

CITY OF DIXON, ILLINOIS

—

ANNUAL FINANCIAL REPORT

—

April 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Commissioners
City of Dixon, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, Illinois as of and for the year ended April 30, 2012, which collectively comprise the City of Dixon, Illinois' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dixon, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, Illinois as of April 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2013 on our consideration of the City of Dixon, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As discussed in Note 22 to the financial statements, the City of Dixon, Illinois has implemented a financial reporting model as required by the provision of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended April 30, 2012.

The Schedule of Funding Progress on page 55 and budgetary comparison schedules on pages 56 through 64 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dixon, Illinois' financial statements as a whole. The other supplemental information section on pages 65 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Dixon, Illinois
August 21, 2013

CITY OF DIXON, ILLINOIS

Statement of Net Assets

April 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,879,509	\$ 937,705	\$ 4,817,214
Investments	10,309	240,236	250,545
Restricted cash	-	396,237	396,237
Restricted investments		201,762	201,762
General property taxes receivable	3,985,029	-	3,985,029
Due from State of Illinois	1,569,385	-	1,569,385
Motor fuel tax receivable	30,544	-	30,544
Accounts receivable, net	227,932	1,852,838	2,080,770
Other receivables	300,684	122,432	423,116
Due from Bay Valley Foods	-	1,705,484	1,705,484
Estimated recovery from theft loss	9,500,000		9,500,000
Notes receivable	4,787	-	4,787
Internal balances	(719,900)	719,900	-
Inventory	27,174	123,160	150,334
Prepaid insurance	766	4,981	5,747
Land and improvements	2,530,861	149,073	2,679,934
Construction in progress	1,359,238	-	1,359,238
Other capital assets, net of depreciation	24,873,161	35,110,687	59,983,848
TOTAL ASSETS	47,579,479	41,564,495	89,143,974
LIABILITIES			
Cash overdraft	395,384	2,243,003	2,638,387
Vouchers payable	281,987	761,990	1,043,977
Accrued payroll and taxes	413,540	39,503	453,043
Accrued interest	222,797	112,295	335,092
Accrued liabilities	119,061	-	119,061
Deferred sales tax income	642,646	-	642,646
Deferred property tax revenue	3,985,029	-	3,985,029
Deferred revenue	-	1,735,985	1,735,985
Consumer deposits	-	393,242	393,242
Other post-employment benefits	264,832		264,832
Net pension obligation	781,445		781,445
Long-term notes and bonds payable:			
Due within one year	1,039,907	1,714,514	2,754,421
Due in more than one year	12,376,093	22,257,548	34,633,641
Total Liabilities	20,522,721	29,258,080	49,780,801
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related debt	15,347,260	11,287,698	26,634,958
Restricted for:			
Special revenue	(539,603)	-	(539,603)
Debt service	(1,705,393)	-	(1,705,393)
Enterprise funds	-	597,999	597,999
Unrestricted	13,954,494	420,718	14,375,212
Total net assets	\$ 27,056,758	\$ 12,306,415	\$ 39,363,173

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Activities
Year Ended April 30, 2012

	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,803,650	\$ 280,754	\$ -	\$ -	\$ (1,237,747)	\$ -	\$ (1,237,747)
Public safety	4,284,339	485,200	-	285,149	(3,691,568)	-	(3,691,568)
Public works	138,401	-	-	107,571	(138,401)	-	(138,401)
Highways and streets	2,515,175	-	463,628	-	(2,051,547)	-	(2,051,547)
Traffic development	85,135	-	-	-	(85,135)	-	(85,135)
Welfare	10,298	-	-	-	(10,298)	-	(10,298)
Culture and recreation	466,945	27,653	-	-	(416,104)	-	(416,104)
Airport	169,365	-	23,188	-	(164,186)	-	(164,186)
Cemetery	253,845	76,897	-	5,179	(176,948)	-	(176,948)
Interest on long-term debt	572,669	-	-	-	(572,669)	-	(572,669)
Total governmental activities	10,299,822	870,504	486,816	397,899	(8,544,603)	-	(8,544,603)
Business-type Activities:							
Landfill	14,758	699,043	-	-	-	684,285	684,285
Sewer	2,736,666	2,635,474	-	-	-	(101,192)	(101,192)
Water Department	2,517,834	3,026,952	-	124,244	-	633,362	633,362
Total business-type activities	5,269,258	6,361,469	-	124,244	-	1,216,455	1,216,455
Total primary government	\$ 15,569,080	\$ 7,231,973	\$ 486,816	\$ 522,143	(8,544,603)	1,216,455	(7,328,148)
General Revenues:							
Property tax					3,833,696	-	3,833,696
Sales tax					3,624,824	-	3,624,824
Personal property replacement tax					664,446	-	664,446
Income tax and surcharge					1,011,581	-	1,011,581
Foreign fire insurance tax					25,362	-	25,362
Motel tax					59,932	-	59,932
Utility tax					690,866	-	690,866
Telecom tax					103,503	-	103,503
Interest					9,467	5,707	15,174
Other					818,155	191,004	809,159
Theft loss					(4,814,810)	-	(4,814,810)
Estimated recovery of theft loss					9,500,000	-	9,500,000
Internal activity - transfers/capital contributions					959,266	(1,935,000)	(975,734)
Total general revenues and transfers					16,286,288	(1,738,289)	14,547,999
CHANGE IN NET ASSETS					7,741,685	(521,834)	7,219,851
NET ASSETS, BEGINNING OF YEAR					40,085,731	19,437,466	59,523,197
PRIOR PERIOD ADJUSTMENT (SEE NOTE 21)					(20,770,658)	(6,609,217)	(27,379,875)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					19,315,073	12,828,249	32,143,322
NET ASSETS, END OF YEAR					\$ 27,056,758	\$ 12,306,415	\$ 39,363,173

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Balance Sheet
Governmental Funds
 April 30, 2012

	General Fund	Municipal Airport	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 1,959,108	\$ -	\$ 60,823	\$ 1,859,578	\$ 3,879,509
Investments	-	-	-	-	-	10,309	10,309
Receivables:							
General property tax	2,165,157	-	479,073	-	-	1,340,799	3,985,029
State income tax	666,964	-	-	-	-	-	666,964
Sales tax	-	-	-	902,421	-	-	902,421
Motor fuel tax allotments	-	-	-	-	-	30,544	30,544
Utility tax	125,997	-	-	-	-	125,997	125,997
Accounts	-	-	312	-	-	227,620	227,932
Circuit clerk	11,506	-	-	-	-	-	11,506
Estimated recovery from theft loss	9,500,000	-	-	-	-	-	9,500,000
Other taxes and fees	163,181	-	-	-	-	-	163,181
Notes receivable	-	-	-	-	-	4,787	4,787
Inventory	27,174	-	-	-	-	-	27,174
Prepaid insurance	-	-	2,050,550	-	-	766	2,051,316
Due from other funds	178,000	-	-	50,000	-	4,163,161	6,441,711
TOTAL ASSETS	\$ 12,837,979	\$ 312	\$ 4,488,731	\$ 952,421	\$ 60,823	\$ 7,637,564	\$ 25,977,830
LIABILITIES							
Cash overdraft	\$ 68,438	\$ 118,937	\$ -	\$ 3,845	\$ -	\$ 204,164	\$ 395,384
Vouchers payable	225,909	6,943	-	19,423	-	29,712	281,987
Accrued liabilities:							
Payroll	393,907	2,189	-	-	-	17,444	413,540
Accrued payroll taxes and other withholdings	-	-	-	-	-	-	-
Interest	11,108	-	-	-	-	-	11,108
Other	119,061	-	-	-	-	-	119,061
Deferred state tax revenues	340,707	-	-	301,939	-	-	642,646
Deferred property tax revenue	2,165,157	-	479,073	-	-	1,340,799	3,985,029
Due to other funds	5,072,845	108,000	-	50,000	1,766,216	164,550	7,161,611
Total Liabilities	8,397,132	236,069	479,073	375,207	1,766,216	1,756,669	13,010,366
FUND (DEFICIT) BALANCE							
Nonspendable:							
Notes and other receivables	9,500,000	-	-	-	-	4,787	9,504,787
Prepaid Expenses	-	-	-	-	-	766	766
Inventory	27,174	-	-	-	-	-	27,174
Restricted:							
Special Revenue	-	-	4,009,658	577,214	-	-	10,766,042
Debt Service	-	-	-	-	-	18	18
Unassigned:							
General	(5,086,327)	(235,757)	-	-	-	-	(5,086,327)
Special Revenue	-	-	-	-	-	(303,846)	(539,603)
Debt Service	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	(1,705,393)	-	(1,705,393)
Total fund (deficit) balance	4,440,847	(235,757)	4,009,658	577,214	(1,705,393)	5,880,895	12,967,464
TOTAL LIABILITIES AND FUND BALANCE	\$ 12,837,979	\$ 312	\$ 4,488,731	\$ 952,421	\$ 60,823	\$ 7,637,564	\$ 25,977,830

CITY OF DIXON, ILLINOIS
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
Year Ended April 30, 2012

Total governmental fund balances \$ 12,967,464

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$22,682,244 28,763,260

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(13,318,000)
Contract payable	(10,000)
Loan payable	(88,000)
Other post-employment benefits	(264,832)
Net pension obligation	(781,445)

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

(211,689)

Total net assets - governmental activities

\$ 27,056,758

CITY OF DIXON, ILLINOIS
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended April 30, 2012

	General Fund	Municipal Airport	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
General property taxes	\$ 2,060,298	\$ -	\$ 467,385	\$ -	\$ -	\$ 1,306,013	\$ 3,833,696
Foreign fire insurance tax	-	-	-	-	-	25,362	25,362
Intergovernmental revenues	2,818,898	5,179	-	3,624,824	54,846	529,245	7,032,992
Licenses and permits	280,754	-	-	-	-	-	280,754
Fines and penalties	179,115	-	-	-	-	-	179,115
Charges for services	-	-	-	-	-	410,635	410,635
Revenue from use of money and property	-	68,379	2,717	-	39	6,711	77,846
Other	545,055	1,767	-	-	-	9,829	556,651
Total revenues	<u>5,884,120</u>	<u>75,325</u>	<u>470,102</u>	<u>3,624,824</u>	<u>54,885</u>	<u>2,287,795</u>	<u>12,397,051</u>
EXPENDITURES							
General government	1,489,671	-	2,000	55,617	-	19,163	1,566,451
Public safety:							
Police protection and community relations	2,450,396	-	-	-	-	-	2,450,396
Fire fighting and prevention and emergency vehicle	1,301,559	-	-	-	-	129,545	1,431,104
Public works	138,401	-	-	-	-	-	138,401
Highways and streets	674,458	-	-	-	-	625,397	1,299,855
Traffic development	85,135	-	-	-	-	85,135	85,135
Welfare-Civil Defense	-	-	-	-	-	10,298	10,298
Culture and recreation	-	-	-	-	-	464,387	464,387
Airport operations	-	120,173	-	-	-	-	120,173
Cemetery operations	-	-	-	-	-	250,648	250,648
Capital outlay	245,859	-	-	-	-	-	245,859
Debt service:							
Principal	5,824,000	-	-	-	242,000	-	6,066,000
Interest	152,313	-	-	-	396,408	-	548,721
Payments to pensions	780,977	-	202,353	-	-	-	983,330
Payments to Social Security System	-	-	-	-	-	176,429	176,429
Total expenditures	<u>13,142,769</u>	<u>120,173</u>	<u>204,353</u>	<u>55,617</u>	<u>638,408</u>	<u>1,675,867</u>	<u>15,837,187</u>
Excess (deficiency) of revenues over expenditures	(7,258,649)	(44,848)	265,749	3,569,207	(583,523)	611,928	(3,440,136)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	1,958,465	-	-	-	5,842,232	574,025	8,374,722
Operating transfers out	(1,270,232)	-	-	(3,540,000)	(390,000)	(1,055,465)	(6,255,697)
Debt proceeds	7,213,000	-	-	-	-	-	7,213,000
Estimated Recovery of theft loss	9,500,000	-	-	-	-	-	9,500,000
Theft loss	-	-	-	-	(4,814,810)	-	(4,814,810)
Total other financing sources (uses)	<u>17,401,233</u>	<u>-</u>	<u>-</u>	<u>(3,540,000)</u>	<u>637,422</u>	<u>(481,440)</u>	<u>14,017,215</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	10,142,584	(44,848)	265,749	29,207	53,899	130,488	10,577,079
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(5,701,737)</u>	<u>(190,909)</u>	<u>3,743,909</u>	<u>548,007</u>	<u>(1,759,292)</u>	<u>5,750,407</u>	<u>2,390,385</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 4,440,847</u>	<u>\$ (235,757)</u>	<u>\$ 4,009,658</u>	<u>\$ 577,214</u>	<u>\$ (1,705,393)</u>	<u>\$ 5,880,895</u>	<u>\$ 12,967,464</u>

See Notes to Financial Statements

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, 2012

Net change in fund balances - total governmental funds \$ 10,577,079

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	245,859
Depreciation expense	(1,849,453)

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.

Debt proceeds	(7,213,000)
Debt principal payments	6,066,000
Change in net pension obligation	(60,852)
Change in other post-employment benefits	-

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.

(23,948)

Change in net assets of governmental activities \$ 7,741,685

CITY OF DIXON, ILLINOIS
Statement of Net Assets
Proprietary Funds
April 30, 2012

	Business-Type Activities			Total
	Landfill Fund	Sewerage Fund	Water Department Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 119,400	\$ 818,305	\$ 937,705
Restricted cash	-	-	396,237	396,237
Investments:				
Unrestricted	-	-	240,236	240,236
Restricted	-	-	201,762	201,762
Receivables:				
Accounts, net	48,783	583,743	1,220,312	1,852,838
Other	-	-	122,432	122,432
Due from other funds:				
Water fund	-	151,917	-	151,917
Other governmental funds	1,335,744	1,870,570	464,330	3,670,644
Inventory	-	-	123,160	123,160
Due from Bay Valley Foods	-	1,705,484	-	1,705,484
Prepaid insurance	-	4,981	-	4,981
	<u>1,384,527</u>	<u>4,436,095</u>	<u>3,586,774</u>	<u>9,407,396</u>
PROPERTY AND EQUIPMENT				
Assets not depreciated:				
Land	-	-	149,073	149,073
Construction in progress	-	-	-	-
Total assets not depreciated	<u>-</u>	<u>-</u>	<u>149,073</u>	<u>149,073</u>
Assets being depreciated:				
Sewerage system	-	11,294,685	-	11,294,685
Water system	-	3,985,744	23,396,578	27,382,322
Building and improvements	-	335,995	-	335,995
Wastewater treatment plant	-	17,503,572	-	17,503,572
Machinery and equipment	58,928	561,058	432,564	1,052,550
Furniture and fixtures	-	8,953	111,373	120,326
Transportation equipment	-	111,836	557,201	669,037
	<u>58,928</u>	<u>33,801,843</u>	<u>24,497,716</u>	<u>58,358,487</u>
Less accumulated depreciation	<u>(58,928)</u>	<u>(16,572,831)</u>	<u>(6,616,041)</u>	<u>(23,247,800)</u>
Net property and equipment being depreciated	<u>-</u>	<u>17,229,012</u>	<u>17,881,675</u>	<u>35,110,687</u>
Net property and equipment	<u>-</u>	<u>17,229,012</u>	<u>18,030,748</u>	<u>35,259,760</u>
TOTAL ASSETS	<u>\$ 1,384,527</u>	<u>\$ 21,665,107</u>	<u>\$ 21,617,522</u>	<u>\$ 44,667,156</u>

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Net Assets (continued)
Proprietary Funds
April 30, 2012

	Business-Type Activities			Total
	Landfill Fund	Sewerage Fund	Water Dept. Fund	
LIABILITIES				
Current liabilities				
Cash overdraft	\$ 2,243,003	\$ -	\$ -	\$ 2,243,003
Vouchers payable	7,473	61,967	692,550	761,990
Deferred revenue	48,783	1,687,202		1,735,985
Accrued liabilities:				
Payroll	-	11,973	27,530	39,503
Interest	-	89,740	22,555	112,295
Due to other funds:				-
Other governmental funds	1,860,000	5,000	-	1,865,000
Landfill fund	-	1,085,744	-	1,085,744
Sewerage fund	-	-	151,917	151,917
Water fund	-	-	-	-
Consumer deposits	-	-	393,242	393,242
Notes payable - current portion	-	980,922	-	980,922
EPA loan payable - current portion	-	-	703,592	703,592
Bonds payable - current portion	-	-	30,000	30,000
Total current liabilities	4,159,259	3,922,548	2,021,386	10,103,193
Long-term liabilities:				
Notes payable	-	9,720,771	-	9,720,771
EPA loan payable	-	-	12,536,777	12,536,777
Total long-term liabilities	-	9,720,771	12,536,777	22,257,548
Total liabilities	4,159,259	13,643,319	14,558,163	32,360,741
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	-	6,527,319	4,760,379	11,287,698
Restricted	-	-	597,999	597,999
Unrestricted	(2,774,732)	1,494,469	1,700,981	420,718
Total net assets (deficit)	\$ (2,774,732)	\$ 8,021,788	\$ 7,059,359	\$ 12,306,415

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)
Proprietary Funds
April 30, 2012

	Business-Type Activities			Total
	Landfill Fund	Sewerage Fund	Water Dept. Fund	
OPERATING REVENUES				
User fees	\$ -	\$ 2,635,474	\$ 2,878,677	\$ 5,514,151
Host fees	699,042	-	-	699,042
Labor and merchandise	-	-	104,360	104,360
Miscellaneous	1	-	43,915	43,916
Total operating revenues	<u>699,043</u>	<u>2,635,474</u>	<u>3,026,952</u>	<u>6,361,469</u>
OPERATING EXPENSES				
Salaries	2,700	257,639	605,537	865,876
Maintenance of site and buildings	-	148,061	148,926	296,987
Other maintenance	-	876	211	1,087
Supplies and services	7,473	46,485	209,518	263,476
Electricity	-	348,075	268,102	616,177
Fuel, gas and oil	-	22,335	26,242	48,577
Professional service and fees	-	10,942	35,499	46,441
Insurance	-	54,003	331,662	385,665
Clothing allowance	-	2,000	4,750	6,750
Miscellaneous	-	19,074	-	19,074
Dues and subscriptions	-	1,302	-	1,302
Travel and education expense	-	324	-	324
Training	-	157	-	157
No sickness policy	-	400	-	400
Depreciation	-	1,542,016	670,449	2,212,465
Total operating expenses	<u>10,173</u>	<u>2,453,689</u>	<u>2,300,896</u>	<u>4,764,758</u>
OPERATING INCOME	<u>688,870</u>	<u>181,785</u>	<u>726,056</u>	<u>1,596,711</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	-	91	5,617	5,708
Income from reimbursement agreement	-	191,004	-	191,004
Grant revenue	-	-	124,244	124,244
Interest expense	(4,585)	(282,977)	(216,938)	(504,500)
Total nonoperating revenues (expenses)	<u>(4,585)</u>	<u>(91,882)</u>	<u>(87,077)</u>	<u>(183,544)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>684,285</u>	<u>89,903</u>	<u>638,979</u>	<u>1,413,167</u>
TRANSFERS IN	-	200,000	-	200,000
TRANSFERS OUT	(2,135,000)	-	-	(2,135,000)
PRIOR PERIOD ADJUSTMENT (SEE NOTE 21)	-	(6,609,217)	-	(6,609,217)
CHANGE IN NET ASSETS	(1,450,715)	(6,319,314)	638,979	(7,131,050)
NET ASSETS, BEGINNING OF YEAR	<u>(1,324,017)</u>	<u>14,341,102</u>	<u>6,420,380</u>	<u>19,437,465</u>
NET ASSETS, (DEFICIT), END OF YEAR	<u>\$ (2,774,732)</u>	<u>\$ 8,021,788</u>	<u>\$ 7,059,359</u>	<u>\$ 12,306,415</u>

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2012

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Dept. Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 699,043	\$ 2,070,013	\$ 3,384,006	\$ 6,153,062
Payments to employees	(2,700)	(256,600)	(607,524)	(866,824)
Payments to suppliers	-	(715,590)	(1,293,149)	(2,008,739)
Other payments	2,243,003	-	-	2,243,003
Net cash provided by operating activities	<u>2,939,346</u>	<u>1,097,823</u>	<u>1,483,333</u>	<u>5,520,502</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from reimbursement agreement	-	191,004	-	191,004
Advances from (to) other funds	(807,649)	(291,942)	(448,419)	(1,548,010)
Net operating transfers from (to) other funds	(2,135,000)	200,000	-	(1,935,000)
Net cash provided by (used in) noncapital financing activities	<u>(2,942,649)</u>	<u>99,062</u>	<u>(448,419)</u>	<u>(3,292,006)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Proceeds from EPA loan	-	-	3,167,912	3,167,912
Proceeds from grant revenue	-	-	124,244	124,244
Principal paid on revenue bond	-	-	(29,000)	(29,000)
Principal paid on notes payable	-	(986,000)	(440,589)	(1,426,589)
Payment of interest on debt	(4,585)	(292,738)	(213,749)	(511,072)
Net disposition/(acquisition) of capital assets	-	(26,925)	(3,189,370)	(3,216,295)
Net cash provided by (used in) capital financing activities	<u>(4,585)</u>	<u>(1,305,663)</u>	<u>(580,552)</u>	<u>(1,890,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases of investments	-	-	(5,305)	(5,305)
Interest income	-	91	6,337	6,428
Net cash provided by investing activities	<u>-</u>	<u>91</u>	<u>1,032</u>	<u>1,123</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,888)</u>	<u>(108,687)</u>	<u>455,394</u>	<u>338,819</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,888</u>	<u>228,087</u>	<u>759,148</u>	<u>995,123</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 119,400</u>	<u>\$ 1,214,542</u>	<u>\$ 1,333,942</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 688,870	\$ 181,785	\$ 726,056	\$ 1,596,711
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	1,542,016	670,449	2,212,465
Effects of changes in operating assets and liabilities				
Accounts receivable	-	(565,461)	362,482	(202,979)
Prepaid insurance	-	-	42,263	42,263
Cash overdraft	2,243,003	-	-	2,243,003
Accounts payable	7,473	(61,556)	(310,502)	(364,585)
Consumer deposits	-	-	(5,428)	(5,428)
Accrued liabilities	-	1,039	(1,987)	(948)
Net cash provided by operating activities	<u>\$ 2,939,346</u>	<u>\$ 1,097,823</u>	<u>\$ 1,483,333</u>	<u>\$ 5,520,502</u>

CITY OF DIXON, ILLINOIS
Statement of Fiduciary Net Assets
Fiduciary Funds
April 30, 2012

	Pension Trust Funds	Private Purpose Trust Funds	Agency Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,042,894	\$ 18,980	\$ 8,429	\$ 1,070,303
Investments	19,287,856	100,000	-	19,387,856
Receivables:				
Accounts	-	12,797	-	12,797
Investment income	73,846	-	-	73,846
Due from other funds	-	-	-	-
TOTAL ASSETS	20,404,596	131,777	8,429	20,544,802
LIABILITIES				
Vouchers payable	54,060	-	-	54,060
Performance deposits	-	-	8,429	8,429
TOTAL LIABILITIES	54,060	-	8,429	62,489
NET ASSETS				
Net assets held in trust for pension benefits	20,350,536	-	-	20,350,536
Net assets held in trust for other purposes	-	131,777	-	131,777
TOTAL NET ASSETS	\$ 20,350,536	\$ 131,777	\$ -	\$ 20,482,313

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
April 30, 2012

	Pension Trust	Private- Purpose Trust
ADDITIONS		
Contributions:		
Employer	\$ 780,977	\$ -
Plan members	262,757	-
Other	-	5,212
Total contributions	1,043,734	5,212
Investment income	341,679	1,069
Miscellaneous income	2,305	
Total additions	1,387,718	6,281
DEDUCTIONS		
Benefit payments	1,665,795	-
Management fees	58,192	-
Withdrawals	-	-
Life insurance	-	-
Administrative and audit fee	17,000	-
Other	9,367	8,241
Total deductions	1,750,354	8,241
CHANGE IN NET ASSETS BEFORE TRANSFERS	(362,636)	(1,960)
TRANSFERS OUT	-	(184,025)
CHANGE IN NET ASSETS	(362,636)	(185,985)
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	20,713,172	317,763
NET ASSETS HELD IN TRUST, END OF YEAR	\$ 20,350,536	\$ 131,778

See Notes to Financial Statements

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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 be 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 government 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 recognize 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
Notes to Financial Statements
April 30, 2012

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
Notes to Financial Statements
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements – Government-Wide 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
Notes to Financial Statements
April 30, 2012

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
Notes to Financial Statements
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Major, Nonmajor and Fiduciary Fund Statements

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.

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
Notes to Financial Statements
April 30, 2012

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 applies.

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.

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
Notes to Financial Statements
April 30, 2012

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 has adopted GASB 54 in its April 30, 2012 financial statements. See Note 22 for information regarding GASB 54 implementation.

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
Notes to Financial Statements
April 30, 2012

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 \$91,000.

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, 2012, 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. 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 expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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 2010 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2012 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 on 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
Notes to Financial Statements
April 30, 2012

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
Notes to Financial Statements
April 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Non-union personnel accrue unused vacation time when earned by the employee. Each employee is allowed to carryover five days to the subsequent fiscal year. As of April 30, 2012, \$-0- of accrued vacation is included in accrued employee compensation. Union personnel are prohibited from carrying over any unused vacation time.

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 \$4,030,853 and the bank balances totaled \$4,171,844. Cash on hand was \$1,675.

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	\$ 452,307	\$ 452,307	\$ -0-	\$ -0-	\$ -0-
U.S. Treasuries and Agencies	5,623,925	367,148	1,595,329	674,517	2,986,931
Corporate Bonds	3,540,630	45,312	914,061	1,970,656	610,601
Mutual Funds and Other Equities	10,123,301	10,123,301	-0-	-0-	-0-
Total	\$19,740,163	\$10,988,068	\$2,509,390	\$2,645,173	\$3,597,532

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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 direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At April 30, 2012, the City had \$263,295 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 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 five 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, 2012, \$-0- of the City's deposits were exposed to custodial credit risk.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

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, 2012, was as follows:

	<u>Balance at May 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2012</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,530,861	\$ -	\$ -	\$ 2,530,861
Construction in progress	1,359,238	-	-	1,359,238
Total capital assets not being depreciated	<u>3,890,099</u>	<u>-</u>	<u>-</u>	<u>3,890,099</u>
Capital assets being depreciated:				
Buildings	12,146,367	-	-	12,146,367
Equipment	6,002,079	245,858	-	6,247,937
Infrastructure	54,773,576	-	25,612,475	29,161,101
Total capital assets being depreciated	<u>72,922,022</u>	<u>245,858</u>	<u>25,612,475</u>	<u>47,555,405</u>
Less accumulated depreciation:				
Buildings	4,334,459	305,226	-	4,639,685
Equipment	4,278,826	422,095	-	4,700,921
Infrastructure	17,108,197	1,122,132	4,888,691	13,341,638
Total accumulated depreciation	<u>25,721,482</u>	<u>1,849,453</u>	<u>4,888,691</u>	<u>22,682,244</u>
Governmental activities capital assets, net	<u>\$ 51,090,639</u>	<u>\$ (1,603,595)</u>	<u>\$ 20,723,784</u>	<u>\$ 28,763,260</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Balance at May 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2012</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 149,073	\$ -	\$ -	\$ 149,073
Total capital assets not being depreciated	<u>149,073</u>	<u>-</u>	<u>-</u>	<u>149,073</u>
Capital assets being depreciated:				
Sewerage system	19,131,185	-	7,836,500	11,294,685
Water system	24,221,263	3,161,059	-	27,382,322
Building and improvements	335,995	-	-	335,995
Machinery and equipment	1,015,596	38,094	1,140	1,052,550
Furniture and fixtures	120,326	-	-	120,326
Transportation equipment	669,037	-	-	669,037
Waste Water Treatment Plant	17,503,572	-	-	17,503,572
Total capital assets being depreciated	<u>62,996,974</u>	<u>3,199,153</u>	<u>7,837,640</u>	<u>58,358,487</u>
Less accumulated depreciation:				
Sewerage system	7,725,292	490,406	1,227,283	6,988,415
Water system	5,923,935	753,643	-	6,677,578
Building and improvements	149,813	2,438	-	152,251
Machinery and equipment	925,068	37,127	-	962,195
Furniture and fixtures	120,326	-	-	120,326
Transportation equipment	474,583	53,672	-	528,255
Waste Water Treatment Plant	6,943,601	875,179	-	7,818,780
Total accumulated depreciation	<u>22,262,618</u>	<u>2,212,465</u>	<u>1,227,283</u>	<u>23,247,800</u>
Business-type activities capital assets, net	<u><u>\$ 40,883,429</u></u>	<u><u>\$ 986,688</u></u>	<u><u>\$ 6,610,357</u></u>	<u><u>\$ 35,259,760</u></u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 176,347
Public safety	402,839
Highways and streets	1,215,320
Culture and recreation	2,558
Airport	49,192
Cemetery	3,197
	<u>1,849,453</u>
Total depreciation expense	<u>\$ 1,849,453</u>
Business-type activities:	
Sewer	\$ 1,542,016
Water department	670,449
	<u>2,212,465</u>
Total depreciation expense	<u>\$ 2,212,465</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, 2012 was \$55,545.

NOTE 5 - LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the City as of April 30, 2012:

Assessed valuation - 2011	\$ 175,742,204
Statutory debt limitation (8.625% of assessed valuation)	<u>\$ 15,157,765</u>
Total debt:	
General Obligation Debt Certificates	\$ 13,318,000
EPA loans payable	13,240,370
Notes payable	10,789,693
Water Revenue Bonds	30,000
Contract payable	10,000
Deduct bonds exempt from debt limitation computation:	
EPA loans payable	(13,240,370)
Notes payable	(10,789,623)
Tax Anticipation Warrants	(750,000)
Water Revenue Bonds	(30,000)
	<u>12,578,070</u>
Legal debt margin	<u>\$ 2,579,695</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended April 30, 2012 are summarized as follows:

Governmental Activities

	<u>Balance at May 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance April 30, 2012</u>	<u>Due Within One Year</u>
Debt certificates	\$ 12,249,000	\$ 7,125,000	\$ 6,056,000	\$ 13,318,000	\$ 1,002,000
Contract payable	20,000		10,000	10,000	10,000
Police vehicle loan	-	88,000	-	88,000	27,907
Net pension obligation	720,593	60,852		781,445	781,445
Other post-employment benefits	264,832			264,832	-
Total governmental activities	<u>\$ 13,254,425</u>	<u>\$ 7,273,852</u>	<u>\$ 6,066,000</u>	<u>\$ 14,462,277</u>	<u>\$ 1,821,352</u>

Business-type Activities

EPA loans payable	\$ 10,513,047	\$ 3,167,912	\$ 440,589	\$ 13,240,370	\$ 673,592
Notes payable	11,687,692		986,000	10,701,692	980,922
Bonds payable	59,000		29,000	30,000	30,000
Total business-type activities	<u>\$ 22,259,739</u>	<u>\$ 3,167,912</u>	<u>\$ 1,455,589</u>	<u>\$ 23,972,062</u>	<u>\$ 1,684,514</u>

Governmental Activities

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%.

On December 15, 2011, the City of Dixon issued General Obligation Debt Certificates, Series 2011 of \$6,375,000 (par value) with interest rate of 5.27%.

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

On March 19, 2012, the City of Dixon issued Tax Anticipation Warrants in anticipation of the collection of taxes for the year 2011 for \$750,000 with interest rate of 3.75%.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Governmental activities debt certificates payable at April 30, 2012, are comprised of the following individual issues:

General Obligation Debt Certificates:

\$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>
2013	\$ 252,000	\$ 248,130
2014	262,000	236,790
2015	272,000	225,000
2016	284,000	212,760
2017	295,000	199,980
2018-2021	1,304,000	661,725
2022-2026	1,950,000	471,600
2027-2028	895,000	60,795
Total	<u>\$ 5,514,000</u>	<u>\$ 2,316,780</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>
2013	\$ -	\$ 34,306
2014	-	34,306
2015	-	34,306
2016	-	34,306
2017	-	34,306
2018-2021	679,000	137,224
Total	<u>\$ 679,000</u>	<u>\$ 308,754</u>

\$6,375,000 - 2011 General Obligation Debt Certificates various amounts due annually at 5.27% interest through December 15, 2033. Debt service requirements are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 324,250
2014	-	324,250
2015	40,000	324,250
2016	45,000	323,450
2017	95,000	322,550
2018-2033	6,195,000	3,758,875
Total	<u>\$ 6,375,000</u>	<u>\$ 5,377,625</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

General Obligation Debt Certificates: (continued)

\$750,000 - 2011 Tax Anticipation Warrants due on November 1, 2012 bearing interest of 3.75%. Debt service requirements are as follows:

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	<u>\$ 750,000</u>	<u>\$ 28,125</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>
2013	<u>\$ 10,000</u>	<u>\$ -</u>
Total	<u>\$ 10,000</u>	<u>\$ -</u>

Police Vehicle Loan

\$88,000 from Midland States Bank at 5% interest, \$32,319 due annually through September 1, 2014

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 27,907	\$ 4,412
2014	29,314	3,005
2015	<u>30,779</u>	<u>1,540</u>
Total	<u>\$ 88,000</u>	<u>\$ 8,957</u>

Net Pension Obligation

At April 30, 2012, the City had the following net pension obligation:

Firefighters' Pension	\$ 650,408
Illinois Municipal Retirement Fund	131,037
Total	<u>\$ 781,445</u>

Other Post-Employment Benefits

See Note 10

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2012

NOTE 6 - LONG-TERM DEBT (Continued)

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2012 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.015 %	\$ 113,555
River Street sanitary sewer replacement	2.815	94,789
Waste Water Treatment Plant expansion	2.535	10,493,349
Total		<u>\$ 10,701,693</u>

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

Year Ending April 30	South Side Sewer Trunk		River Street Sewer Replacement		Waste Water Treatment Plant Expansion	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 31,240	\$ 3,190	\$ 15,251	\$ 1,334	\$ 934,431	\$ 260,122
2014	32,189	2,241	31,150	2,021	958,269	236,284
2015	33,167	1,263	32,033	1,138	982,715	211,838
2016	16,959	256	16,355	230	1,007,784	186,768
2017	-	-	-	-	1,033,494	161,059
2018-2021	-	-	-	-	4,404,437	373,772
2022	-	-	-	-	1,172,219	22,334
Total	<u>\$ 113,555</u>	<u>\$ 6,950</u>	<u>\$ 94,789</u>	<u>\$ 4,723</u>	<u>\$ 10,493,349</u>	<u>\$ 1,452,177</u>

The City of Dixon issued Water Revenue Bonds dated December 1, 2002, for the Water Department, due serially from December 1, 2003 to December 1, 2012. These bonds 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, 2012. 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>
2013	\$ 30,000	\$ 1,230	\$ 31,230
Total	<u>\$ 30,000</u>	<u>\$ 1,230</u>	<u>\$ 31,230</u>

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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>
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	154,121	44,695	198,816
2018-2021	656,242	139,022	795,264
2022-2026	917,550	76,530	994,080
2027	98,178	1,226	99,404
Total	<u>\$2,405,672</u>	<u>\$477,156</u>	<u>\$2,882,828</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>
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	254,726	90,611	345,337
2018-2021	1,084,616	296,732	1,381,348
2022-2026	1,516,497	210,188	1,726,685
2027	831,888	31,454	863,342
Total	<u>\$4,645,639</u>	<u>\$1,052,421</u>	<u>\$5,698,060</u>

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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 April 30, 2012, the Water Department has received \$4,134,200 in loan proceeds and has accrued \$122,432 in amounts due to contractors that have not yet been paid. The loan has been approved as a zero percent simple interest rate loan with a term of 20 years, with principal payments due in December and June of each year. Of the total loan proceeds received to date, \$2,067,100 of eligible costs are being funded under the American Recovery and Reinvestment Act, of which one-half (1/2), \$1,033,550 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 first principal payment on the loan in the amount of \$79,504 was made on December 21, 2011. The current loan balance at April 30, 2012 is \$3,021,146 pending the final draw (relating to the \$122,432 in accrued expenses) to be added in the fiscal year ending April 30, 2013. A final loan repayment schedule will be available at that time.

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, 2012, the Water Department has received \$4,214,668 in loan proceeds, which has been approved at a 1.25% simple interest rate with a term of 20 years, with principal payments due in March and September 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. \$3,167,912 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 September 9, 2012. A final loan repayment schedule will be available at that time.

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 special 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 required 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
Notes to Financial Statements
April 30, 2012

NOTE 6 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Restricted Cash and Investments (Continued)

	<u>Time deposits in banks</u>
Bond account (Net of \$ -0- available for operations)	\$ 129,212
Consumer deposit account (Net of \$ -0- available for operations)	<u>468,787</u>
Total	<u>\$ 597,999</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 \$9,833.

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
Notes to Financial Statements
 April 30, 2012

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, 2012:

	Police Pension	Firefighters’ Pension
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	29	22
Current employees	28	16
Total	57	38

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
Notes to Financial Statements
 April 30, 2012

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, 2011	\$416,399	100.00%	\$ -0-
April 30, 2010	494,821	84.15%	-0-
April 30, 2009	488,480	83.99%	-0-

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, 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 of 55, by 3% of the original pension and 3% annually thereafter.

CITY OF DIXON
Notes to Financial Statements
 April 30, 2012

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, 2011	\$338,437	100.00%	\$650,408
April 30, 2010	431,447	78.44%	650,408
April 30, 2009	494,370	68.21%	557,398

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, 2011

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
Notes to Financial Statements
April 30, 2012

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, 2011	April 30, 2011	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$11,126,817	\$7,191,470	\$18,318,287
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>6,006,746</u>	<u>4,927,753</u>	<u>10,934,499</u>
Total actuarial accrued liability	17,133,563	12,119,223	29,252,786
Actuarial value of assets	<u>12,671,142</u>	<u>8,042,030</u>	<u>20,713,172</u>
Unfunded actuarial accrued liability	<u>\$ 4,462,421</u>	<u>\$4,077,193</u>	<u>\$8,539,614</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 costs 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. Beginning in 2011, the amortization period has been reset to 30 years.

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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, 2011		April 30, 2011		
Actuarially determined employer contribution requirement as a dollar amount:					
Normal cost	\$222,964		\$166,963		\$389,927
Amortization of unfunded actuarial accrued liability	181,182		165,541		346,723
	<u>\$404,146</u>		<u>\$332,504</u>		<u>\$736,650</u>
As a percent of current covered payroll:					
Normal cost	14.41 %		18.54 %		32.95 %
Amortization of unfunded actuarial accrued liability	11.71		18.38		30.09
	<u>26.12 %</u>		<u>36.92 %</u>		<u>63.04 %</u>
Contribution made as a dollar amount:					
Employer	\$432,424		\$348,553		\$780,977
Employee	169,973		92,784		262,757
	<u>\$602,397</u>		<u>\$441,337</u>		<u>\$1,043,734</u>
As a percent of current covered payroll:					
Employer	27.95 %		37.58 %		65.53 %
Employee	10.99		10.30		21.29
	<u>38.94 %</u>		<u>47.88 %</u>		<u>86.82 %</u>

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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. Four year trend information may be found on page 55 of this statement.

	Police Pension		Firefighters' Pension	
Actuarial valuation of assets available:				
As a percent of the actuarial accrued liability	73.96	%	66.36	%
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)	288.46	%	452.78	%

Police and Firefighters' Pension Plan Statements

STATEMENTS OF PLAN NET ASSETS

	Police Pension	Firefighters' Pension
ASSETS		
Cash	\$ 741,369	\$ 373,090
Investments, at fair value	11,535,314	7,361,111
Investment income receivable	33,506	22,010
TOTAL ASSETS	12,310,189	7,756,211
LIABILITIES		
Vouchers payable	1,700	52,360
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$12,308,489	\$7,703,851

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 9 – PENSION PLANS (Continued)

Police and Firefighters' Pension (Continued)

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	Police Pension	Firefighters' Pension
ADDITIONS		
Contributions		
Employer	\$ 432,424	\$ 348,553
Plan members	169,973	92,784
Total contributions	602,397	441,337
Investment income	3,148	337
Miscellaneous income	1,063	1,240
Total additions	606,608	442,914
DEDUCTIONS		
Benefit payments	947,022	718,773
Management fees	9,260	48,932
Administrative and audit fee	8,500	8,500
Other	4,479	4,888
Total deductions	969,261	781,093
NET (DECREASE) INCREASE	(362,653)	(338,179)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	12,671,142	8,042,030
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	\$12,308,489	\$7,703,851

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 2011 used by the City was 9.31 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2011 was 12.09 percent. 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
Notes to Financial Statements
April 30, 2012

NOTE 9 – PENSION PLANS (Continued)

Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost. For calendar year ending December 31, 2011, the City's actual contributions for pension cost for the Regular were \$198,151. Its required contribution for calendar year 2011 was \$257,320.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2011	\$257,320	77%	\$131,037
December 31, 2010	255,736	73%	70,185
December 31, 2009	172,766	100%	-0-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent 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 20.0 percent corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2009 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, 2011, the most recent actuarial valuation date, the Regular plan was 82.02% funded. The actuarial accrued liability for benefits was \$8,090,338 and the actuarial value of assets was \$6,635,712, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,454,626. The covered payroll (annual payroll of active employees covered by the plan) was \$2,128,371 and the ratio of the UAAL to the covered payroll was 68.0 percent.

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
Notes to Financial Statements
 April 30, 2012

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 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, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	106
Total	116
Participating employers	1

Funding Policy

The City is not required to and 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
Notes to Financial Statements
April 30, 2012

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 2012 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, 2012, was calculated as follows:

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

Funding Status and Funding Progress

The funded status of the plan as of April 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$1,662,066
Actuarial value of plan assets	\$ -0-
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
Notes to Financial Statements
April 30, 2012

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation

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. Pursuant to GASB Statement No. 32, the assets and liabilities of this plan are not recorded as part of the City's books.

CITY OF DIXON, ILLINOIS
Notes to Basic Financial Statements
April 30, 2012

NOTE 12 - INTERFUND TRANSFERS/BALANCES

Interfund transfers during the year ended April 30, 2012, were as follows:

	Transfers In	Transfers Out
General Fund:		
Municipal Sales Tax Fund	\$ 1,103,000	\$ -
Capital Development Fund	-	1,270,232
Nonmajor Governmental	855,465	-
Total General Fund	1,958,465	1,270,232
Municipal Sales Tax Fund:		
General Fund	-	1,103,000
Capital Development Fund	-	2,437,000
Total Municipal Sales Tax Fund	-	3,540,000
Capital Development Fund:		
General Fund	1,270,232	-
Municipal Sales Tax Fund	2,437,000	-
Landfill Fund	2,135,000	-
Nonmajor Governmental	-	390,000
Total Capital Development Fund	5,842,232	390,000
Landfill Fund:		
Capital Development Fund	-	2,135,000
Total Landfill Fund	-	2,135,000
Sewerage:		
Nonmajor Governmental	200,000	-
Total Sewerage Fund	200,000	-
Private Purpose Trust:		
Nonmajor Governmental	-	184,025
Total Private Purpose Fund	-	184,025
Nonmajor Governmental		
Capital Development Fund	390,000	-
General Fund	-	855,465
Private Purpose Trust Fund	184,025	-
Sewerage Fund	-	200,000
Total Nonmajor Governmental	574,025	1,055,465
Total operating transfers	\$ 8,574,722	\$ 8,574,722

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 capital assets between two funds.

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 12 – INTERFUND TRANSFERS/BALANCES

Interfund balances at April 30, 2012, consisted of the following:

<u>Due from:</u>	<u>General Fund</u>	<u>Municipal Sales Tax</u>	<u>Capital Dev. Fund</u>	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Municipal Airport</u>	<u>Other Gov. Funds</u>	<u>Total</u>
<u>Due to:</u>								
General Fund	\$ -	\$ -	\$ 90,000	\$ -	\$ -	\$ 88,000	\$ -	\$ 178,000
Illinois Municipal Retirement Fund	66,000	-	550,000	1,260,000	-	10,000	164,550	2,050,550
Landfill Fund	-	1,085,744	250,000	-	-	-	-	1,335,744
Sewerage Fund	1,670,570	50,000	150,000	-	-	-	-	1,870,570
Municipal Sales Tax Fund	50,000	-	-	-	-	-	-	50,000
Water Fund	464,330	-	-	-	-	-	-	464,330
Other Governmental Funds	2,821,945	-	726,216	600,000	5,000	10,000	-	4,163,161
Total	\$5,072,845	\$1,135,744	\$1,766,216	\$1,860,000	\$5,000	\$108,000	\$164,550	\$10,112,355

Interfund loans existing at April 30, 2012 and their purpose were as follows:

The General Fund owed non-major governmental funds, Water Fund, Sewerage Fund, Municipal Sales Tax, and the Illinois Municipal Retirement Fund \$2,821,945, \$464,330, \$1,670,570, \$50,000 and \$66,000, respectively for money loaned to cover the cash flow of the General Fund.

The Sewerage Fund owed a non-major governmental fund \$5,000 for various capital expenditures.

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

The Capital Development Fund owed the 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 Landfill Fund and Sewerage Fund \$1,085,744 and \$50,000 respectively for various capital expenditures.

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

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

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, 2012:

	Budget	Actual
Foreign Fire Insurance Tax Fund	\$ -0-	\$ 10,665

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

Capital Development	\$(1,705,393)
Municipal Airport Fund	(235,757)
Landfill Fund	(2,774,732)
Oakwood Cemetery	(303,846)

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, 2012, the City had no significant remaining obligations under the Radium Project Phase III construction contract, which was virtually complete at year-end.

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 16 – COMMITMENTS AND CONTINGENCIES

As of April 30, 2012, the City was not obligated under any commitments. Some contingencies are applicable at April 30, 2012. See footnote 20 regarding subsequent events for additional information.

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. This account was written off as uncollectible during the year ended April 30, 2012.

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 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.

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 20 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated events subsequent to the year ended April 30, 2012 and up to the date of the financial statements. Three events have occurred which require disclosure in these financial statements.

The City has contracted to purchase a fire truck in the amount of \$819,032. Of this amount, \$400,000 will be funded by grant proceeds. The remaining amount is being financed through a loan with First Bankers.

The City expects to collect substantial funds through the sale of the former City Comptroller's personal assets that were purchased with funds that were misappropriated from the City. As of the date of this report, only one amount is probable and estimable and therefore included within the City's basic financial statements. Approximately \$9,500,000 will be received from assets that have already been sold. Additional funds should be received above and beyond this figure before the matter is ultimately settled.

The former City Engineer also admitted to using \$13,521 in City funds for personal expenses. Although he repaid \$4,890 prior to vacating his position, the balance remained unpaid up until the date of his resignation. Upon his resignation, he repaid the \$8,631 balance along with 5% interest to the City.

NOTE 21 – THEFT LOSS AND PRIOR PERIOD NET ASSET ADJUSTMENT

In April of 2012, the former City Comptroller was arrested and later charged with misappropriating over \$53 million of City funds. During the subsequent investigation of this theft, it was discovered that the majority of the funds were stolen by coding the fraudulent payments as capital asset acquisitions. Therefore, fixed assets and net assets were incorrectly stated on prior years' government-wide and proprietary funds statements. Net assets have been adjusted to account for the fraudulent fixed assets as follows:

Governmental Activities	(\$20,770,658)
Business-Type Activities	<u>(6,609,217)</u>
Total net asset reduction	<u>(\$27,379,875)</u>

In addition to the above prior period net asset adjustment, the former City Comptroller misappropriated \$4,814,810 of City funds during the year ended April 30, 2012. This is shown in the City's Capital Development Fund as a theft loss.

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 22 – IMPLEMENTATION OF GASB 54

In fiscal year 2012, the City adopted accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 is a financial reporting requirement for local governments in the United States. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Below are definitions for how these balances are reported in the City's financial statements.

1. Nonspendable Fund Balance

Nonspendable Fund Balance is used to account for amounts which cannot currently be spent, including prepaid expenses, amounts held in inventory, balances of long-term notes and loans receivable, and value of land and other property acquired and held for resale. The City has several revenue sources received within different funds that are nonspendable for the following purposes:

Prepaid Expenses	\$ 766
Notes Receivable	4,787
Inventory	27,174
Other Receivables	<u>9,500,000</u>
Total Nonspendable	<u>\$ 9,532,727</u>

CITY OF DIXON
Notes to Financial Statements
April 30, 2012

NOTE 22 – IMPLEMENTATION OF GASB 54 (continued)

2. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions not controlled by the entity, such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has several revenue sources received within different funds that are restricted for the following purposes:

Public Safety	\$	1,332,510
Public Welfare		59,266
Streets and Highways		607,920
Culture and Recreation		531,425
City Development		377,126
Waste Service		3,980
Debt Service		18
Municipal Retirement		4,009,658
Working Cash		631,945
Payroll Taxes		2,634,998
Other Taxes		<u>577,214</u>
Total Restricted	\$	<u>10,766,060</u>

3. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to report deficit fund balances in all other funds (Municipal Airport Fund, Capital Development Fund, Oakwood Cemetery Fund).

4. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, assigned balances next, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF DIXON, ILLINOIS
Schedule of Funding Progress
Pension Trust Funds, Illinois Municipal
Retirement Fund and Other Post-Employment Benefits
April 30, 2012

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						
4/30/2008	\$ 11,901,713	\$ 14,679,665	\$ 2,777,952	81.08%	\$ 1,419,857	195.65%
4/30/2009	10,314,513	16,004,715	5,690,202	64.45%	1,474,079	386.02%
4/30/2010	11,631,484	16,930,648	5,299,164	68.70%	1,594,028	332.42%
4/30/2011	12,671,142	17,133,563	4,462,421	73.96%	1,546,962	288.46%
Firemen's Pension Fund						
4/30/2008	\$ 8,572,757	\$ 11,916,453	\$ 3,343,696	71.94%	\$ 859,152	389.18%
4/30/2009	6,670,337	12,768,870	6,098,533	52.24%	887,705	687.00%
4/30/2010	7,459,220	12,250,820	4,791,600	60.89%	874,687	547.81%
4/30/2011	8,042,030	12,119,223	4,077,193	66.36%	900,489	452.78%

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						
12/31/2008	\$ 6,446,681	\$ 7,742,308	\$ 1,295,627	83.27%	\$ 2,286,925	56.65%
12/31/2009	6,497,209	8,012,828	1,515,619	81.09%	2,246,629	67.46%
12/31/2010	6,984,177	8,215,313	1,231,236	85.01%	2,193,274	56.14%
12/31/2011	6,635,712	8,090,338	1,454,626	82.02%	2,128,371	68.34%
Other Post-Employment Benefits						
4/30/2009	-	\$ 1,569,928	\$ 1,569,928	0.00%	\$ 5,380,371	29.18%
4/30/2010	-	\$ 1,615,997	\$ 1,615,997	0.00%	\$ 5,402,360	29.91%
4/30/2011	-	\$ 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.

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
General property taxes	\$ 1,768,038	\$ 2,060,298	\$ 292,260
Intergovernmental revenue:			
Personal property replacement tax	-	615,142	615,142
Income tax and surcharge	850,000	1,011,581	161,581
Utility tax	700,000	690,866	(9,134)
Telecom tax	-	103,503	103,503
Grant revenue	-	337,874	337,874
Motel tax	60,000	59,932	(68)
	<u>1,610,000</u>	<u>2,818,898</u>	<u>1,208,898</u>
Licenses, permits, and other fees	266,840	280,754	13,914
Fines and penalties	125,820	179,115	53,295
Other	336,125	545,055	208,930
	<u>4,106,823</u>	<u>5,884,120</u>	<u>1,777,297</u>
Total revenues - modified accrual basis			
		(2,100,505)	
Subtract beginning deferred revenues		2,505,864	
Add ending deferred revenues		2,995,151	
Add beginning receivables/accrued revenues		(3,132,805)	
Subtract ending receivables/accrued revenues			
		<u>\$ 6,151,825</u>	
Total revenues - appropriation basis			
EXPENDITURES			
DEPARTMENT OF PUBLIC AFFAIRS			
Salaries	\$ 84,600	\$ 19,200	\$ 65,400
Supplies and services	275,000	140,929	134,071
Professional services and fees	290,000	141,409	148,591
Insurance	5,000	-	5,000
Public relations	15,000	8,001	6,999
Main Street	14,000	15,283	(1,283)
Travel expense	5,000	2,646	2,354
Dues and subscriptions	5,000	1,312	3,688
Leadership Council	2,000	-	2,000
Tourism Council	90,000	80,026	9,974
Plan commission	10,000	-	10,000
Electrical commission	1,000	-	1,000
Human Rights Board	1,000	-	1,000
TIF District	25,000	-	25,000
Historic preservation	25,000	32,984	(7,984)

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (Continued)			
DEPARTMENT OF PUBLIC AFFAIRS (CONT)			
Enterprise Zone	26,000	26,000	-
Katherine Shaw Bethea Hospital	500	500	-
Fire and Police Commission	25,000	14,994	10,006
Zoning Board of Appeals	5,000	-	5,000
Miscellaneous	25,000	3,634	21,366
Condemnation Board	20,000	523	19,477
Reagan Centennial Commission	10,000	-	10,000
Riverfront	50,000	-	50,000
	<u>1,009,100</u>	<u>487,441</u>	<u>521,659</u>
DEPT. OF ACCOUNTS AND FINANCE			
Salaries	214,700	162,184	52,516
Maintenance	20,000	8,423	11,577
Supplies and services	77,000	13,640	63,360
Professional services and fees	247,000	121,160	125,840
Notices and publications	5,000	-	5,000
Insurance	760,000	334,605	425,395
Capital outlay - new property and equipment	100,000	-	100,000
Miscellaneous	25,000	7,251	17,749
Travel expense	5,000	240	4,760
Dues and subscriptions	5,000	1,715	3,285
	<u>1,458,700</u>	<u>649,218</u>	<u>809,482</u>
DEPT. OF POLICE PROTECTION			
Salaries	2,292,700	1,808,117	484,583
Maintenance	225,000	75,092	149,908
Supplies and services	385,000	166,429	218,571
Professional services and fees	20,000	1,888	18,112
Insurance	355,000	216,520	138,480
Capital outlay - new property and equipment	545,000	118,076	426,924
Police training	30,000	4,642	25,358
Miscellaneous	30,000	1,232	28,768
Travel expense	25,000	10,417	14,583
Dues and subscriptions	5,000	3,270	1,730
Medicare expense	75,000	25,230	49,770
Feeding prisoners	5,000	-	5,000
Investigations	25,000	4,880	20,120
K-9 training	5,000	565	4,435
K-9 handler	10,000	3,200	6,800
K-9 miscellaneous	5,000	985	4,015
No sickness policy	50,000	3,550	46,450
Tobacco Grant	10,000	-	10,000
Federal Grant Matching Funds - Tobacco Grant	20,000	-	20,000
Education bonus	15,000	6,500	8,500
Continuing education reimbursement	25,000	1,472	23,528
Lee County rent	250,000	116,407	133,593
	<u>4,407,700</u>	<u>2,568,472</u>	<u>1,839,228</u>

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
DEPT. OF FIRE PROTECTION			
Salaries	1,372,700	1,058,354	314,346
Maintenance	80,000	13,837	66,163
Supplies and services	90,000	24,555	65,445
Insurance	200,000	149,084	50,916
Capital outlay - new property and equipment	1,290,000	100,000	1,190,000
Fire training	50,000	30,460	19,540
Miscellaneous	100,000	270	99,730
Dues and subscriptions	10,000	2,545	7,455
Travel expenses	10,000	1,216	8,784
No sickness policy	4,000	2,500	1,500
Education bonus	10,000	1,500	8,500
Continuing education reimbursement	15,000	2,853	12,147
Medicare expense	60,000	14,385	45,615
	3,291,700	1,401,559	1,890,141
DEPT. OF STREETS AND IMPROVEMENTS			
Salaries	628,400	316,459	311,941
Maintenance	795,000	168,753	626,247
Supplies and services	259,000	138,731	120,269
Insurance	186,500	42,805	143,695
Capital outlay - new property and equipment	305,000	-	305,000
Safety and training	1,000	-	1,000
Travel expense	5,000	1,545	3,455
Dues and subscriptions	1,500	1,140	360
Miscellaneous	2,500	125	2,375
No sickness policy	5,000	400	4,600
Meal allowance	5,000	-	5,000
Clothing allowance	7,500	4,500	3,000
	2,201,400	674,458	1,526,942
DEPT. OF BUILDING AND ZONING			
Salaries	190,000	144,762	45,238
Maintenance	14,500	1,649	12,851
Supplies and services	57,000	705	56,295
Insurance	30,000	20,390	9,610
Capital outlay - new property and equipment	70,000	-	70,000
Training	10,000	744	9,256
Miscellaneous	5,000	-	5,000
Travel expense	5,000	-	5,000
Dues and subscriptions	1,000	217	783
	382,500	168,467	214,033

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
DEPT. OF PUBLIC PROPERTY			
Salaries	87,700	30,998	56,702
Maintenance	600,000	62,346	537,654
Supplies and services	60,000	7,610	52,390
Capital outlay - new property and equipment	635,000	27,783	607,217
Engineering	100,000	-	100,000
Bond issue costs	2,500	82,134	(79,634)
Holiday decorations	10,000	171	9,829
Flood control	50,000	-	50,000
Real estate taxes	10,000	908	9,092
Miscellaneous	10,000	378	9,622
	1,565,200	212,328	1,352,872
DEPT. OF TRAFFIC MAINTENANCE			
Salaries	102,500	45,557	56,943
Maintenance	145,000	16,929	128,071
Supplies and services	20,000	11,690	8,310
Insurance	20,000	10,959	9,041
Capital outlay - new property and equipment	175,000	-	175,000
Training expense	10,000	-	10,000
Clothing allowance	1,000	-	1,000
Miscellaneous	5,000	-	5,000
	478,500	85,135	393,365
DEPT. OF PUBLIC WORKS			
Salaries	193,000	110,611	82,389
Maintenance	20,000	1,780	18,220
Supplies and services	45,000	6,625	38,375
Professional services and fees	90,000	4,305	85,695
Insurance	11,000	8,830	2,170
Capital outlay - new property and equipment	30,000	-	30,000
Dues and subscriptions	5,000	1,145	3,855
Public relations	5,000	1,047	3,953
Travel expense	5,000	1,704	3,296
License renewals	5,000	296	4,704
Conferences	10,000	2,058	7,942
Miscellaneous	15,000	-	15,000
	434,000	138,401	295,599

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
PAYMENTS TO PENSIONS			
Firefighters' Pension Fund	500,000	348,553	151,447
Police Pension Fund	750,000	432,424	317,576
	1,250,000	780,977	469,023
DEBT SERVICE			
Principal payments	-	5,824,000	(5,824,000)
Interest expense	725,000	152,313	572,687
	725,000	5,976,313	(5,251,313)
Total expenditures - modified accrual basis	\$ 17,203,800	13,142,769	\$ 4,061,031
Add beginning accrued expenditures		729,005	
Subtract ending accrued expenditures		(749,985)	
Subtract beginning prepaid expenditures		(51,722)	
Add ending prepaid expenditures		-	
Total expenditures - appropriation basis		\$ 13,070,067	
Deficiency of revenues over expenditures - appropriation basis		\$ (6,918,242)	
OTHER FINANCING SOURCES (USES)			
Debt proceeds	\$ -	7,213,000	\$ 7,213,000
Estimated recovery of theft loss	-	9,500,000	\$ 9,500,000
Operating transfers in	2,825,240	1,958,465	(866,775)
Operating transfers out	(6,150,000)	(1,270,232)	4,879,768
	\$ (3,324,760)	17,401,233	\$ 20,725,993
Excess of revenues and other financing sources over expenditures and other financing uses - appropriation basis		\$ 10,482,991	

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, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
Revenue from use of money and property	\$ 500	\$ 68,379	\$ 67,879
Grant	-	5,179	5,179
Miscellaneous	50,000	1,767	(48,233)
	<u>\$ 50,500</u>	<u>75,325</u>	<u>\$ 24,825</u>
Total revenues - modified accrual basis			
		11,427	
Add beginning receivables/accrued revenues		(312)	
Subtract ending receivables/accrued revenues			
Total revenues - appropriation basis		<u>\$ 86,440</u>	
EXPENDITURES			
Salaries	\$ 85,000	54,312	\$ 30,688
Maintenance	55,000	4,301	50,699
Supplies, services and professional services	87,000	29,408	57,592
Insurance	60,000	22,680	37,320
New property and equipment	420,000	5,400	414,600
Miscellaneous	10,000	2,620	7,380
Real estate taxes	4,000	1,027	2,973
Interest	-	295	(295)
Dues and subscriptions	1,000	130	870
	<u>\$ 722,000</u>	<u>120,173</u>	<u>\$ 601,827</u>
Total expenditures - modified accrual basis			
		5,075	
Add beginning accrued expenditures		(9,132)	
Subtract ending accrued expenditures		(5,000)	
Subtract beginning prepaid expenditures		-	
Add ending prepaid expenditures			
Total expenditures - appropriation basis		<u>\$ 111,116</u>	
Deficiency of revenues over expenditures - appropriation basis		<u>\$ (24,676)</u>	
OTHER FINANCING SOURCES			
Operating transfers in	<u>\$ 94,400</u>	<u>-</u>	<u>\$ (94,400)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses - appropriation basis		<u>\$ (24,676)</u>	

CITY OF DIXON, ILLINOIS
Illinois Municipal Retirement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Year Ended April 30, 2012

	<u>Original and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over (Under) Appropriation</u>
REVENUES			
General property taxes	\$ 466,000	\$ 467,385	\$ (1,385)
Revenue from use of money and property	10,000	2,717	7,283
	<hr/>		
Total revenues - modified accrual basis	<u>\$ 476,000</u>	470,102	<u>\$ 5,898</u>
		467,786	
Add beginning receivables/accrued revenues		(479,073)	
Subtract ending receivables/accrued revenues			
		<hr/>	
Total revenues - appropriation basis		<u>\$ 458,815</u>	
EXPENDITURES			
Payments to pensions	500,000	202,353	297,647
Administration service	5,000	2,000	3,000
	<hr/>		
Total expenditures - modified accrual basis	<u>\$ 505,000</u>	204,353	<u>\$ 300,647</u>
		-	
Add beginning accrued expenditures		-	
Subtract ending accrued expenditures			
		<hr/>	
Total expenditures - appropriation basis		<u>\$ 204,353</u>	
Excess of revenues over expenditures - appropriation basis		<u>\$ 265,749</u>	

CITY OF DIXON, ILLINOIS
Municipal Sales Tax Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance (Deficit) - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2012

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
Sales Tax	\$ 3,367,500	\$ 3,624,824	\$ 257,324
Interest Income	7,500		(7,500)
	<u>\$ 3,375,000</u>	<u>3,624,824</u>	<u>\$ 249,824</u>
Total revenues - modified accrual basis			
Add beginning receivables/accrued revenues		556,116	
Subtract ending receivables/accrued revenues		(902,421)	
Total revenues - appropriation basis		<u>\$ 3,278,519</u>	
 EXPENDITURES			
Payments to Ken Nelson Auto Plaza	\$ 250,000	55,545	\$ 194,455
Interest	-	72	72
	<u>\$ 250,000</u>	<u>55,617</u>	<u>\$ 194,527</u>
Total expenditures - modified accrual basis			
Add beginning accrued expenditures		12,218	
Subtract ending accrued expenditures		(19,423)	
Total expenditures - appropriation basis		<u>\$ 48,412</u>	
Excess of revenues over expenditures - appropriation basis		<u>\$ 3,230,107</u>	
 OTHER FINANCING SOURCES			
Operating transfers out	\$ (18,700,000)	(3,540,000)	\$ 15,160,000
Excess of revenues over expenditures and other financing uses - appropriation basis		<u>\$ (309,893)</u>	

CITY OF DIXON, ILLINOIS
Notes to Required Supplementary Information
April 30, 2012

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 – 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.

OTHER SUPPLEMENTAL INFORMATION
(UNAUDITED)

**CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING BALANCE SHEET
April 30, 2012**

	Special Revenue															Debt Service
	General Government					Culture and Recreation					Public Safety					
	TIF Districts					Streets					Welfare					
	Garbage	Public Benefit	Downtown Redevelopment Project	Riverfront Project	Social Security	Working Cash	Motor Fuel Tax	Library	Band	Oakwood Cemetery	Civil Defense	Emergency Vehicle	Fire Insurance	Foreign	Debt Service	Total
ASSETS																
Cash and cash equivalents	\$ 3,980	\$ 189,118	\$ 20,789	\$ 13,219	\$ 518,650		\$ 192,376	\$ 330,199	\$ 26,895		\$ 59,386	\$ 457,438	\$ 47,320	\$ 18	\$ 1,869,578	10,309
Investments																
Receivables:																
General property taxes		85,762	321,137	160,459	395,068		30,544	298,762	19,507	42,881	17,223				1,340,799	30,544
Motor fuel tax allotments																
Accounts, less allowance			4,787							19,835		207,785			227,620	4,787
for estimated uncollectibles																
Notes receivable					2,116,148	631,945	385,000	766	190,068	59,000					4,787	766
Prepaid insurance			154,000													
Due from other funds																
TOTAL ASSETS	\$ 3,980	\$ 274,860	\$ 500,713	\$ 173,678	\$ 3,030,066	\$ 631,945	\$ 607,920	\$ 629,727	\$ 236,460	\$ 121,716	\$ 76,609	\$ 1,292,223	\$ 57,629	\$ 18	\$ 7,637,564	
LIABILITIES																
Cash overdraft																
Vouchers payable																
Accrued liabilities:																
Payroll		85,762	321,137	160,459	395,068			9,333	19,507	7,991	120				17,444	
Deferred property tax revenue								298,762		42,881	17,223				1,340,799	
Due to other funds										184,350					164,550	
Total liabilities	\$ -	\$ 85,762	\$ 321,137	\$ 160,459	\$ 395,068	\$ -	\$ -	\$ 314,170	\$ 19,826	\$ 425,562	\$ 17,343	\$ 17,342	\$ -	\$ -	\$ 1,756,669	
FUND BALANCES																
Nonspendable:																
Notes receivable			4,787							204,164		\$ 17,342			\$ 204,164	
Prepaid expenses										5,976					29,712	
Restricted:																
Special revenue	3,980	189,118	174,789	13,219	2,634,988	631,945	607,920	314,791	216,634	(303,846)	59,266	1,274,881	57,629	18	6,179,170	18
Debt service																
Unassigned:																
Special revenue															(303,846)	
Total fund balances (deficits):	3,980	189,118	179,576	13,219	2,634,988	631,945	607,920	315,557	216,634	(303,846)	59,266	1,274,881	57,629	18	5,880,895	
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 3,980	\$ 274,860	\$ 500,713	\$ 173,678	\$ 3,030,066	\$ 631,945	\$ 607,920	\$ 629,727	\$ 236,460	\$ 121,716	\$ 76,609	\$ 1,292,223	\$ 57,629	\$ 18	\$ 7,637,564	

CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 Year Ended April 30, 2012

	Special Revenue													Debt Service						
	General Government			Culture and Recreation			Cemetery		Welfare		Public Safety		Total							
	Garbage	Public Benefit	TIF Districts	Downtown Redevelopment Project	Riverfront Project	Social Security	Working Cash	Motor Fuel Tax	Library	Band	Oakwood Cemetery	Civil Defense			Emergency Vehicle	Foreign Fire Insurance				
\$	85,697	\$	273,042	\$	137,107	\$	390,651	\$	291,508	\$	58,465	\$	42,848	\$	16,675	\$	-	\$	1,306,013	
			49,304				463,628													49,304
			26,907							746										26,907
			372	35	1,716	1,072		107	563	61	172	909	395							372
			2,264			531			2,264	6,875		6	153							2,264
			16,313						16,313											16,313
			386,859	138,823	391,723		463,735		386,859	76,167	16,847	307,000	25,910							386,859
			232,511						232,511	44,213										232,511
			27,085						27,085											27,085
			574,377						574,377											574,377
			51,020						51,020	16,268										51,020
			1,731						1,731	697										1,731
			38,909						38,909											38,909
			16,351						16,351											16,351
			19,163						19,163											19,163
			2,000						2,000											2,000
			176,429						176,429											176,429
			403,209						403,209	61,178	10,298	118,880	10,665							403,209
			(161,652)						(161,652)	14,989	(129,075)	188,120	15,245							(161,652)
			390,000						390,000											390,000
			(70,465)						(70,465)											(70,465)
			(205,000)						(205,000)											(205,000)
			15,294						15,294											15,294
			(65,340)						(65,340)	14,989	54,950	188,120	15,245							(65,340)
			702,410						702,410	201,645	(358,796)	1,086,761	42,384							702,410
			379,582						379,582											379,582
			631,945						631,945	216,634	(303,846)	1,274,881	57,629							631,945
			2,534,998						2,534,998	315,557	59,266	1,274,881	57,629							2,534,998
			13,219						13,219											13,219
			179,576						179,576											179,576
			189,118						189,118											189,118
			57,629						57,629											57,629
			5,750,407						5,750,407											5,750,407
			5,880,895						5,880,895											5,880,895

CITY OF DIXON, ILLINOIS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
April 30, 2012

	<u>Private Purpose Trusts</u>				<u>Agency Fund</u>
	<u>Cemetery Endowment</u>	<u>Petunia Endowment</u>	<u>Dixon Memorial Arch Preservation</u>	<u>Total</u>	<u>Construction Deposits and Escrow</u>
ASSETS					
Cash and cash equivalents	\$ 9,836	\$ 8,474	\$ 670	\$ 18,980	\$ 8,429
Investments	100,000	-	-	100,000	-
Receivables:					
Accounts	12,797	-	-	12,797	-
TOTAL ASSETS	<u>\$ 122,633</u>	<u>\$ 8,474</u>	<u>\$ 670</u>	<u>\$ 131,777</u>	<u>\$ 8,429</u>
LIABILITIES					
Performance deposits	\$ -	\$ -	\$ -	\$ -	\$ 8,429
Total liabilities	-	-	-	-	8,429
FUND BALANCES/NET ASSETS					
Reserved for perpetual endowment	122,633	-	-	122,633	-
Reserved for deferred compensation	-	-	-	-	-
Unreserved	-	8,474	670	9,144	-
Total fund balances/net assets	<u>122,633</u>	<u>8,474</u>	<u>670</u>	<u>131,777</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	<u>\$ 122,633</u>	<u>\$ 8,474</u>	<u>\$ 670</u>	<u>\$ 131,777</u>	<u>\$ 8,429</u>

CITY OF DIXON, ILLINOIS
FIDUCIARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended April 30, 2012

	Private Purpose Trusts			
	Cemetery	Petunia	Dixon	
	Endowment	Endowment	Memorial	
			Arch	Total
	Endowment	Endowment	Preservation	
ADDITIONS				
Contributions	\$ 5,100	\$ 112	\$ -	\$ 5,212
Interest income	1,069	-	-	1,069
Revenue from use of money and property	-	-	-	-
Total revenues	6,169	112	-	6,281
DEDUCTIONS				
Withdrawals	-	-	-	-
Life insurance	-	-	-	-
Administrative	-	-	-	-
Miscellaneous	-	8,241	-	8,241
Total expenditures	-	8,241	-	8,241
Net (decrease) increase	6,169	(8,129)	-	(1,960)
TRANSFERS				
Operating transfers out	(184,025)	-	-	(184,025)
NET ASSETS				
BEGINNING OF YEAR	300,490	16,603	670	317,763
NET ASSETS				
END OF YEAR	\$ 122,633	\$ 8,474	\$ 670	\$ 131,777

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
April 30, 2012

	Pension Trust Funds		
	<u>Firefighters'</u> <u>Pension</u>	<u>Police</u> <u>Pension</u>	<u>Total</u>
ASSETS			
Cash	\$ 354,895	\$ 687,999	\$ 1,042,894
Investments	7,359,346	11,928,510	19,287,856
Investment income receivable	30,495	43,351	73,846
TOTAL ASSETS	<u>7,744,736</u>	<u>12,659,860</u>	<u>20,404,596</u>
LIABILITIES			
Vouchers payable	<u>52,360</u>	<u>1,700</u>	<u>54,060</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 7,692,376</u></u>	<u><u>\$ 12,658,160</u></u>	<u><u>\$ 20,350,536</u></u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2012

	Pension Trust Funds		
	<u>Firefighters'</u> <u>Pension</u>	<u>Police</u> <u>Pension</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 348,553	\$ 432,424	\$ 780,977
Plan members	92,784	169,973	262,757
Total contributions	<u>441,337</u>	<u>602,397</u>	<u>1,043,734</u>
Investment income	(11,139)	352,818	341,679
Miscellaneous income	<u>1,241</u>	<u>1,064</u>	<u>2,305</u>
Total additions	<u>431,439</u>	<u>956,279</u>	<u>1,387,718</u>
DEDUCTIONS			
Benefit payments	718,773	947,022	1,665,795
Management fees	48,932	9,260	58,192
Administrative and audit fee	8,500	8,500	17,000
Other	<u>4,888</u>	<u>4,479</u>	<u>9,367</u>
Total deductions	<u>781,093</u>	<u>969,261</u>	<u>1,750,354</u>
NET (DECREASE) INCREASE	(349,654)	(12,982)	(362,636)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>8,042,030</u>	<u>12,671,142</u>	<u>20,713,172</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 7,692,376</u>	<u>\$ 12,658,160</u>	<u>\$ 20,350,536</u>

CITY OF DIXON, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS
 Tax Years 2010, 2009, and 2008

Fund	2010			2009			2008					
	Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections	Assessed valuation	Tax rate	Tax extensions	Tax collections
Corporate	\$ 179,434,542	.2598	\$ 466,171	\$ 465,770	\$ 177,793,317	.2613	\$ 464,574	\$ 448,857	\$ 169,121,105	.2616	\$ 442,421	\$ 441,924
Police Protection	179,434,542	.1474	264,487	264,259	177,793,317	.1482	263,490	254,487	169,121,105	.1484	250,976	250,856
Fire Protection	95,101,239	.0991	94,245	94,196	95,256,735	.1006	95,828	91,454	91,025,825	.1008	91,754	91,142
Audit	179,434,542	.0286	51,318	51,274	177,793,317	.0288	51,204	49,478	169,121,105	.0288	48,707	48,683
Road and Bridge	179,434,542	-	-	69,231	177,793,317	-	-	71,244	169,121,105	-	-	71,115
Public Benefit	179,434,542	.0478	85,770	85,696	177,793,317	.0480	85,341	82,464	169,121,105	.0481	81,347	81,308
Band	179,434,542	.0382	68,544	68,485	177,793,317	.0384	68,273	65,972	169,121,105	.0384	64,943	64,912
Library	179,434,542	.1433	257,130	256,908	177,793,317	.1441	256,200	247,571	169,121,105	.1443	244,042	243,926
Cemetery	179,434,542	.0239	42,885	42,848	177,793,317	.0241	42,848	41,320	169,121,105	.0241	40,758	40,740
Fire Pension	95,101,239	.3667	348,736	348,553	95,256,735	.3723	354,641	338,437	91,025,825	.3731	339,617	337,216
Police Pension	179,434,542	.2412	432,796	432,424	177,793,317	.2424	430,971	416,399	169,121,105	.2427	410,457	410,262
IMRF	179,434,542	.2607	467,786	467,385	177,793,317	.2620	465,818	450,096	169,121,105	.2623	443,605	443,396
Civil Defense	179,434,542	.0093	16,687	16,675	177,793,317	.0093	16,535	15,961	169,121,105	.0093	15,728	15,720
Claim and Judgment Tax	179,434,542	.1889	338,952	338,660	177,793,317	.1899	337,630	326,132	169,121,105	.1901	321,499	321,346
Library Maintenance	179,434,542	.0193	34,631	34,600	177,793,317	.0193	34,314	33,163	169,121,105	.0193	32,640	32,625
Social Security	179,434,542	.2179	390,988	390,651	177,793,317	.2190	389,367	376,143	169,121,105	.2193	370,883	370,706
TIF District 1	2,766,543	-	324,007	323,546	2,766,856	-	311,505	311,505	2,757,918	-	314,914	314,700
TIF District 3	4,134,128	-	137,328	137,107	4,160,649	-	111,655	111,441	4,118,764	-	111,386	111,386
			<u>\$ 3,822,461</u>	<u>\$ 3,888,268</u>			<u>\$ 3,780,194</u>	<u>\$ 3,732,124</u>			<u>\$ 3,625,677</u>	<u>\$ 3,691,963</u>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE OF ILLINOIS PUBLIC ACT 85-1142**

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Dixon, Illinois for the year ended April 30, 2012, and have issued our report thereon dated August 21, 2013. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the TIF district pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The City of Dixon, Illinois' management is responsible for the government's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our test indicate that for the items tested, the City of Dixon, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

Wipfli LLP

Dixon, Illinois
August 21, 2013