets being depreciated	<u>66,339,388</u>	<u>6,655,962</u>	<u>72,509</u>	<u>72,922,841</u>
Less accumulated depreciation:				
Buildings	4,030,407	306,039	-	4,336,446
Equipment	3,896,522	432,076	48,261	4,280,337
Infrastructure	<u>14,958,858</u>	<u>2,149,339</u>	<u>-</u>	<u>17,108,197</u>
Total accumulated depreciation	<u>22,885,787</u>	<u>2,887,454</u>	<u>48,261</u>	<u>25,724,980</u>
Governmental activities capital assets, net	<u>\$ 46,192,882</u>	<u>\$5,080,726</u>	<u>\$ 173,072</u>	<u>\$ 51,100,536</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Balance at May 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 149,073	\$ -	\$ -	\$ 149,073
Construction in progress	<u>1,651,056</u>	<u>3,518,686</u>	<u>-</u>	<u>5,169,742</u>
Total capital assets not being depreciated	<u>1,800,129</u>	<u>3,518,686</u>	<u>-</u>	<u>5,318,815</u>
Capital assets being depreciated:				
Sewerage system	19,093,114	38,071	-	19,131,185
Water system	19,027,259	-	-	19,027,259
Building and improvements	335,995	-	-	335,995
Machinery and equipment	1,032,779	7,079	-	1,039,858
Furniture and fixtures	120,326	-	-	120,326
Transportation equipment	573,311	95,726	-	669,037
Waste Water Treatment Plant	<u>17,503,572</u>	<u>-</u>	<u>-</u>	<u>17,503,572</u>
Total capital assets being depreciated	<u>57,686,356</u>	<u>140,876</u>	<u>-</u>	<u>57,827,232</u>
Less accumulated depreciation:				
Sewerage system	6,834,635	890,657	-	7,725,292
Water system	5,346,208	576,804	-	5,923,012
Building and improvements	147,375	2,438	-	149,813
Machinery and equipment	890,464	35,528	-	925,992
Furniture and fixtures	120,326	-	-	120,326
Transportation equipment	438,740	35,843	-	474,583
Waste Water Treatment Plant	<u>6,068,424</u>	<u>875,177</u>	<u>-</u>	<u>6,943,601</u>
Total accumulated depreciation	<u>19,846,172</u>	<u>2,416,447</u>	<u>-</u>	<u>22,262,619</u>
Business-type activities capital assets, net	<u>\$39,640,313</u>	<u>\$ 1,243,115</u>	<u>\$ -</u>	<u>\$40,883,428</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 602,616
Public safety	444,177
Highways and streets	1,765,739
Culture and recreation	1,299
Airport	49,638
Cemetery	<u>23,985</u>
Total depreciation expense	<u>\$ 2,887,454</u>
Business-type activities:	
Sewer	\$ 1,941,920
Water department	<u>474,527</u>
Total depreciation expense	<u>\$ 2,416,447</u>

NOTE 4 - PAYMENTS TO KEN NELSON AUTO PLAZA

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The agreement expires in May 2024. The amount of ROT rebate expenses during fiscal year ending April 30, 2011 was \$51,230.

NOTE 5 - LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the City as of April 30, 2011:

Assessed valuation – 2010		<u>\$ 179,434,642</u>
Statutory debt limitation (8.625% of assessed valuation)		\$ 15,476,238
Total debt:		
General Obligation Debt Certificates	\$ 11,699,000	
EPA loans payable	10,513,047	
Notes payable	11,687,693	
Tax Anticipation Warrants	550,000	
Water Revenue Bonds	59,000	
Contract payable	20,000	
Deduct bonds exempt from debt limitation computation:		
EPA loans payable	(10,513,047)	
Notes payable	(11,687,693)	
Tax Anticipation Warrants	(550,000)	
Water Revenue Bonds	<u>(59,000)</u>	
		<u>11,719,000</u>
Legal debt margin		<u>\$ 3,757,238</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended April 30, 2011 are summarized as follows:

Governmental Activities	<u>Balance</u> <u>May 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>April 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Debt certificates	\$ 11,699,000	\$1,679,000	\$1,129,000	\$ 12,249,000	\$1,262,000
Contract payable	45,666	-	25,666	20,000	10,000
Net pension obligation	557,398	163,195	-	720,593	720,593
Other post-employment benefits	<u>196,965</u>	<u>67,867</u>	<u>-</u>	<u>264,832</u>	<u>-</u>
Total governmental activities	<u>\$ 12,499,029</u>	<u>\$1,910,062</u>	<u>\$1,154,666</u>	<u>\$ 13,254,425</u>	<u>\$1,992,593</u>
 Business-type Activities					
EPA loans payable	\$ 8,303,935	\$2,553,552	\$ 344,440	\$ 10,513,047	\$3,461,735
Notes payable	12,634,281	-	946,588	11,687,693	970,961
Bonds payable	<u>86,000</u>	<u>-</u>	<u>27,000</u>	<u>59,000</u>	<u>29,000</u>
Total business-type activities	<u>\$ 21,024,216</u>	<u>\$2,553,552</u>	<u>\$1,318,028</u>	<u>\$ 22,259,740</u>	<u>\$4,461,696</u>

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%.

On December 30, 2010, the City of Dixon issued General Obligation Debt Certificates, Series 2010 of \$679,000 (par value) with interest rate of 5.00%.

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

On May 18, 2010, the City of Dixon issued Tax Anticipation Warrants in anticipation of the collection of taxes for the year 2009 for \$1,000,000 with interest rate of 4.75%.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Governmental activities debt certificates payable at April 30, 2011, 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>
2012	\$ 470,000	\$ 265,957
2013	496,000	242,211
2014	522,000	217,151
2015	550,000	190,778
2016	580,000	162,990
2017-2020	<u>2,646,000</u>	<u>342,905</u>
Total	<u>\$ 5,264,000</u>	<u>\$ 1,421,992</u>

\$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>
2012	\$ 242,000	\$ 235,094
2013	252,000	225,210
2014	262,000	214,917
2015	272,000	204,216
2016	284,000	193,107
2017-2021	1,599,000	782,108
2022-2026	1,950,000	428,038
2027-2028	<u>895,000</u>	<u>55,179</u>
Total	<u>\$ 5,756,000</u>	<u>\$ 2,337,869</u>

\$679,000 – 2010 General Obligation Debt Certificates due on December 30, 2020 bearing interest of 5.00%. Debt service requirements are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 34,306
2013	-	34,306
2014	-	34,306
2015	-	34,306
2016	-	34,306
2017-2021	<u>679,000</u>	<u>171,530</u>
Total	<u>\$ 679,000</u>	<u>\$ 343,060</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

General Obligation Debt Certificates: (continued)

\$1,000,000 – 2009 Tax Anticipation Warrants originally due on November 1, 2010 and extended to November 1, 2011 bearing interest of 4.75%. Debt service requirements are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ <u>550,000</u>	\$ <u>26,701</u>

Contract Payable

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 1st 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>
2012	\$ 10,000	\$ -	\$ 10,000
2013	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

Net Pension Obligation

At April 30, 2011, the City had the following net pension obligation:

Firefighters' Pension	\$ 650,408
Illinois Municipal Retirement Fund	<u>70,185</u>
Total	<u>\$ 720,593</u>

Other Post-Employment Benefits

See Note 10

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2011 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.015%	\$ 143,874
River Street sanitary sewer replacement	2.815	139,284
Waste Water Treatment Plant expansion	2.535	<u>11,404,535</u>
Total		<u>\$11,687,693</u>

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

<u>Year Ending</u> <u>April 30</u>	<u>South Side</u> <u>Sewer Trunk</u>		<u>River Street</u> <u>Sewer Replacement</u>		<u>Waste Water</u> <u>Treatment Plant Expansion</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	16,959	256	16,355	230	1,007,784	186,768
2017-2021	-	-	-	-	5,437,931	534,831
2022	-	-	-	-	1,172,219	22,334
Total	<u>\$ 143,874</u>	<u>\$ 11,061</u>	<u>\$ 139,284</u>	<u>\$ 9,984</u>	<u>\$11,404,535</u>	<u>\$ 1,735,542</u>

Business-type activities bonds payable outstanding at April 30, 2011 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, 2011. 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>
2012	\$ 29,000	\$ 2,419	\$ 31,419
2013	<u>30,000</u>	<u>1,230</u>	<u>31,230</u>
Total	<u>\$ 59,000</u>	<u>\$ 3,649</u>	<u>\$ 62,649</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - 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>
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	150,339	48,477	198,816
2017-2021	810,362	183,718	994,080
2022-2026	917,550	76,530	994,080
2027	<u>98,180</u>	<u>1,227</u>	<u>99,407</u>
Total	<u>\$ 2,541,789</u>	<u>\$ 539,858</u>	<u>\$ 3,081,647</u>

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>
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	248,475	96,862	345,337
2017-2021	1,339,342	387,343	1,726,685
2022-2026	1,516,497	210,188	1,726,685
2027-2029	<u>831,888</u>	<u>31,454</u>	<u>863,342</u>
Total	<u>\$ 4,870,608</u>	<u>\$ 1,172,789</u>	<u>\$ 6,043,397</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - 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, 2011, the Water Department has received \$2,769,806 in loan proceeds and has accrued \$330,844 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.

The Water Department entered into a loan agreement on October 25, 2010, with the Environmental Protection Agency for the 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. As of the year ended April 30, 2011, the Water Department has received \$750,010 in loan proceeds and has accrued \$294,814 in amounts owed to contractors, for which loan proceeds have not yet been received. The total loan of \$4,187,022 has been approved at a 1.25% 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, \$1,046,756 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. 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:

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Restricted Cash and Investments (continued)

	Time deposits in banks
Bond account (Net of \$-0- available for operations)	\$ 31,419
Depreciation account (Net of \$18,923 available for operations)	30,000
Consumer deposit account (Net of \$59,486 available for operations)	<u>398,670</u>
Total	<u>\$ 460,089</u>

NOTE 7 - 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 \$9,606.

NOTE 8 - 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.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 - 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, 2011:

	<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	22
Current employees	<u>29</u>	<u>16</u>
Total	<u>57</u>	<u>38</u>

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.

**CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011**

NOTE 9 - PENSION PLANS (CONTINUED)

Police Pension Plan (Continued)

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, 2010	\$ 494,821	84.15%	\$ -
April 30, 2009	488,480	83.99%	-
April 30, 2008	333,426	116.81%	-

Firefighters' Pension Plan

Plan Description

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

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

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

**CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011**

NOTE 9 - PENSION PLANS (CONTINUED)

Firefighters' Pension Plan (Continued)

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, 2010	\$ 431,447	78.44%	\$ 650,408
April 30, 2009	494,370	68.21%	557,398
April 30, 2008	348,067	85.70%	400,244

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 Plan.

**Police and Firefighters'
Pension**

Actuarial valuation date

April 30, 2010

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 |

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 - PENSION PLANS (CONTINUED)

Police and Firefighters' Pension (Continued)

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Actuarial valuation date	April 30, 2010	April 30, 2010	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 11,708,302	\$ 8,323,372	\$ 20,031,674
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>5,222,046</u>	<u>3,927,448</u>	<u>9,149,494</u>
Total actuarial accrued liability	16,930,348	12,250,820	29,181,168
Actuarial value of assets	<u>11,631,484</u>	<u>7,459,220</u>	<u>19,090,704</u>
Unfunded actuarial accrued liability	<u>\$ 5,298,864</u>	<u>\$ 4,791,600</u>	<u>\$ 10,090,464</u>

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

Actuarially determined contribution requirements and contribution made

The Plan's 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 Plan used a level dollar amount method to amortize the unfunded liability over a 40 year period.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 - PENSION PLANS (CONTINUED)

Police and Firefighters' Pension (Continued)

Actuarially determined contribution requirements and contribution made (continued)

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, 2010	April 30, 2010	
Actuarially determined employer contribution requirement as a dollar amount:			
Normal cost	\$ 224,774	\$ 187,251	\$ 412,025
Amortization of unfunded actuarial accrued liability	<u>270,047</u>	<u>244,196</u>	<u>514,243</u>
	<u>\$ 494,821</u>	<u>\$ 431,447</u>	<u>\$ 926,268</u>
As a percent of current covered payroll:			
Normal cost	14.10%	21.41%	35.51%
Amortization of unfunded actuarial accrued liability	<u>16.94</u>	<u>27.92</u>	<u>44.86</u>
	<u>31.04%</u>	<u>49.33%</u>	<u>80.37%</u>
Contribution made as a dollar amount:			
Employer	\$ 416,399	\$ 338,437	\$ 754,836
Employee	<u>299,176</u>	<u>92,618</u>	<u>391,794</u>
	<u>\$ 715,575</u>	<u>\$ 431,055</u>	<u>\$ 1,146,630</u>
As a percent of current covered payroll:			
Employer	26.12%	38.69%	64.81%
Employee	<u>18.77</u>	<u>10.59</u>	<u>29.36</u>
	<u>44.89%</u>	<u>49.28%</u>	<u>94.17%</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 - 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>68.70%</u>	<u>60.89%</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>332.42%</u>	<u>547.81%</u>

Police and Firefighters' Pension Plan Statements

STATEMENTS OF PLAN NET ASSETS

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
ASSETS		
Cash	\$ 1,102,322	\$ 442,112
Investments, at fair value	11,535,314	7,361,111
Investment income receivable	33,506	22,010
Due from other funds	<u>-</u>	<u>264,032</u>
TOTAL ASSETS	<u>12,671,142</u>	<u>8,089,265</u>
LIABILITIES		
Vouchers payable	<u>-</u>	<u>47,235</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$12,671,142</u>	<u>\$ 8,042,030</u>

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 9 - 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>
ADDITIONS		
Contributions		
Employer	\$ 416,399	\$ 338,437
Plan members	<u>299,176</u>	<u>92,618</u>
Total contributions	715,575	431,055
Investment income	<u>1,238,773</u>	<u>831,729</u>
Total additions	<u>1,954,348</u>	<u>1,262,784</u>
DEDUCTIONS		
Benefit payments	913,300	664,562
Management fees	83,790	57,468
Administrative and audit fee	10,750	10,750
Other	<u>3,945</u>	<u>5,769</u>
Total deductions	<u>1,011,785</u>	<u>738,549</u>
NET INCREASE	942,563	524,235
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>11,728,579</u>	<u>7,517,795</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$12,671,142</u>	<u>\$ 8,042,030</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.

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 2010 used by the City was 8.46% of annual covered payroll. The City's annual required contribution rate for calendar year 2010 was 11.66%. 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, 2011

NOTE 9 - PENSION PLANS (CONTINUED)

Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost. For calendar year ending December 31, 2010, the City's actual contributions for pension cost for the Regular were \$185,551. Its required contribution for calendar year 2010 was \$255,736.

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, 2010	\$ 255,736	73%	\$ 70,185
December 31, 2009	172,766	100%	-
December 31, 2008	159,627	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases 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 20.00% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30-year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 85.01% funded. The actuarial accrued liability for benefits was \$8,215,313 and the actuarial value of assets was \$6,984,077, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,231,236. The covered payroll (annual payroll of active employees covered by the plan) was \$2,193,274 and the ratio of the UAAL to the covered payroll was 56.00%.

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, 2011

NOTE 10 - 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 9, 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, 2011, membership consisted of:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>106</u>
Total	<u><u>116</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, 2011

NOTE 10 - 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 2011 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, 2011	\$ 181,348	\$ 113,481	0.00%	\$ 264,832
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, 2011, was calculated as follows:

Annual required contribution	\$ 90,714
Interest on net OPEB obligation	1,613
Adjustment to annual required contribution	<u>(3,009)</u>
Annual OPEB cost	89,318
Contributions made	<u>21,451</u>
Increase in net OPEB obligation	<u>67,867</u>
Net OPEB obligation, beginning of year	<u>196,965</u>
Net OPEB obligation, end of year	<u>\$ 264,832</u>

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 1,662,066
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,662,066
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 5,366,785
UAAL as a percentage of covered payroll	30.97%

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 10 - 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 11 - DEFERRED COMPENSATION PLAN

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

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

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 12 - INTERFUND TRANSFERS/BALANCES

Interfund transfers during the year ended April 30, 2011, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Municipal Sales Tax Fund	\$ 971,000	\$ -
Capital Development Fund	-	645,000
Total General Fund	<u>971,000</u>	<u>645,000</u>
Municipal Sales Tax Fund:		
General Fund	-	971,000
Capital Development Fund	-	1,557,000
Landfill Fund	-	816,000
Nonmajor Governmental	-	20,000
Total Municipal Sales Tax Fund	<u>-</u>	<u>3,364,000</u>
Capital Development Fund:		
General Fund	645,000	-
Municipal Sales Tax Fund	1,557,000	-
Landfill Fund	3,081,000	-
Sewerage	25,000	-
Total Capital Development Fund	<u>5,308,000</u>	<u>-</u>
Landfill Fund:		
Municipal Sales Tax Fund	816,000	-
Capital Development Fund	-	3,081,000
Total Landfill Fund	<u>816,000</u>	<u>3,081,000</u>
Sewerage:		
Capital Development Fund	-	25,000
Nonmajor Governmental	20,000	-
Total Sewerage Fund	<u>20,000</u>	<u>25,000</u>
Private Purpose Trust:		
Nonmajor Governmental	-	200,000
Total Private Purpose Fund	<u>-</u>	<u>200,000</u>
Nonmajor Governmental		
Private Purpose Trust Fund	200,000	-
Total Nonmajor Governmental	<u>200,000</u>	<u>-</u>
Total operating transfers	<u>\$ 7,315,000</u>	<u>\$ 7,315,000</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, 2011**

NOTE 12 - INTERFUND TRANSFERS/BALANCES (CONTINUED)

Interfund balances at April 30, 2011, consisted of the following:

<u>Due from:</u>	General	Municipal	Capital	Landfill	Sewerage	Water	Municipal	Other	<u>Total</u>
	<u>Fund</u>	<u>Sales Tax</u>	<u>Development Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Department</u>	<u>Airport</u>	<u>Governmental Funds</u>	
<u>Due to:</u>									
General Fund	\$ -	\$ -	\$ 90,000	\$ -	\$ 185,000	\$ 5,461	\$ 88,000	\$ -	\$ 368,461
Illinois Municipal Retirement Fund	1,066,000	-	550,000	1,782,034	-	-	106,377	227,710	3,732,121
Landfill Fund	-	-	250,000	-	1,085,744	-	-	-	1,335,744
Sewerage Fund	1,785,000	50,000	150,000	-	-	561,290	-	-	2,546,290
Municipal Sales Tax Fund	50,000	-	-	-	-	-	-	-	50,000
Water Fund	-	-	-	-	430,745	-	-	-	430,745
Other Governmental Funds	3,290,626	-	726,216	885,615	205,000	-	10,000	204,568	5,322,025
Pension Trust Funds	264,032	-	-	-	-	-	-	-	264,032
Total	\$ 6,455,658	\$ 50,000	\$ 1,766,216	\$ 2,667,649	\$ 1,906,489	\$ 566,751	\$ 204,377	\$ 432,278	\$ 14,049,418

Interfund loans existing at April 30, 2011 and their purpose were as follows:

The General Fund owed non-major governmental funds, Pension Trust Funds, Sewerage Fund, Municipal Sales Tax Fund, and the Illinois Municipal Retirement Fund \$3,290,626, \$264,032, \$1,785,000, \$50,000 and \$1,066,000, respectively for money loaned to cover the cash flow of the General Fund.

The Water Department owed the Sewerage Fund and General Fund \$561,290 and \$5,461, 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 General Fund, Landfill Fund, Water Fund, and a non-major governmental fund \$185,000, \$1,085,744, \$430,745, and \$205,000, respectively for various capital expenditures.

The Landfill Fund owed the Illinois Municipal Retirement Fund and a non-major governmental fund \$1,782,034 and \$885,615, respectively for transfers to the Capital Development Fund.

The Capital Development Fund owed the General Fund, Illinois Municipal Retirement Fund, Landfill Fund, Sewerage Fund, and non-major governmental funds \$90,000, \$550,000, \$250,000, \$150,000, and \$726,216, respectively for various capital expenditures.

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

The Municipal Airport Fund owed the General Fund, Illinois Municipal Retirement Fund, and non-major governmental funds \$88,000, \$106,377, and \$10,000, respectively for various capital expenditures.

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 13 - 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, 2011:

	<u>Budget</u>	<u>Actual</u>
Foreign Fire Insurance Tax Fund	\$ -	\$ 2,089
Veterans Memorial Commission Fund	-	74,689

The following funds had deficit fund balances or deficit net assets balances:

General Fund	\$ (5,701,736)
Capital Development	(1,759,292)
Municipal Airport Fund	(190,909)
Landfill Fund	(1,324,017)
Oakwood Cemetery	(358,796)

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

NOTE 14 - SANITARY LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that a final cover be placed on a landfill when closed and certain maintenance performed and functions monitored at the landfill site for thirty years after closure. The landfill site remains open, and the City of Dixon, Illinois has 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 15 - RISK MANAGEMENT

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

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

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

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.

As of April 30, 2011, the City had remaining obligations under construction contracts as follows:

	<u>Project amount authorized</u>	<u>Expended to date</u>	<u>Commitment</u>
Radium Project Phase III	\$ 3,900,000	\$ 1,100,287	\$ 2,799,713

CITY OF DIXON, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
April 30, 2011

NOTE 16 - COMMITMENTS (CONTINUED)

On April 18, 2011, the City Council approved the sale of land within the Lee County Industrial Park to Lee County, Illinois for \$125,000. However at April 30, 2011, the transaction had not closed.

NOTE 17 - LEE COUNTY INDUSTRIAL DEVELOPMENT ASSOCIATION

The Water Department entered into an agreement with the Lee County Industrial Development Association (LCIDA) during July 1998. The 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, 2011.

NOTE 18 - 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, 2011, the City and the District entered into an agreement whereby the District will make payments as follows:

- \$120,000 thirty days after entry of the agreement
- \$150,000 on or before September 15, 2011 and
- on each September 15th thereafter during the term of the agreement, a payment computed based on the Equalized Assessed Value of the property annexed to the City of Dixon but not disconnected from the District

The term of the agreement is from April 30, 2011 through April 30, 2016 and shall be automatically extended for an additional two years unless either party gives written notice to terminate.

NOTE 19 - 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 20 - SUBSEQUENT EVENT

Management evaluated subsequent events through August 18, 2011, the date the financial statements were available to be issued.

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, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Police Pension Fund						
4/30/08	\$ 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%
4/30/10	11,631,484	16,930,348	5,298,864	68.70%	1,594,028	332.42%
Firemen Pension Fund						
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%
4/30/10	7,459,220	12,250,820	4,791,600	60.89%	874,687	547.81%

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

IMRF						
12/31/08	\$ 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%
12/31/10	6,984,077	8,215,313	1,231,236	85.01%	2,193,274	56.14%
Other Post-Employment Benefits						
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%
4/30/11	-	1,662,066	1,662,066	0.00%	5,366,785	30.97%

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 (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 1,780,600	\$ 1,780,600	\$ 1,996,489	\$ 215,889
Intergovernmental revenue:				
Personal property replacement tax	-	-	688,941	688,941
Income tax and surcharge	850,000	850,000	1,364,059	514,059
Utility tax	700,000	700,000	689,722	(10,278)
Telecom tax	-	-	82,519	82,519
Motel tax	60,000	60,000	61,244	1,244
	<u>1,610,000</u>	<u>1,610,000</u>	<u>2,886,485</u>	<u>1,276,485</u>
Licenses, permits, and other fees	258,500	258,500	278,307	19,807
Fines and penalties	196,000	196,000	130,548	(65,452)
Miscellaneous grants	-	-	101,189	101,189
Other	186,500	186,500	447,754	261,254
	<u>\$ 4,031,600</u>	<u>\$ 4,031,600</u>	<u>5,840,772</u>	<u>\$ 1,809,172</u>
Total cash receipts				
(Deduct) beginning accrued revenues			(700,731)	
add beginning deferred revenues				
Add ending accrued revenues			<u>689,617</u>	
(deduct) deferred revenues				
			<u>5,829,658</u>	
Total revenues				
EXPENDITURES				
DEPARTMENT OF PUBLIC AFFAIRS				
Salaries	\$ 84,600	\$ 84,600	19,200	\$ 65,400
Supplies and services	275,000	275,000	186,604	88,396
Professional services and fees	290,000	290,000	171,012	118,988
Insurance	5,000	5,000	-	5,000
Public relations	15,000	15,000	8,723	6,277
Main Street	15,000	15,000	10,166	4,834
Travel expense	5,000	5,000	2,749	2,251
Dues and subscriptions	5,000	5,000	2,722	2,278
Leadership Council	2,000	2,000	-	2,000
Tourism Council	90,000	90,000	86,079	3,921
Plan commission	10,000	10,000	41	9,959
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	45,000	41,000.00	4,000

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011

	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
EXPENDITURES (Continued)				
DEPARTMENT OF PUBLIC AFFAIRS (continued)				
Enterprise Zone	27,000	27,000	19,500	7,500
Katherine Shaw Bethea Hospital	500	500	500	-
Fire and police commission	15,000	15,000	10,962	4,038
Zoning Board of Appeals	5,000	5,000	-	5,000
Miscellaneous	25,000	25,000	5,663	19,337
Condemnation Board	20,000	20,000	-	20,000
Reagan Centennial Commission	10,000	10,000	-	10,000
Riverfront	500,000	460,000	21,485	438,515
	<u>1,431,100</u>	<u>1,431,100</u>	<u>586,406</u>	<u>844,694</u>
DEPARTMENT OF ACCOUNTS AND FINANCE				
Salaries	207,700	207,700	162,587	45,113
Maintenance	20,000	20,000	6,822	13,178
Supplies and services	77,000	77,000	10,235	66,765
Professional services and fees	247,000	247,000	122,846	124,154
Notices and publications	5,000	5,000	-	5,000
Insurance	760,000	760,000	415,181	344,819
New property and equipment	100,000	100,000	-	100,000
Miscellaneous	25,000	25,000	8,236	16,764
Travel expense	5,000	5,000	471	4,529
Dues and subscriptions	5,000	5,000	686	4,314
	<u>1,451,700</u>	<u>1,451,700</u>	<u>727,064</u>	<u>724,636</u>
DEPARTMENT OF POLICE PROTECTION				
Salaries	2,337,700	2,337,700	1,979,201	358,499
Maintenance	225,000	225,000	82,871	142,129
Supplies and services	385,000	385,000	120,168	264,832
Professional services and fees	20,000	20,000	-	20,000
Insurance	355,000	355,000	416,168	(61,168)
New property and equipment	545,000	545,000	116,088	428,912
Police training	30,000	30,000	8,372	21,628
Miscellaneous	30,000	30,000	1,345	28,655
Travel expense	25,000	25,000	9,717	15,283
Dues and subscriptions	5,000	5,000	3,433	1,567
Medicare expense	75,000	75,000	26,213	48,787
Feeding prisoners	5,000	5,000	-	5,000
Investigations	25,000	25,000	7,016	17,984
K-9 training	5,000	5,000	200	4,800
K-9 handler	10,000	10,000	3,200	6,800
K-9 miscellaneous	5,000	5,000	2,025	2,975
No sickness policy	50,000	50,000	4,300	45,700
Federal Grant Matching Funds-Tobacco Grant	30,000	30,000	-	30,000
Education bonus	15,000	15,000	6,500	8,500
Continuing education reimbursement	25,000	25,000	3,496	21,504
Lee County rent	250,000	250,000	114,250	135,750
	<u>4,452,700</u>	<u>4,452,700</u>	<u>2,904,563</u>	<u>1,548,137</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
DEPARTMENT OF FIRE PROTECTION				
Salaries	1,302,700	1,327,700	1,045,260	282,440
Maintenance	80,000	80,000	8,370	71,630
Supplies and services	115,000	115,000	39,295	75,705
Insurance	175,000	175,000	272,303	(97,303)
New property and equipment	640,000	615,000	10,774	604,226
Fire training	50,000	50,000	22,012	27,988
Miscellaneous	100,000	100,000	2,143	97,857
Dues and subscriptions	10,000	10,000	2,591	7,409
Travel expenses	10,000	10,000	971	9,029
No sickness policy	4,000	4,000	1,400	2,600
Medicare expense	60,000	60,000	14,003	45,997
	<u>2,546,700</u>	<u>2,546,700</u>	<u>1,419,122</u>	<u>1,127,578</u>
DEPARTMENT OF STREETS AND IMPROVEMENTS				
Salaries	585,400	585,400	344,169	241,231
Maintenance	765,000	765,000	242,890	522,110
Supplies and services	259,000	259,000	65,985	193,015
Insurance	186,500	186,500	93,675	92,825
New property and equipment	312,500	312,500	4,650	307,850
Safety and training	1,000	1,000	-	1,000
Travel expense	5,000	5,000	-	5,000
Dues and subscriptions	1,500	1,500	1,240	260
Miscellaneous	2,500	2,500	1,000	1,500
No sickness policy	5,000	5,000	-	5,000
Meal allowance	5,000	5,000	710	4,290
	<u>2,128,400</u>	<u>2,128,400</u>	<u>754,319</u>	<u>1,374,081</u>
DEPARTMENT OF BUILDING AND ZONING				
Salaries	190,000	190,000	144,762	45,238
Maintenance	14,500	14,500	2,583	11,917
Supplies and services	57,000	57,000	1,949	55,051
Insurance	30,000	30,000	32,303	(2,303)
New property and equipment	70,000	70,000	-	70,000
Training	10,000	10,000	546	9,454
Miscellaneous	5,000	5,000	-	5,000
Travel expense	5,000	5,000	943	4,057
Dues and subscriptions	1,000	1,000	325	675
	<u>382,500</u>	<u>382,500</u>	<u>183,411</u>	<u>199,089</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
DEPARTMENT OF PUBLIC PROPERTY				
Salaries	87,700	87,700	34,182	53,518
Maintenance	525,000	525,000	104,918	420,082
Supplies and services	60,000	60,000	5,101	54,899
New property and equipment	635,000	635,000	-	635,000
Engineering	100,000	100,000	-	100,000
Bond insurance	2,500	2,500	(80)	2,580
Holiday decorations	10,000	10,000	-	10,000
Flood control	50,000	50,000	-	50,000
Real estate taxes	10,000	10,000	67	9,933
Miscellaneous	10,000	10,000	-	10,000
	<u>1,490,200</u>	<u>1,490,200</u>	<u>144,188</u>	<u>1,346,012</u>
DEPARTMENT OF TRAFFIC MAINTENANCE				
Salaries	102,500	102,500	51,485	51,015
Maintenance	135,000	135,000	16,964	118,036
Supplies and service	20,000	20,000	2,358	17,642
Insurance	20,000	20,000	15,040	4,960
New property and equipment	175,000	175,000	715	174,285
Training expense	10,000	10,000	-	10,000
Miscellaneous	5,000	5,000	810	4,190
	<u>467,500</u>	<u>467,500</u>	<u>87,372</u>	<u>380,128</u>
DEPARTMENT OF PUBLIC WORKS				
Salaries	185,000	185,000	110,611	74,389
Maintenance	20,000	20,000	3,509	16,491
Supplies and service	45,000	45,000	5,468	39,532
Professional services and fees	90,000	90,000	4,451	85,549
Insurance	11,000	11,000	10,768	232
New property and equipment	30,000	30,000	1,447	28,553
Dues and subscriptions	5,000	5,000	647	4,353
Public relations	5,000	5,000	1,723	3,277
Travel expense	5,000	5,000	1,049	3,951
License renewals	5,000	5,000	93	4,907
Conferences	10,000	10,000	1,918	8,082
Miscellaneous	15,000	15,000	100	14,900
	<u>426,000</u>	<u>426,000</u>	<u>141,784</u>	<u>284,216</u>

(continued)

CITY OF DIXON, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
PAYMENTS TO PENSIONS				
Firefighters' Pension Fund	500,000	500,000	338,437	161,563
Police Pension Fund	<u>750,000</u>	<u>750,000</u>	<u>416,399</u>	<u>333,601</u>
	<u>1,250,000</u>	<u>1,250,000</u>	<u>754,836</u>	<u>495,164</u>
DEBT SERVICE				
Principal payments	-	-	450,000	(450,000)
Interest expense	<u>-</u>	<u>245,000</u>	<u>285,539</u>	<u>(40,539)</u>
	<u>-</u>	<u>245,000</u>	<u>735,539</u>	<u>(490,539)</u>
Total cash disbursements	<u>\$ 16,026,800</u>	<u>\$ 16,271,800</u>	8,438,604	<u>\$ 7,833,196</u>
(Deduct) beginning accrued expenditures, add beginning prepaid expenditures			(601,481)	
Add ending accrued expenditures, (deduct) ending prepaid expenditures			<u>472,257</u>	
Total expenditures			<u>8,309,380</u>	
Deficiency of revenues over expenditures			<u>(2,479,722)</u>	
OTHER FINANCING SOURCES (USES)				
Debt proceeds	\$ -	\$ -	1,000,000	\$ 1,000,000
Operating transfers in	3,756,050	3,756,050	971,000	(2,785,050)
Operating transfers out	<u>(6,150,000)</u>	<u>(5,905,000)</u>	<u>(645,000)</u>	<u>5,260,000</u>
	<u>\$ (2,393,950)</u>	<u>\$ (2,148,950)</u>	<u>1,326,000</u>	<u>\$ 3,474,950</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses			(1,153,722)	
			<u>(4,548,014)</u>	
FUND DEFICIT, BEGINNING OF YEAR				
FUND DEFICIT, END OF YEAR			<u>\$ (5,701,736)</u>	

See accountant's compilation report.

**CITY OF DIXON, ILLINOIS
MUNICIPAL AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE (DEFICIT) - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL
Year Ended April 30, 2011**

	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ 500	\$ 500	\$ 58,351	\$ 57,851
Miscellaneous	50,000	50,000	101,807	51,807
Grant	-	-	1,288,636	1,288,636
Total cash receipts	\$ 50,500	\$ 50,500	1,448,794	\$ 1,398,294
(Deduct) beginning accrued revenues			(102,992)	
Add ending accrued revenues			11,115	
Total revenues			1,356,917	
EXPENDITURES				
Salaries	\$ 85,000	\$ 85,000	54,208	\$ 30,792
Maintenance	55,000	55,000	10,757	44,243
Supplies, services and professional services	77,000	77,000	26,255	50,745
Insurance	60,000	60,000	12,568	47,432
New property and equipment	420,000	420,000	1,409,546	(989,546)
Miscellaneous	10,000	10,000	105	9,895
Real estate taxes	4,000	4,000	1,020	2,980
Dues and subscriptions	1,000	1,000	-	1,000
Total cash disbursements	\$ 712,000	\$ 712,000	1,514,459	\$ (802,459)
(Deduct) beginning accrued expenditures			(93,872)	
Add ending accrued expenditures			75	
Total expenditures			1,420,662	
Deficiency of revenues over expenditures			(63,745)	
OTHER FINANCING SOURCES				
Operating transfers in	\$ 99,600	\$ 99,600	-	\$ (99,600)
Deficiency of revenues and other financing sources over expenditures			(63,745)	
FUND DEFICIT, BEGINNING OF YEAR			(127,164)	
FUND DEFICIT, END OF YEAR			\$ (190,909)	

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, 2011**

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 466,000	\$ 466,000	\$ 450,095	\$ (15,905)
Revenue from use of money and property	<u>10,000</u>	<u>10,000</u>	<u>12,605</u>	<u>2,605</u>
Total cash receipts	<u>\$ 476,000</u>	<u>\$ 476,000</u>	462,700	<u>\$ (13,300)</u>
(Deduct) beginning accrued revenues			-	
Add ending accrued revenues			<u>-</u>	
Total revenues			<u>462,700</u>	
EXPENDITURES				
Payments to pensions	\$ 500,000	\$ 500,000	189,888	\$ 310,112
Administration service	5,000	5,000	2,000	3,000
Miscellaneous expense	<u>-</u>	<u>-</u>	<u>9,342</u>	<u>(9,342)</u>
Total cash disbursements	<u>\$ 505,000</u>	<u>\$ 505,000</u>	201,230	<u>\$ 303,770</u>
(Deduct) beginning accrued expenditures			-	
Add ending accrued expenditures			<u>-</u>	
Total expenditures			<u>201,230</u>	
Excess of revenues over expenditures			261,470	
FUND BALANCE, BEGINNING OF YEAR			<u>3,482,439</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,743,909</u>	

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, 2011**

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
REVENUES				
Sales tax	\$ 3,367,500	\$ 3,367,500	\$ 2,680,804	\$ (686,696)
Non-home rule sales tax	-	-	763,456	763,456
Revenue from use of money and property	<u>7,500</u>	<u>7,500</u>	<u>74</u>	<u>(7,426)</u>
Total cash receipts	<u>\$ 3,375,000</u>	<u>\$ 3,375,000</u>	3,444,334	<u>\$ 69,334</u>
(Deduct) beginning accrued revenues			(534,470)	
Add ending accrued revenues			<u>556,116</u>	
Total revenues			<u>3,465,980</u>	
EXPENDITURES				
Payments to Ken Nelson Auto Plaza	<u>\$ 250,000</u>	<u>\$ 250,000</u>	49,704	<u>\$ 200,296</u>
Total cash disbursements	<u>\$ 250,000</u>	<u>\$ 250,000</u>	49,704	<u>\$ 200,296</u>
(Deduct) beginning accrued expenditures			(10,691)	
Add ending accrued expenditures			<u>12,217</u>	
Total expenditures			<u>51,230</u>	
Excess of revenues over expenditures			3,414,750	
OTHER FINANCING USES				
Operating transfers out	<u>\$ (17,200,000)</u>	<u>\$ (17,200,000)</u>	<u>(3,364,000)</u>	<u>\$ 13,836,000</u>
Excess of revenues over expenditures and other financing uses			50,750	
FUND BALANCE, BEGINNING OF YEAR			<u>497,257</u>	
FUND BALANCE, END OF YEAR			<u>\$ 548,007</u>	

See accountant's compilation report.

CITY OF DIXON, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2011

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

The following major fund had an excess of disbursements over appropriations:

	<u>Budget</u>	<u>Actual</u>
Municipal Airport Fund	\$ 712,000	\$ 1,514,459

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 20.00% corridor.

See accountant's compilation report.

OTHER SUPPLEMENTAL INFORMATION

CITY OF DYON, ILLINOIS
 NON-MAJOR FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Year Ended April 30, 2011

	Special Revenue														Total		
	General Government and Streets				Culture and Recreation				Welfare				Public Safety			Debt Service	
	TIF Districts		Riverfront Project		Social Security	Working Staff	Motor Fuel Tax	Library	Sand	Veteran's Memorial Commission	Outwood Cemetery	Civil Debates	Emergency Vehicle	Foreign Fire Insurance			
Garbage	Public Benefit	Downtown Redevelopment Project	Public Benefit	Riverfront Project	Social Security	Working Staff	Motor Fuel Tax	Library	Sand	Veteran's Memorial Commission	Outwood Cemetery	Civil Debates	Emergency Vehicle	Foreign Fire Insurance	Debt Service		
REVENUES																	
General property taxes																	
Permit property taxes																	
Regular property tax																	
Motor fuel tax allocations																	
Foreign fire insurance tax																	
User fees																	
Cemetery lot sales and services																	
Revenue from use of money and property	14	151	318	736	1,388	111	165	682	80	54,808	7,063	169	190	151		11,218	
Miscellaneous																	66,894
Grant																	16,277
Total revenues	14	82,815	311,822	112,177	377,851	111	478,866	381,854	68,052	54,808	119,052	16,130	342,862	24,440			2,899,514
EXPENDITURES																	
Salaries																	
Maintenance																	
Supplies, services and professional services																	
Fuel, gas, and oil																	
Insurance																	
Miscellaneous																	
Payments to Social Security System																	
Administrative fee																	
Total expenditures																	
Excess (deficiency) of revenues over expenditures	14	82,815	265,921	94,097	199,328	111	309,347	12,859	(14,044)	(19,861)	(113,452)	9,460	168,723	22,200			1,016,308
OTHER FINANCING SOURCES																	
Operating transfers in																	
Excess (deficiency) of revenues over expenditures and other financing uses																	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	3,954	20,435	220,578	4,462	2,421,377	702,289	70,235	319,046	215,680	56,655	(446,354)	43,256	916,039	20,184	18		4,571,074
FUND BALANCE (DEFICIT), END OF YEAR	3,968	103,050	488,498	98,559	2,619,705	702,410	379,582	331,607	201,645	36,874	(359,798)	52,716	1,086,761	42,384	18		5,787,382

See accountant's compilation report.

CITY OF DIXON, ILLINOIS
 FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 April 30, 2011

	Private Purpose Trust					Agency Fund
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	Total	Construction Deposits and Escrow
ASSETS						
Cash and cash equivalents	\$ 83,543	-	\$ 16,603	\$ 670	\$ 100,816	\$ 8,029
Investments	203,000	2,228,464	-	-	2,431,464	-
Receivables: Accounts	13,947	-	-	-	13,947	-
TOTAL ASSETS	\$ 300,490	\$ 2,228,464	\$ 16,603	\$ 670	\$ 2,546,227	\$ 8,029
LIABILITIES						
Performance deposits	-	-	-	-	-	\$ 8,029
Total liabilities	-	-	-	-	-	8,029
FUND BALANCES/NET ASSETS						
Reserved for perpetual endowment	300,490	-	-	-	300,490	-
Reserved for deferred compensation	-	2,228,464	-	-	2,228,464	-
Unreserved	-	-	16,603	670	17,273	-
Total fund balances/net assets	<u>300,490</u>	<u>2,228,464</u>	<u>16,603</u>	<u>670</u>	<u>2,546,227</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 300,490	\$ 2,228,464	\$ 16,603	\$ 670	\$ 2,546,227	\$ 8,029

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, 2011

	Private Purpose Trusts				
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	Total
ADDITIONS					
Contributions	\$ 7,148	\$ 92,465	\$ 3,513	\$ -	\$ 103,126
Revenue from use of money and property	-	238,415	170	-	238,585
Total revenues	7,148	330,880	3,683	-	341,711
DEDUCTIONS					
Withdrawals	-	106,347	-	-	106,347
Administrative	2,995	12,942	12,839	-	28,776
Total expenditures	2,995	119,289	12,839	-	135,123
Net (decrease) increase	4,153	211,591	(9,156)	-	206,588
TRANSFERS					
Operating transfers out	(200,000)	-	-	-	(200,000)
NET ASSETS BEGINNING OF YEAR	496,337	2,016,873	25,759	670	2,539,639
NET ASSETS END OF YEAR	\$ 300,490	\$ 2,228,464	\$ 16,603	\$ 670	\$ 2,546,227

See accountant's compilation report.

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
April 30, 2011

	Pension Trust Funds		
	Firefighters' Pension	Police Pension	Total
ASSETS			
Cash	\$ 442,112	\$ 1,102,322	\$ 1,544,434
Investments, at fair value	7,361,111	11,535,314	18,896,425
Investment income receivable	22,010	33,506	55,516
Due from other funds	264,032	-	264,032
TOTAL ASSETS	8,089,265	12,671,142	20,760,407
LIABILITIES			
Vouchers payable	47,235	-	47,235
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 8,042,030	\$ 12,671,142	\$ 20,713,172

See accountant's compilation report.

**CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2011**

	<u>Pension Trust Funds</u>		
	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 338,437	\$ 416,399	\$ 754,836
Plan members	<u>92,618</u>	<u>299,176</u>	<u>391,794</u>
Total contributions	<u>431,055</u>	<u>715,575</u>	<u>1,146,630</u>
Investment income	<u>831,729</u>	<u>1,238,773</u>	<u>2,070,502</u>
Total additions	<u>1,262,784</u>	<u>1,954,348</u>	<u>3,217,132</u>
DEDUCTIONS			
Benefit payments	664,562	913,300	1,577,862
Management fees	57,468	83,790	141,258
Administrative and audit fee	10,750	10,750	21,500
Other	<u>5,769</u>	<u>3,945</u>	<u>9,714</u>
Total deductions	<u>738,549</u>	<u>1,011,785</u>	<u>1,750,334</u>
NET INCREASE	524,235	942,563	1,466,798
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>7,517,795</u>	<u>11,728,579</u>	<u>19,246,374</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 8,042,030</u>	<u>\$ 12,671,142</u>	<u>\$ 20,713,172</u>

See accountant's compilation report.

CITY OF DIXON, ILLINOIS
 SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS
 Tax Years 2009, 2008 and 2007

Fund	2009			2008			2007		
	Assessed Valuation	Tax Rate	Tax Extensions	Assessed Valuation	Tax Rate	Tax Extensions	Assessed Valuation	Tax Rate	Tax Extensions
Corporate	\$ 177,793,317	.2613	\$ 464,574	169,121,105	.2616	\$ 442,421	161,316,631	.2483	\$ 397,323
Police Protection	177,793,317	.1482	263,480	169,121,105	.1484	250,978	161,316,631	.1482	239,071
Fire Protection	95,256,735	.1006	95,828	91,025,825	.1008	91,754	91,238,225	.1221	111,399
Audit	177,793,317	.0288	51,204	169,121,105	.0288	48,707	161,316,631	.0288	46,291
Road and Bridge	177,793,317	.0480	85,341	169,121,105	.0481	81,347	161,316,631	.0480	77,432
Public Benefit	177,793,317	.0384	68,273	169,121,105	.0384	64,843	161,316,631	.0383	61,784
Bands	177,793,317	.1441	256,200	169,121,105	.1443	244,042	161,316,631	.1441	232,457
Library	177,793,317	.0241	42,848	169,121,105	.0241	40,758	161,316,631	.0241	38,877
Camelery	177,793,317	.0241	42,848	169,121,105	.0241	40,758	161,316,631	.0241	38,877
Fire Pension	95,256,735	.3723	354,841	91,025,825	.3731	339,617	91,238,225	.3282	288,437
Police Pension	177,793,317	.2424	430,871	169,121,105	.2427	410,457	161,316,631	.2423	380,870
IMRF	177,793,317	.2620	465,818	169,121,105	.2623	443,996	161,316,631	.2619	422,488
Civil Defense	177,793,317	.0093	16,535	169,121,105	.0093	15,728	161,316,631	.0093	15,002
Claim and Judgment Tax	177,793,317	.1999	337,630	169,121,105	.1901	321,499	161,316,631	.2047	330,215
Library Maintenance	177,793,317	.0183	34,314	169,121,105	.0183	32,640	161,316,631	.0183	31,134
Social Security	177,793,317	.2100	389,387	169,121,105	.2183	370,708	161,316,631	.2180	353,283
TIF District 1	2,768,856	-	311,505	2,757,816	-	314,914	2,756,969	-	300,964
TIF District 3	4,160,849	-	111,855	4,118,764	-	111,386	3,993,892	-	97,655
			\$ 3,780,194		\$ 3,625,877		\$ 3,445,890		\$ 3,507,413
			\$ 3,732,124		\$ 3,681,993				

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, 2011**

<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	12/31/11
\$50,000 per occurrence	Crime	Illinois Risk Management Association	12/31/11
Statutory	Worker's compensation	Illinois Risk Management Association	12/31/11
\$3 million per accident	Employer's liability	Illinois Risk Management Association	12/31/11
\$30 million	Auto liability including trucks and tractors	Illinois Risk Management Association	12/31/11
\$5 million	Flood and earthquake	Illinois Risk Management Association	12/31/11
\$8 million	Comprehensive general liability	Illinois Risk Management Association	12/31/11
\$50,000	Valuable papers and records	Illinois Risk Management Association	12/31/11
Up to \$2 million	Airport liability	Phoenix Aviation Managers, Inc.	01/01/12
Replacement cost (up to \$17,000,000)	Boiler and machinery	Cincinnati Insurance Company	04/30/14
\$15,000	Blanket bond	Western Surety Company	08/25/11

The following statistics as of April 30, 2011, 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.