

CITY OF DIXON, ILLINOIS

—

ANNUAL FINANCIAL REPORT

—

April 30, 2013

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Commissioners
City of Dixon, Illinois
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, 2013, and the related notes to the financial statements, which collectively comprise the City of Dixon, Illinois' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress and budgetary comparison information on pages 56-63 be presented to supplement the basic financial statements. The City of Dixon, Illinois has elected not to present the management's discussion and analysis portion of the required supplementary information. This 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. 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 our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dixon, Illinois' basic financial statements. The combining nonmajor fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements are fairly stated, in all material respects, in relation to basic financial statements taken as a whole.

The Schedule of Assessed Valuations, Rates, Extensions and Collections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dixon, Illinois' internal control over financial reporting and compliance.

Wipfli LLP

Dixon, Illinois
December 11, 2013

CITY OF DIXON, ILLINOIS

Statement of Net Position

April 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,521,034	\$ 1,446,131	\$ 4,967,165
Investments	-	287,637	287,637
Restricted cash	-	3,631	3,631
General property taxes receivable	3,233,891	-	3,233,891
Due from State of Illinois	1,497,691	-	1,497,691
Motor fuel tax receivable	27,057	-	27,057
Accounts receivable, net	232,288	1,158,985	1,391,273
Other receivables	233,454	-	233,454
Due from Bay Valley Foods	-	1,496,198	1,496,198
Estimated recovery from theft loss	39,000,000		39,000,000
Notes receivable	317,014	-	317,014
Internal balances	(1,929,359)	1,645,810	(283,549)
Inventory	18,161	214,534	232,695
Prepaid insurance	228,401	75,737	304,138
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	23,888,613	33,295,569	57,184,182
TOTAL ASSETS	74,158,344	39,773,305	113,931,649
LIABILITIES			
Vouchers payable	376,071	103,624	479,695
Accrued payroll and taxes	454,344	83,686	538,030
Accrued interest	217,079	105,082	322,161
Accrued liabilities	20,687	-	20,687
Deferred sales tax income	306,199	-	306,199
Deferred property tax revenue	3,223,468	-	3,223,468
Deferred revenue	16,000	1,496,198	1,512,198
Consumer deposits	-	372,539	372,539
Other post-employment benefits	264,832		264,832
Net pension obligation	811,887		811,887
Long-term notes and bonds payable:			
Due within one year	371,400	1,681,684	2,053,084
Due in more than one year	12,344,987	20,696,855	33,041,842
Total Liabilities	18,406,954	24,539,668	42,946,622
NET POSITION			
Invested in capital assets, net of related debt	15,062,325	11,066,103	26,128,428
Restricted for:			
Special revenue	10,365,576	-	10,365,576
Debt service	88,131	-	88,131
Enterprise funds	-	3,631	3,631
Unrestricted	30,235,358	4,163,903	34,399,261
Net position	\$ 55,751,390	\$ 15,233,637	\$ 70,985,027

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Activities
Year Ended April 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 2,023,524	\$ 1,167,016	\$ 10,000	\$ 148,722	\$ (697,786)	\$ -	\$ (697,786)
Public safety	5,411,359	764,827	986	292,684	(4,352,862)	-	(4,352,862)
Public works	184,639	-	-	-	(184,639)	-	(184,639)
Highways and streets	2,323,904	-	449,048	-	(1,874,856)	-	(1,874,856)
Traffic development	85,276	-	-	-	(85,276)	-	(85,276)
Culture and recreation	479,628	27,277	23,100	-	(429,251)	-	(429,251)
Airport	186,697	-	-	27,248	(159,449)	-	(159,449)
Cemetery	3,197	31,869	-	-	28,672	-	28,672
Interest on long-term debt	611,382	-	-	-	(611,382)	-	(611,382)
Total governmental activities	11,309,606	1,990,989	483,134	468,654	(8,366,829)	-	(8,366,829)
Business-type Activities:							
Landfill	-	-	-	-	-	-	-
Sewer	2,475,840	2,229,329	-	-	(246,511)	(246,511)	(246,511)
Water Department	2,384,618	3,325,038	-	-	940,420	940,420	940,420
Total business-type activities	4,860,458	5,554,367	-	-	693,909	693,909	693,909
Total primary government	\$ 16,170,064	\$ 7,545,356	\$ 483,134	\$ 468,654	(8,366,829)	693,909	(7,672,920)
General Revenues:							
Property tax					3,146,788	-	3,146,788
Sales tax					3,585,322	-	3,585,322
Personal property replacement tax					711,882	-	711,882
Income tax and surcharge					1,822,457	-	1,822,457
Foreign fire insurance tax					28,785	-	28,785
Motel tax					73,653	-	73,653
Utility tax					606,293	-	606,293
Telecom tax					80,882	-	80,882
Gaming tax					3,071	-	3,071
Interest					3,502	1,340	4,842
Other					490,864	-	490,864
Adjust estimated recovery of theft loss					29,500,000	-	29,500,000
Transfers/capital contributions					(3,299,766)	2,231,973	(1,067,793)
Total general revenues and transfers					36,753,733	2,233,313	38,987,046
CHANGE IN NET POSITION					28,386,904	2,927,222	31,314,126
NET POSITION, BEGINNING OF YEAR					27,056,758	12,306,415	39,363,173
PRIOR PERIOD ADJUSTMENT (SEE NOTE 21)					307,728	-	307,728
NET POSITION, BEGINNING OF YEAR, AS RESTATED					27,364,486	12,306,415	39,670,901
NET POSITION, END OF YEAR					\$ 55,751,390	\$ 15,233,637	\$ 70,985,027

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Balance Sheet
Governmental Funds
 April 30, 2013

	General Fund	Illinois Municipal Retirement	Social Security	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 90,170	\$ 1,892,469	\$ 309,329	\$ 1,229,066	\$ 3,521,034
Receivables:					
General property tax	2,425,693	-	-	808,198	3,233,891
State income tax	628,854	-	-	-	628,854
Sales tax	868,837	-	-	-	868,837
Motor fuel tax allotments	-	-	-	27,057	27,057
Utility tax	126,728	-	-	-	126,728
Accounts	18,073	-	-	214,215	232,288
Circuit clerk	28,718	-	-	-	28,718
Estimated recovery from theft loss	39,000,000	-	-	-	39,000,000
Other taxes and fees	78,008	-	-	-	78,008
Notes receivable	-	-	-	317,014	317,014
Inventory	18,161	-	-	-	18,161
Prepaid insurance	220,044	-	-	8,357	228,401
Due from other funds	-	2,350,550	2,516,148	1,971,000	6,837,698
TOTAL ASSETS	\$ 43,503,286	\$ 4,243,019	\$ 2,825,477	\$ 4,574,907	\$ 55,146,689
LIABILITIES					
Vouchers payable	\$ 342,957	\$ -	\$ -	\$ 33,114	\$ 376,071
Accrued liabilities:					
Payroll	68,639	-	-	15,897	84,536
Accrued payroll taxes and other withholdings	369,808	-	-	-	369,808
Other	20,687	-	-	-	20,687
Deferred state tax revenues	306,199	-	-	-	306,199
Deferred property tax revenue	2,425,693	-	-	797,775	3,223,468
Deferred revenue - other	16,000	-	-	-	16,000
Due to other funds	8,749,518	-	-	17,539	8,767,057
Total Liabilities	12,299,501	-	-	864,325	13,163,826
FUND BALANCE					
Nonspendable:					
Notes and other receivables	39,000,000	-	-	317,014	39,317,014
Prepaid expenses	-	-	-	8,357	8,357
Inventory	18,161	-	-	-	18,161
Restricted:					
Special Revenue	-	4,243,019	2,825,477	3,297,080	10,365,576
Debt Service	-	-	-	88,131	88,131
Unassigned:					
General	(7,814,376)	-	-	-	(7,814,376)
Total fund balance	31,203,785	4,243,019	2,825,477	3,710,582	41,982,863
TOTAL LIABILITIES AND FUND BALANCE	\$ 43,503,286	\$ 4,243,019	\$ 2,825,477	\$ 4,574,907	\$ 55,146,689

CITY OF DIXON, ILLINOIS
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
Year Ended April 30, 2013

Total governmental fund balances	\$	41,982,863
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Amounts reported for governmental activities in the statement of net position 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 \$23,047,991		27,778,712
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable		(12,316,000)
Loans payable		(400,387)
Other post-employment benefits		(264,832)
Net pension obligation		(811,887)

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		(217,079)
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Net position - governmental activities	\$	55,751,390
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CITY OF DIXON, ILLINOIS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2013

	Illinois				Total Governmental Funds
	General Fund	Municipal Retirement	Social Security	Non-Major Governmental Funds	
REVENUES					
General property taxes	\$ 1,518,294	\$ 479,220	\$ 395,188	\$ 754,086	\$ 3,146,788
Foreign fire insurance tax	-	-	-	28,785	28,785
Intergovernmental revenues	6,980,267	-	-	837,129	7,817,396
Licenses and permits	431,555	-	-	-	431,555
Fines and penalties	174,806	-	-	-	174,806
Donations	16,966	-	-	986	17,952
Charges for services	767,330	-	-	617,298	1,384,628
Revenue from use of money and property	76,405	1,341	58	67,764	145,568
Other	347,437	-	-	1,361	348,798
Total revenues	<u>10,313,060</u>	<u>480,561</u>	<u>395,246</u>	<u>2,307,409</u>	<u>13,496,276</u>
EXPENDITURES					
General government	1,828,562	-	-	30	1,828,592
Public safety:					
Police protection and community relations	2,955,904	-	-	-	2,955,904
Fire fighting and prevention and emergency vehicle	1,576,897	-	-	368,954	1,945,851
Public works	184,639	-	-	-	184,639
Highways and streets	679,498	-	-	473,979	1,153,477
Traffic development	85,276	-	-	-	85,276
Culture and recreation	111,271	-	-	366,099	477,370
Airport operations	-	-	-	138,129	138,129
Capital outlay	202,280	-	-	711,716	913,996
Debt service:					
Principal	1,039,927	-	-	78,718	1,118,645
Interest	590,894	-	-	15,098	605,992
Payments to pensions	-	247,200	-	-	247,200
Payments to Social Security System	-	-	204,767	-	204,767
Total expenditures	<u>9,255,148</u>	<u>247,200</u>	<u>204,767</u>	<u>2,152,723</u>	<u>11,859,838</u>
Excess (deficiency) of revenues over expenditures	1,057,912	233,361	190,479	154,686	1,636,438
OTHER FINANCING SOURCES (USES)					
Operating transfers in	542,758	-	-	2,521,119	3,063,877
Operating transfers out	(4,345,460)	-	-	(1,566,216)	(5,911,676)
Debt proceeds	-	-	-	419,032	419,032
Adjust estimated recovery of theft loss	29,500,000	-	-	-	29,500,000
Total other financing sources (uses)	<u>25,697,298</u>	<u>-</u>	<u>-</u>	<u>1,373,935</u>	<u>27,071,233</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	26,755,210	233,361	190,479	1,528,621	28,707,671
PRIOR PERIOD ADJUSTMENT (SEE NOTE 21)	7,728	-	-	300,000	307,728
FUND BALANCE, BEGINNING OF YEAR	4,440,847	4,009,658	2,634,998	1,881,961	12,967,464
FUND BALANCE, END OF YEAR	<u>\$ 31,203,785</u>	<u>\$ 4,243,019</u>	<u>\$ 2,825,477</u>	<u>\$ 3,710,582</u>	<u>\$ 41,982,863</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, 2013

Net change in fund balances - total governmental funds \$ 28,707,671

Amounts reported for governmental activities in the Statement of Net Position 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	913,996
Depreciation expense	(1,898,544)

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 Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt repayments exceeded debt proceeds.

Debt proceeds	(419,032)
Debt principal payments	1,118,645
Change in net pension obligation	(30,442)

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.

(5,390)

Change in net position of governmental activities \$ 28,386,904

CITY OF DIXON, ILLINOIS
Statement of Net Position
Proprietary Funds
April 30, 2013

	<u>Business-Type Activities</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department Fund</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 192,568	\$ 1,253,563	\$ 1,446,131	\$ 46,843
Restricted cash	-	-	3,631	3,631	-
Investments:					
Unrestricted	-	-	287,637	287,637	-
Receivables:					
Accounts, net	-	629,851	529,134	1,158,985	-
Due from other funds:					
Other governmental funds	-	513,468	1,132,342	1,645,810	-
Inventory	-	-	214,534	214,534	-
Due from Bay Valley Foods	-	1,496,198	-	1,496,198	-
Prepaid insurance	-	20,226	55,511	75,737	-
Total current assets	-	2,852,311	3,476,352	6,328,663	46,843
PROPERTY AND EQUIPMENT					
Assets not depreciated:					
Land	-	-	149,073	149,073	-
Total assets not depreciated	-	-	149,073	149,073	-
Assets being depreciated:					
Buildings	-	18,223,718	-	18,223,718	-
Equipment	-	601,021	693,437	1,294,458	-
Infrastructure	-	15,211,896	23,333,723	38,545,619	-
	-	34,036,635	24,027,160	58,063,795	-
Less accumulated depreciation	-	(17,868,440)	(6,899,786)	(24,768,226)	-
Net property and equipment being depreciated	-	16,168,195	17,127,374	33,295,569	-
Net property and equipment	-	16,168,195	17,276,447	33,444,642	-
TOTAL ASSETS	\$ -	\$ 19,020,506	\$ 20,752,799	\$ 39,773,305	\$ 46,843

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Net Position (continued)
Proprietary Funds
April 30, 2013

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Landfill Fund	Sewerage Fund	Water Dept. Fund	Total	
LIABILITIES					
Current liabilities					
Vouchers payable	\$ -	\$ 39,650	\$ 63,974	\$ 103,624	\$ 671
Deferred revenue	-	1,496,198	-	1,496,198	-
Accrued liabilities:					
Payroll	-	30,510	53,176	83,686	-
Interest	-	80,773	24,309	105,082	-
Due to other funds:					
Water fund	-	-	-	-	100,000
Consumer deposits	-	-	372,539	372,539	-
Notes payable - current portion	-	990,167	-	990,167	-
EPA loans payable - current portion	-	-	691,517	691,517	-
Total current liabilities	-	2,637,298	1,205,515	3,842,813	100,671
Long-term liabilities:					
Notes payable	-	8,699,163	-	8,699,163	-
EPA loans payable	-	-	11,997,692	11,997,692	-
Total long-term liabilities	-	8,699,163	11,997,692	20,696,855	-
Total liabilities	-	11,336,461	13,203,207	24,539,668	100,671
NET POSITION					
Invested in capital assets, net of related debt	-	6,478,865	4,587,238	11,066,103	-
Restricted	-	-	3,631	3,631	-
Unrestricted	-	1,205,180	2,958,723	4,163,903	(53,828)
Net position	\$ -	\$ 7,684,045	\$ 7,549,592	\$ 15,233,637	\$ (53,828)

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
April 30, 2013

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Landfill Fund	Sewerage Fund	Water Dept. Fund	Total	
OPERATING REVENUES					
User fees	\$ -	\$ 2,228,971	\$ 3,133,129	\$ 5,362,100	\$ -
Employee contributions	-	-	-	-	398,523
Labor and merchandise	-	-	69,394	69,394	-
Miscellaneous	-	358	122,515	122,873	-
Total operating revenues	-	2,229,329	3,325,038	5,554,367	398,523
OPERATING EXPENSES					
Salaries	-	294,848	606,998	901,846	-
Maintenance of site and buildings	-	86,756	173,587	260,343	-
Supplies and services	-	27,369	144,764	172,133	-
Electricity	-	195,391	241,056	436,447	-
Fuel, gas and oil	-	24,497	42,645	67,142	-
Professional service and fees	-	11,118	29,756	40,874	-
Insurance	-	58,687	113,498	172,185	162,930
Clothing allowance	-	3,500	-	3,500	-
Miscellaneous	-	12,500	80	12,580	-
Bad debt expense	-	-	61,570	61,570	-
Dues and subscriptions	-	1,192	-	1,192	-
Travel and education expense	-	1,112	616	1,728	-
Medical claims	-	-	-	-	289,424
Depreciation	-	1,498,503	754,301	2,252,804	-
Total operating expenses	-	2,215,473	2,168,871	4,384,344	452,354
OPERATING INCOME	-	13,856	1,156,167	1,170,023	(53,831)
NONOPERATING REVENUES (EXPENSES)					
Interest earned	-	54	1,286	1,340	3
Interest expense	-	(260,367)	(215,747)	(476,114)	-
Total nonoperating revenues (expenses)	-	(260,313)	(214,461)	(474,774)	3
CHANGE IN NET POSITION BEFORE TRANSFERS	-	(246,457)	941,706	695,249	(53,828)
TRANSFERS IN	2,774,732	-	-	2,774,732	-
TRANSFERS OUT	-	(91,286)	(451,473)	(542,759)	-
CHANGE IN NET POSITION	2,774,732	(337,743)	490,233	2,927,222	(53,828)
NET POSITION, BEGINNING OF YEAR	(2,774,732)	8,021,788	7,059,359	12,306,415	-
NET POSITION, END OF YEAR	\$ -	\$ 7,684,045	\$ 7,549,592	\$ 15,233,637	\$ (53,828)

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2013

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Dept. Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ 2,010,499	\$ 4,117,945	\$ 6,128,444
Payments to employees	-	(276,311)	(581,352)	(857,663)
Payments to suppliers	(7,473)	(459,684)	(1,583,033)	(2,050,190)
Other payments	-	-	-	-
Net cash provided by (used in) operating activities	(7,473)	1,274,504	1,953,560	3,220,591
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from reimbursement agreement	-	191,004	-	191,004
Advances from (to) other funds	(524,256)	418,275	(819,929)	(925,910)
Net operating transfers from (to) other funds	2,774,732	(91,286)	(451,473)	2,231,973
Net cash provided by (used in) noncapital financing activities	2,250,476	517,993	(1,271,402)	1,497,067
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Principal paid on revenue bond	-	-	(30,000)	(30,000)
Principal paid on notes payable	-	(1,012,363)	(551,160)	(1,563,523)
Payment of interest on debt	-	(269,334)	(213,993)	(483,327)
Net disposition/(acquisition) of capital assets	-	(437,686)	-	(437,686)
Net cash provided by (used in) capital financing activities	-	(1,719,383)	(795,153)	(2,514,536)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sales (purchases) of investments	-	-	154,361	154,361
Interest income	-	54	1,286	1,340
Net cash provided by investing activities	-	54	155,647	155,701
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,243,003	73,168	42,652	2,358,823
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(2,243,003)	119,400	1,214,542	(909,061)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 192,568	\$ 1,257,194	\$ 1,449,762
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ -	\$ 13,856	\$ 1,156,167	\$ 1,170,023
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	1,498,503	754,301	2,252,804
Effects of changes in operating assets and liabilities				
Accounts receivable	-	(218,830)	813,610	594,780
Prepaid insurance	-	(15,245)	(55,511)	(70,756)
Accounts payable	(7,473)	(22,317)	(719,950)	(749,740)
Consumer deposits	-	-	(20,703)	(20,703)
Accrued liabilities	-	18,537	25,646	44,183
Net cash provided by (used in) operating activities	\$ (7,473)	\$ 1,274,504	\$ 1,953,560	\$ 3,220,591

CITY OF DIXON, ILLINOIS
Statement of Net Position
Fiduciary Funds
April 30, 2013

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,573,424	\$ 63,245	\$ 209,308	\$ 1,845,977
Investments	19,814,347	100,000	-	19,914,347
Receivables:				
Accounts	-	12,984	-	12,984
Investment income	58,818	-	-	58,818
Prepaid investment fees	28,761	-	-	28,761
Due from other funds	-	383,549	-	383,549
TOTAL ASSETS	21,475,350	559,778	209,308	22,244,436
LIABILITIES				
Cash overdraft	-	-	818	818
Vouchers payable	69,826	-	13,305	83,131
Available for distribution	-	-	195,185	195,185
TOTAL LIABILITIES	69,826	-	209,308	279,134
NET POSITION				
Net position held in trust for pension benefits	21,405,524	-	-	21,405,524
Net position held in trust for other purposes	-	559,778	-	559,778
TOTAL NET POSITION	\$ 21,405,524	\$ 559,778	\$ -	\$ 21,965,302

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Statement of Changes in Net Position
Fiduciary Funds
April 30, 2013

	Pension Trust	Private- Purpose Trust
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employer	\$ 797,796	\$ -
Plan members	296,080	-
Total contributions	<u>1,093,876</u>	<u>-</u>
Investment income	1,819,922	46,949
Miscellaneous income	994	-
Total additions	<u>2,914,792</u>	<u>46,949</u>
DEDUCTIONS		
Benefit payments	1,711,633	-
Management fees	132,143	-
Administrative and audit fee	29,616	-
Other	9,320	2,497
Total deductions	<u>1,882,712</u>	<u>2,497</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	1,032,080	44,452
TRANSFERS IN	<u>22,909</u>	<u>383,549</u>
CHANGE IN NET POSITION	1,054,989	428,001
NET POSITION HELD IN TRUST, BEGINNING OF YEAR	<u>20,350,535</u>	<u>131,777</u>
NET POSITION HELD IN TRUST, END OF YEAR	<u><u>\$ 21,405,524</u></u>	<u><u>\$ 559,778</u></u>

See Notes to Financial Statements

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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 by 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 Position, 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 position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements – Government-Wide Statements (Continued)

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

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

The City does not allocate indirect costs.

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

Basic Financial Statements – Fund Financial Statements

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

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

The following fund types are used by the City:

Governmental Fund Types

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

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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 position, 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 position and changes in net position and is reported using accounting principles similar to proprietary funds.

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Major, Nonmajor and Fiduciary Fund Statements

The City reports the following major funds:

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

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

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.

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:

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

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.

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 Projects 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.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Major, Nonmajor and Fiduciary Fund Statements

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.

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.

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, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Accrual

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

Modified Accrual

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

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

Budgets and Budgetary Accounting

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

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$5,000.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position.

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, 2013, 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 expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2013 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, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity/Net Position

Government-wide Statements

Equity is classified as net position 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 position – Consists of net position 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 position – the portion of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

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

Interfund Transactions

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

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

Compensated Absences

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013, \$425,396 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 \$7,248,709 and the bank balances totaled \$7,495,504. Cash on hand was \$1,725.

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	\$ 395,644	\$ 395,644	\$ -0-	\$ -0-	\$ -0-
U.S. Treasuries and Agencies	4,987,693	25,155	2,195,875	914,787	1,851,876
Corporate Bonds	3,711,571	76,156	870,686	2,154,804	609,925
Mutual Funds and Other Equities	11,115,082	11,115,082	-0-	-0-	-0-
Total	\$20,209,990	\$11,612,037	\$3,066,561	\$3,069,591	\$2,461,801

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013, the City had \$1,661,790 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, 2013, \$-0- of the City's deposits were exposed to custodial credit risk.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013, was as follows:

	<u>Balance at May 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2013</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	-	35,247	12,111,120
Equipment	6,247,937	913,996	1,365,314	5,796,619
Infrastructure	29,161,101	-	132,236	29,028,865
Total capital assets being depreciated	<u>47,555,405</u>	<u>913,996</u>	<u>1,532,797</u>	<u>46,936,604</u>
Less accumulated depreciation:				
Buildings	4,639,685	305,226	35,247	4,909,664
Equipment	4,700,921	498,181	1,365,314	3,833,788
Infrastructure	13,341,638	1,095,137	132,236	14,304,539
Total accumulated depreciation	<u>22,682,244</u>	<u>1,898,544</u>	<u>1,532,797</u>	<u>23,047,991</u>
Governmental activities capital assets, net	<u>\$ 28,763,260</u>	<u>\$ (984,548)</u>	<u>\$ -</u>	<u>\$ 27,778,712</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Balance at May 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2013</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:				
Buildings	17,839,567	437,686	53,536	18,223,717
Equipment	1,841,913	-	547,455	1,294,458
Infrastructure	38,677,007	-	131,387	38,545,620
Total capital assets being depreciated	<u>58,358,487</u>	<u>437,686</u>	<u>732,378</u>	<u>58,063,795</u>
Less accumulated depreciation:				
Buildings	7,971,031	884,911	53,536	8,802,406
Equipment	1,610,776	68,238	547,455	1,131,559
Infrastructure	13,665,993	1,299,655	131,387	14,834,261
Total accumulated depreciation	<u>23,247,800</u>	<u>2,252,804</u>	<u>732,378</u>	<u>24,768,226</u>
Business-type activities capital assets, net	<u><u>\$ 35,259,760</u></u>	<u><u>\$ (1,815,118)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,444,642</u></u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 164,490
Public safety	509,604
Highways and streets	1,170,427
Culture and recreation	2,258
Airport	48,568
Cemetery	<u>3,197</u>
Total depreciation expense	<u>\$ 1,898,544</u>
Business-type activities:	
Sewer	\$ 1,498,503
Water department	<u>754,301</u>
Total depreciation expense	<u>\$ 2,252,804</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, 2013 was \$62,317.

NOTE 5 - LEGAL DEBT MARGIN

The following schedule illustrates the legal debt margin of the City as of April 30, 2013:

Assessed valuation - 2012		<u>\$ 172,999,892</u>
Statutory debt limitation (8.625% of assessed valuation)		\$ 14,921,241
Total debt:		
General Obligation Debt Certificates	\$ 12,316,000	
EPA loans payable	12,566,777	
Notes payable	10,089,717	
Deduct bonds exempt from debt limitation computation:		
EPA loans payable	(12,566,777)	
Notes payable	(10,089,717)	<u>12,316,000</u>
Legal debt margin		<u>\$ 2,605,241</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended April 30, 2013 are summarized as follows:

Governmental Activities

	<u>Balance at May 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance April 30, 2013</u>	<u>Due Within One Year</u>
Debt certificates	\$ 13,318,000	\$ -	\$ 1,002,000	\$ 12,316,000	\$ 262,000
Contract payable	10,000	-	10,000	-	-
Police vehicle loan	88,000	-	27,927	60,073	29,293
Fire truck loan	-	419,032	78,718	340,314	80,107
Net pension obligation	781,445	30,442		811,887	811,887
Other post-employment benefits	264,832	-		264,832	-
Total governmental activities	<u>\$ 14,462,277</u>	<u>\$ 449,474</u>	<u>\$ 1,118,645</u>	<u>\$ 13,793,106</u>	<u>\$ 1,183,287</u>

Business-type Activities

EPA loans payable	\$ 13,240,370		\$ 673,593	\$ 12,566,777	\$ 691,517
Notes payable	10,701,692		1,012,362	9,689,330	990,167
Bonds payable	30,000		30,000	-	-
Total business-type activities	<u>\$ 23,972,062</u>	<u>\$ -</u>	<u>\$ 1,715,955</u>	<u>\$ 22,256,107</u>	<u>\$ 1,681,684</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, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Governmental activities debt certificates payable at April 30, 2013, 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>
2014	\$ 262,000	\$ 236,790
2015	272,000	225,000
2016	284,000	212,760
2017	295,000	199,980
2018	307,000	186,705
Future years	<u>3,842,000</u>	<u>1,007,415</u>
Total	<u>\$ 5,262,000</u>	<u>\$ 2,068,650</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>
2014	\$ -	\$ 33,950
2015	-	33,950
2016	-	33,950
2017	-	33,950
2018	-	33,950
Future years	<u>679,000</u>	<u>135,800</u>
Total	<u>\$ 679,000</u>	<u>\$ 305,550</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>
2014	\$ -	\$ 324,250
2015	40,000	324,250
2016	45,000	323,450
2017	95,000	322,550
2018	95,000	319,700
2018-2033	<u>6,100,000</u>	<u>3,439,175</u>
Total	<u>\$ 6,375,000</u>	<u>\$ 5,053,375</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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%. The warrants were paid off during the year.

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 contract was paid off during the year.

Police Vehicle Loan

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

Year Ending April 30	Principal	Interest
2014	\$ 29,293	\$ 3,026
2015	30,780	1,539
Total	\$ 60,073	\$ 4,565

Fire Truck Loan

\$419,032 from First Bankers Corporation at 4% interest, \$93,816 due annually through June 1, 2016

Year Ending April 30	Principal	Interest
2014	\$ 80,107	\$ 13,709
2015	83,334	10,482
2016	86,691	7,125
2017	90,182	3,634
Total	\$ 340,314	\$ 34,950

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 6 - LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Net Pension Obligation

At April 30, 2013, the City had the following net pension obligation:

Firefighters' Pension	\$ 650,408
Illinois Municipal Retirement Fund	<u>161,479</u>
Total	<u><u>\$ 811,887</u></u>

Other Post-Employment Benefits

See Note 10

Business-Type Activities

Business-type activities notes payable outstanding at April 30, 2013 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.015 %	\$ 66,341
River Street sanitary sewer replacement	2.815	64,071
Waste Water Treatment Plant expansion	<u>2.535</u>	<u>9,558,918</u>
Total		<u><u>\$ 9,689,330</u></u>

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

Year Ending	South Side Sewer Trunk		River Street Sewer Replacement		Waste Water Treatment Plant Expansion	
	Principal	Interest	Principal	Interest	Principal	Interest
April 30						
2014	\$ 16,215	\$ 1,000	\$ 15,683	\$ 902	\$ 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	186,769
2017	-	-	-	-	1,033,494	161,059
2018	-	-	-	-	1,059,859	134,694
Future years	-	-	-	-	<u>4,516,797</u>	<u>261,412</u>
Total	<u><u>\$ 66,341</u></u>	<u><u>\$ 2,519</u></u>	<u><u>\$ 64,071</u></u>	<u><u>\$ 2,270</u></u>	<u><u>\$ 9,558,918</u></u>	<u><u>\$ 1,192,056</u></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 bonds were paid off during the year.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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>
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	157,998	40,818	198,816
Future years	1,513,973	175,960	1,689,933
Total	<u>\$2,266,132</u>	<u>\$417,881</u>	<u>\$2,684,013</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>
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	261,134	84,203	345,337
Future years	3,171,868	454,170	3,626,038
Total	<u>\$4,415,011</u>	<u>\$ 937,712</u>	<u>\$5,352,723</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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. The loan bears a zero percent interest rate with a term of 20 years, with principal payments due in December and June 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>
2014	\$ 165,809	\$ -0-	\$ 165,809
2015	165,809	-0-	165,809
2016	165,809	-0-	165,809
2017	165,809	-0-	165,809
2018	165,809	-0-	165,809
Future years	2,033,093	-0-	2,033,093
Total	<u>\$2,862,138</u>	<u>\$ -0-</u>	<u>\$2,862,138</u>

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. The loan bears a 1.25% simple 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>
2014	\$ 146,227	\$ 37,338	\$ 183,565
2015	148,060	35,505	183,565
2016	149,917	33,648	183,565
2017	151,796	31,769	183,565
2018	153,700	29,865	183,565
Future years	2,273,796	204,325	2,478,121
Total	<u>\$3,023,496</u>	<u>\$ 372,450</u>	<u>\$3,395,946</u>

Restricted Cash and Investments

In accordance with the provisions of the Water Department's bond ordinances, special accounts have been established to receive and disburse funds for 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 from consumer deposits are not available for operating expenses of the Department. The following schedule shows the detail on these accounts:

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 6 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Restricted Cash and Investments (Continued)

	<u>Time deposits in banks</u>
Consumer deposit account (Net of \$ -0- available for operations)	<u>\$ 3,631</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, ILLINOIS
Notes to Financial Statements
 April 30, 2013

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, 2013:

	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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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
	<u>April 30, 2011</u>
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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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	<u>181,182</u>		<u>165,541</u>		<u>346,723</u>
	<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	<u>11.71</u>		<u>18.38</u>		<u>30.09</u>
	<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	<u>169,973</u>		<u>92,784</u>		<u>262,757</u>
	<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	<u>10.99</u>		<u>10.30</u>		<u>21.29</u>
	<u>38.94 %</u>		<u>47.88 %</u>		<u>86.82 %</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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 POSITION

	Police Pension	Firefighters' Pension
ASSETS		
Cash	\$ 1,029,391	\$ 544,033
Investments, at fair value	12,243,888	7,570,459
Prepaid investment fees	18,424	10,337
Investment income receivable	34,364	24,454
TOTAL ASSETS	13,326,067	8,149,283
LIABILITIES		
Vouchers payable	14,250	55,576
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$13,311,817	\$ 8,093,707

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 9 – PENSION PLANS (Continued)

Police and Firefighters' Pension (Continued)

STATEMENTS OF CHANGES IN PLAN NET POSITION

	Police Pension	Firefighters' Pension
ADDITIONS		
Contributions		
Employer	\$ 443,397	\$ 354,399
Plan members	187,704	108,376
Total contributions	631,101	462,775
Investment income	1,083,526	736,396
Miscellaneous income	994	-
Total additions	1,715,621	1,199,171
DEDUCTIONS		
Benefit payments	957,784	753,849
Management fees	83,863	48,280
Administrative and audit fee	15,693	13,923
Other	4,623	4,697
Total deductions	1,061,963	820,749
NET (DECREASE) INCREASE	653,658	378,422
Operating transfers in	-	22,909
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	12,658,159	7,692,376
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	\$13,311,817	\$ 8,093,707

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 2012 used by the City was 10.24 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2012 was 11.51 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, ILLINOIS
Notes to Financial Statements
 April 30, 2013

NOTE 9 – PENSION PLANS (Continued)

Illinois Municipal Retirement Fund (Continued)

Annual Pension Cost. For calendar year ending December 31, 2012, the City's actual contributions for pension cost for the Regular were \$220,120. Its required contribution for calendar year 2012 was \$247,420.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$247,420	89%	\$161,479
December 31, 2011	257,320	77%	131,037
December 31, 2010	255,736	73%	70,185

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 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, 2012, the most recent actuarial valuation date, the Regular plan was 78.91% funded. The actuarial accrued liability for benefits was \$8,380,848 and the actuarial value of assets was \$6,613,338, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,767,510. The covered payroll (annual payroll of active employees covered by the plan) was \$2,149,605 and the ratio of the UAAL to the covered payroll was 82.0 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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013, membership consisted of:

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

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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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 2013 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, 2013, 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, 2013 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, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013

NOTE 12 - INTERFUND TRANSFERS/BALANCES

Interfund transfers during the year ended April 30, 2013, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Landfill Fund	\$ -	\$ 2,774,732
Sewerage	91,286	-
Water	451,473	-
Agency	-	74,367
Pension Trust	-	22,909
Nonmajor Governmental	1,056,216	2,529,668
Total General Fund	<u>1,598,975</u>	<u>5,401,676</u>
Landfill Fund:		
General Fund	<u>2,774,732</u>	<u>-</u>
Total Landfill Fund	<u>2,774,732</u>	<u>-</u>
Sewerage Fund:		
General Fund	<u>-</u>	<u>91,286</u>
Total Sewerage Fund	<u>-</u>	<u>91,286</u>
Water Fund:		
General Fund	<u>-</u>	<u>451,473</u>
Total Water Fund	<u>-</u>	<u>451,473</u>
Agency:		
General Fund	74,367	-
Nonmajor Governmental	135,000	-
Total Agency Fund	<u>209,367</u>	<u>-</u>
Private Purpose Trust:		
Nonmajor Governmental	<u>383,549</u>	<u>-</u>
Total Private Purpose Trust Fund	<u>383,549</u>	<u>-</u>
Pension Trust:		
General Fund	<u>22,909</u>	<u>-</u>
Total Pension Trust Fund	<u>22,909</u>	<u>-</u>
Nonmajor Governmental		
Agency Fund	-	135,000
General Fund	2,529,668	1,056,216
Private Purpose Trust Fund	-	383,549
Total Nonmajor Governmental	<u>2,529,668</u>	<u>1,574,765</u>
Total operating transfers	<u>\$ 7,519,200</u>	<u>\$ 7,519,200</u>

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

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 12 – INTERFUND TRANSFERS/BALANCES

Interfund balances at April 30, 2013, consisted of the following:

<u>Due from:</u>	<u>General Fund</u>	<u>Medical Insurance Fund</u>	<u>Other Gov. Funds</u>	<u>Total</u>
<u>Due to:</u>				
General Fund	\$ -	\$ -	\$ 14,542	\$ 14,542
Illinois Municipal Retirement Fund	2,350,550	-	-	2,350,550
Sewerage Fund	513,468	-	-	513,468
Social Security Fund	2,516,148	-	-	2,516,148
Water Fund	1,029,345	100,000	2,997	1,132,342
Other Governmental Funds	2,354,549	-	-	2,354,549
Total	\$ 8,764,060	\$ 100,000	\$ 17,539	\$ 8,881,599

Interfund loans existing at April 30, 2013 and their purposes were as follows:

The General Fund owed the Illinois Municipal Retirement Fund, Sewerage Fund, Social Security Fund, Water Fund, and non-major governmental funds \$2,350,550, \$513,468, \$2,516,148, \$1,029,345 and \$2,354,549, respectively for money loaned to cover the cash flow of the General Fund.

The Medical Insurance Fund owed the Water Fund \$100,000 for money loaned to cover the cash flow of the Medical Insurance Fund.

Non-major governmental funds owed the General Fund and the Water Fund \$14,542 and \$2,997 respectively for transfers to non-major governmental funds.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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, 2013:

	<u>Budget</u>	<u>Actual</u>
Confiscated Property Fund	\$ -0-	\$ 3,780
DUI Fund	-0-	4,782
Local Organizations Fund	-0-	2,497
Capital Projects Fund	-0-	30
Foreign Fire Insurance Fund	-0-	17,773

The following fund had a deficit net position balance:

Medical Insurance Fund	\$(53,828)
------------------------	------------

The City is planning on financing this deficit 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, 2013, 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, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 16 – COMMITMENTS AND CONTINGENCIES

As of April 30, 2013, the City was not obligated under any commitments. Some contingencies are applicable at April 30, 2013. 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.

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 position available for benefits.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

NOTE 20 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated events subsequent to the year ended April 30, 2013 and up to the date of the financial statements. A major event has occurred which requires disclosure in these financial statements.

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, two amounts are probable and estimable and therefore included within the City's basic financial statements. Approximately \$9,000,000 will be received from assets that have already been sold.

An additional \$30,000,000 (net of legal fees) will be received pursuant to a settlement that was reached in September 2013 with former City auditors Samuel Card, CPA, P.C. and CliftonLarsonAllen LLP along with Fifth Third Bank. The total of these two items in the amount of \$39,000,000 is included in the City's General Fund as a receivable, as no funds were received by April 30, 2013.

NOTE 21 –PRIOR PERIOD NET POSITION ADJUSTMENT

During 2013 audit procedures, Wipfli discovered a certificate of deposit (CD) that was opened in a prior period. The balance on that CD on April 30, 2013, was \$7,728. This amount is recorded as a prior period adjustment to fund balance and net position for the General Fund on the April 30, 2013 financial statements.

During the year, the City discovered that a \$300,000 loan to MZB Inc. from the Downtown TIF Fund on December 16, 1996, was originally recorded on the City's books as an expenditure instead of a receivable. To correct this, a \$300,000 prior period adjustment was proposed to increase beginning fund balance and net position and record a receivable for the same amount.

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
April 30, 2013

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	\$ 8,357
Notes Receivable	317,014
Inventory	<u>18,161</u>
Total Nonspendable	<u>\$ 343,532</u>

CITY OF DIXON, ILLINOIS
Notes to Financial Statements
 April 30, 2013

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	\$	1,489,758
Streets and Highways		198,006
Culture and Recreation		209,918
City Development		692,673
Debt Service		88,131
Airport Operations		16,725
Municipal Retirement		4,243,019
Working Cash		690,000
Payroll Taxes		<u>2,825,477</u>
Total Restricted	\$	<u>10,453,707</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.

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, 2013

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%
IMRF						
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%
12/31/2012	6,613,338	8,380,848	1,767,510	78.91%	2,149,605	82.22%
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 - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
General property taxes	\$ 1,429,920	\$ 1,518,294	\$ 88,374
Intergovernmental revenue:			
Personal property replacement tax	607,900	659,867	51,967
Income tax and surcharge	1,263,150	1,822,457	559,307
Sales tax	3,556,517	3,585,322	28,805
Utility tax	660,000	606,293	(53,707)
Telecom tax	80,000	80,882	882
Gaming tax	-	3,071	3,071
Grant revenue	59,054	148,722	89,668
Motel tax	60,000	73,653	13,653
	6,286,621	6,980,267	693,646
Licenses, permits, and other fees	463,150	431,555	(31,595)
Fines and penalties	160,000	174,806	14,806
Donations	10,000	16,966	6,966
Charges for services	775,200	767,330	(7,870)
Revenue from use of money and property	250	76,405	76,155
Other	414,000	347,437	(66,563)
	\$ 9,539,141	\$ 10,313,060	\$ 773,919
Subtract beginning deferred revenues		(2,505,864)	
Add ending deferred revenues		2,747,892	
Add beginning receivables/accrued revenues		3,132,805	
Subtract ending receivables/accrued revenues		(3,941,457)	
		\$ 9,746,436	
EXPENDITURES			
DEPARTMENT OF PUBLIC AFFAIRS			
Salaries	\$ 24,875	\$ 93,224	\$ (68,349)
Supplies and services	237,500	50,856	186,644
Professional services and fees	133,750	128,776	4,974
Insurance	125	4,924	(4,799)
Public relations	6,250	12,427	(6,177)
Main Street	17,500	-	17,500
Travel expense	2,500	3,784	(1,284)
Dues and subscriptions	1,250	7,122	(5,872)
Donations	-	22,206	(22,206)
Tourism Council	93,750	-	93,750
Plan commission	625	-	625
Electrical commission	125	-	125
Human Rights Board	125	-	125
Historic preservation	375	-	375

CITY OF DIXON, ILLINOIS
General Fund
Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (Continued)			
DEPARTMENT OF PUBLIC AFFAIRS (CONT)			
Enterprise Zone	32,500	-	32,500
Katherine Shaw Bethea Hospital	625	-	625
Fire and Police Commission	12,500	8,865	3,635
Zoning Board of Appeals	125	-	125
Miscellaneous	207,143	1,270	205,873
Condemnation Board	625	-	625
Riverfront	1,251	-	1,251
	<u>773,519</u>	<u>333,454</u>	<u>440,065</u>
 DEPT. OF ACCOUNTS AND FINANCE			
Salaries	304,824	181,775	123,049
Maintenance	4,375	-	4,375
Supplies and services	16,250	29,874	(13,624)
Professional services and fees	146,375	305,150	(158,775)
Notices and publications	3,125	7,106	(3,981)
Insurance	417,719	361,049	56,670
Miscellaneous	3,750	1,735	2,015
Travel expense	1,250	-	1,250
Training	-	2,268	(2,268)
Dues and subscriptions	1,250	1,021	229
	<u>898,918</u>	<u>889,978</u>	<u>8,940</u>
 DEPT. OF POLICE PROTECTION			
Salaries	2,545,392	2,244,719	300,673
Maintenance	104,980	74,684	30,296
Supplies and services	158,750	193,414	(34,664)
Professional services and fees	4,088	4,916	(828)
Insurance	315,250	264,906	50,344
Capital outlay - new property and equipment	118,372	-	118,372
Police training	17,500	11,024	6,476
Miscellaneous	32,750	15,258	17,492
Travel expense	12,500	3,314	9,186
Dues and subscriptions	3,125	5,321	(2,196)
Medicare expense	31,248	18,704	12,544
Feeding prisoners	125	-	125
Investigations	10,000	-	10,000
K-9 training	375	-	375
K-9 handler	4,000	-	4,000
K-9 miscellaneous	2,500	-	2,500
No sickness policy	4,375	-	4,375
Education bonus	8,125	-	8,125
Continuing education reimbursement	6,250	1,648	4,602
Lee County rent	147,500	117,996	29,504
	<u>3,527,205</u>	<u>2,955,904</u>	<u>571,301</u>

CITY OF DIXON, ILLINOIS
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
DEPT. OF FIRE PROTECTION			
Salaries	1,312,409	1,303,498	8,911
Maintenance	21,250	29,507	(8,257)
Supplies and services	28,938	45,217	(16,279)
Insurance	190,000	160,578	29,422
Capital outlay - new property and equipment	50,625	-	50,625
Fire training	37,500	22,350	15,150
Miscellaneous	3,750	-	3,750
Dues and subscriptions	3,750	2,712	1,038
Travel expenses	1,875	2,075	(200)
No sickness policy	4,000	-	4,000
Education bonus	3,125	-	3,125
Continuing education reimbursement	10,000	489	9,511
Medicare expense	21,250	10,471	10,779
	<u>1,688,472</u>	<u>1,576,897</u>	<u>111,575</u>
DEPT. OF STREETS AND IMPROVEMENTS			
Salaries	419,700	339,274	80,426
Maintenance	260,313	61,324	198,989
Supplies and services	72,312	220,250	(147,938)
Insurance	77,625	51,006	26,619
Capital outlay - new property and equipment	268,900	202,280	66,620
Dues and subscriptions	-	1,144	(1,144)
Clothing allowance	-	6,500	(6,500)
	<u>1,098,850</u>	<u>881,778</u>	<u>217,072</u>
DEPT. OF BUILDING AND ZONING			
Salaries	180,954	147,344	33,610
Maintenance	5,563	342	5,221
Supplies and services	8,250	2,742	5,508
Insurance	33,750	25,419	8,331
Capital outlay - new property and equipment	625	-	625
Training	1,875	80	1,795
Miscellaneous	125	-	125
Travel expense	1,250	-	1,250
Dues and subscriptions	625	242	383
	<u>233,017</u>	<u>176,169</u>	<u>56,848</u>

CITY OF DIXON, ILLINOIS
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
DEPT. OF PUBLIC PROPERTY			
Salaries	31,250	199,580	(168,330)
Maintenance	147,813	76,780	71,033
Supplies and services	4,875	99,227	(94,352)
Insurance	-	48,885	(48,885)
Capital outlay - new property and equipment	33,750	-	33,750
Dues and subscriptions	-	989	(989)
Engineering	1,250	717	533
Bond issue costs	125	-	125
Holiday decorations	625	-	625
Flood control	125	-	125
Real estate taxes	375	783	(408)
Clothing allowance	-	2,000	(2,000)
Miscellaneous	625	-	625
	<u>220,813</u>	<u>428,961</u>	<u>(208,148)</u>
DEPT. OF TRAFFIC MAINTENANCE			
Salaries	57,550	50,259	7,291
Maintenance	26,550	907	25,643
Supplies and services	16,750	18,395	(1,645)
Insurance	16,875	12,986	3,889
Capital outlay - new property and equipment	32,750	-	32,750
Training expense	2,500	1,344	1,156
Clothing allowance	625	1,000	(375)
Miscellaneous	1,875	385	1,490
	<u>155,475</u>	<u>85,276</u>	<u>70,199</u>
DEPT. OF PUBLIC WORKS			
Salaries	138,269	142,703	(4,434)
Maintenance	4,375	2,837	1,538
Supplies and services	8,249	9,015	(766)
Professional services and fees	10,750	7,534	3,216
Insurance	17,000	15,391	1,609
Capital outlay - new property and equipment	4,375	-	4,375
Dues and subscriptions	2,063	2,372	(309)
Public relations	2,063	1,154	909
Travel expense	3,125	-	3,125
License renewals	500	-	500
Conferences	6,250	3,522	2,728
Miscellaneous	1,250	111	1,139
	<u>198,269</u>	<u>184,639</u>	<u>13,630</u>

CITY OF DIXON, ILLINOIS
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
EXPENDITURES (CONT.)			
DEPT. OF CULTURE AND RECREATION			
Salaries	21,795	27,779	(5,984)
Maintenance	625	-	625
Supplies, services, and professional services	-	1,737	(1,737)
Insurance	625	-	625
New property and equipment	938	-	938
Miscellaneous	12,500	5,993	6,507
Dues and subscriptions	-	1,066	(1,066)
Travel expenses	1,000	1,757	(757)
Advertising	-	72,939	(72,939)
	37,483	111,271	(73,788)
PAYMENTS TO PENSIONS			
Firefighters' Pension Fund	14,496	-	14,496
Police Pension Fund	14,016	-	14,016
	28,512	-	28,512
DEBT SERVICE			
Principal payments	343,750	1,039,927	(696,177)
Interest expense	31,389	590,894	(559,505)
	375,139	1,630,821	(1,255,682)
ALLOWANCE FOR INSURANCE CLAIMS			
	187,500	-	187,500
Total expenditures - modified accrual basis	\$ 9,423,172	9,255,148	\$ 168,024
Add beginning accrued expenditures		749,985	
Subtract ending accrued expenditures		-	
Subtract beginning prepaid expenditures		-	
Add ending prepaid expenditures		-	
Total expenditures - appropriation basis		\$ 10,005,133	
Excess of revenues over expenditures - appropriation basis		\$ (258,697)	
OTHER FINANCING SOURCES (USES)			
Adjust estimated recovery of theft loss	\$ -	29,500,000	\$ 29,500,000
Operating transfers in	950,000	542,758	(407,242)
Operating transfers out	(2,632,852)	(4,345,460)	(1,712,608)
	\$ (1,682,852)	25,697,298	\$ 27,380,150
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - appropriation basis		\$ 25,438,601	

CITY OF DIXON, ILLINOIS
Illinois Municipal Retirement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
General property taxes	\$ 479,073	\$ 479,220	\$ 147
Revenue from use of money and property	-	1,341	1,341
	<u>\$ 479,073</u>	<u>480,561</u>	<u>\$ 1,488</u>
Total revenues - modified accrual basis			
Add beginning receivables/accrued revenues		479,073	
Subtract ending receivables/accrued revenues		-	
Total revenues - appropriation basis		<u>\$ 959,634</u>	
 EXPENDITURES			
Payments to pensions	612,500	247,200	365,300
Administration service	2,500	-	2,500
	<u>\$ 615,000</u>	<u>247,200</u>	<u>\$ 367,800</u>
Total expenditures - modified accrual basis			
Add beginning accrued expenditures		-	
Subtract ending accrued expenditures		-	
Total expenditures - appropriation basis		<u>\$ 247,200</u>	
Excess of revenues over expenditures - appropriation basis		<u>\$ 712,434</u>	

CITY OF DIXON, ILLINOIS
Social Security Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Appropriation (Non-GAAP Basis) and Actual
Year Ended April 30, 2013

	Original and Final Appropriation	Actual	Variance Over (Under) Appropriation
REVENUES			
General property taxes	\$ 395,068	\$ 395,188	\$ 120
Revenue from use of money and property	-	58	58
	<u>\$ 395,068</u>	<u>395,246</u>	<u>\$ 178</u>
Total revenues - modified accrual basis			
		-	
Add beginning receivables/accrued revenues		-	
Subtract ending receivables/accrued revenues		-	
		<u>\$ 395,246</u>	
Total revenues - appropriation basis			
EXPENDITURES			
Payments to Social Security system	\$ 506,250	\$ 204,767	\$ 301,483
Administration service	2,500	-	2,500
	<u>\$ 508,750</u>	<u>204,767</u>	<u>\$ 303,983</u>
Total expenditures - modified accrual basis			
		-	
Add beginning accrued expenditures		-	
Subtract ending accrued expenditures		-	
		<u>\$ 204,767</u>	
Total expenditures - appropriation basis			
Excess of revenues over expenditures - appropriation basis		<u>\$ 190,479</u>	

CITY OF DIXON, ILLINOIS
Notes to Required Supplementary Information
April 30, 2013

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 increases of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.00% corridor between the actuarial and market value of assets.

OTHER INFORMATION
(UNAUDITED)

CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING BALANCE SHEET
April 30, 2013

	<u>Special Revenue</u>						
	<u>General Government</u>						
	<u>TIF Districts</u>						
	<u>Garbage</u>	<u>Public Benefit</u>	<u>Downtown Redevelopment Project</u>	<u>Riverfront Project</u>	<u>Municipal Sales Tax</u>	<u>Working Cash</u>	<u>Capital Projects</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 342,817	\$ 149,417	\$ -	\$ -	\$ 60,839
Receivables:							
General property taxes			322,144	163,193			
Motor fuel tax allotments							
Accounts, less allowance for estimated uncollectibles							
Notes receivable			317,014				
Prepaid insurance							
Due from other funds			154,000			690,000	
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,975</u>	<u>\$ 312,610</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 60,839</u>
LIABILITIES							
Vouchers payable			\$ 14,400				
Accrued liabilities:							
Payroll							
Deferred property tax revenue			322,144	\$ 163,193			
Due to other funds							
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>336,544</u>	<u>163,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES							
Nonspendable:							
Notes receivable			317,014				
Prepaid expenses							
Restricted:							
Special revenue	-	-	482,417	149,417	-	690,000	60,839
Debt service							
Total fund balances	<u>-</u>	<u>-</u>	<u>799,431</u>	<u>149,417</u>	<u>-</u>	<u>690,000</u>	<u>60,839</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,975</u>	<u>\$ 312,610</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 60,839</u>

CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING BALANCE SHEET (CONTINUED)
 April 30, 2013

Special Revenue							Debt Service		
Highways and Streets	Culture and Recreation		Airport	Cemetery	Welfare	Public Safety		Debt Service	Total
Motor Fuel Tax	Library	Band	Municipal Airport	Oakwood Cemetery	Civil Defense	Emergency Vehicle	Foreign Fire Insurance	Debt Service	Total
\$ 170,949	\$ 229,466	\$ -	\$ 30,987	\$ -	\$ -	\$ 87,775	\$ 68,685	\$ 88,131	\$ 1,229,066
	322,861								808,198
27,057			1,484			212,731			214,215
			8,357						317,014
						1,127,000			8,357
									1,971,000
<u>\$ 198,006</u>	<u>\$ 552,327</u>	<u>\$ -</u>	<u>\$ 40,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,427,506</u>	<u>\$ 68,685</u>	<u>\$ 88,131</u>	<u>\$ 4,574,907</u>
	\$ 8,338		\$ 3,943			\$ 6,433			\$ 33,114
	7,091		8,806						15,897
	312,438		2,997						797,775
	14,542								17,539
<u>\$ -</u>	<u>342,409</u>	<u>\$ -</u>	<u>15,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>864,325</u>
			8,357						317,014
									8,357
198,006	209,918	-	16,725		-	1,421,073	68,685	88,131	3,297,080
									88,131
<u>198,006</u>	<u>209,918</u>	<u>-</u>	<u>25,082</u>	<u>-</u>	<u>-</u>	<u>1,421,073</u>	<u>68,685</u>	<u>88,131</u>	<u>3,710,582</u>
<u>\$ 198,006</u>	<u>\$ 552,327</u>	<u>\$ -</u>	<u>\$ 40,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,427,506</u>	<u>\$ 68,685</u>	<u>\$ 88,131</u>	<u>\$ 4,574,907</u>

CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended April 30, 2013

	Special Revenue						
	General Government						
	TIF Districts						
	Garbage	Public Benefit	Downtown Redevelopment Project	Riverfront Project	Municipal Sales Tax	Working Cash	Capital Projects
REVENUES							
General property taxes	\$ -	\$ -	\$ 319,112	\$ 136,122	\$ -	\$ -	\$ -
Personal property replacement tax	-	-	-	-	-	-	-
Motor fuel tax allotments	-	-	-	-	-	-	-
Foreign fire insurance tax	-	-	-	-	-	-	-
User fees	-	-	-	-	-	-	-
Revenue from use of money and property	3	-	743	76	-	-	46
Miscellaneous	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Total revenues	<u>3</u>	<u>-</u>	<u>319,855</u>	<u>136,198</u>	<u>-</u>	<u>-</u>	<u>46</u>
EXPENDITURES							
Salaries	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Supplies, services and professional services	-	-	-	-	-	-	-
Fuel, gas, and oil	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
New property and equipment	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-
Real estate taxes	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	30
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3</u>	<u>-</u>	<u>319,855</u>	<u>136,198</u>	<u>-</u>	<u>-</u>	<u>16</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	(3,982)	(189,118)	-	-	(577,215)	58,055	1,766,216
Debt proceeds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(3,982)</u>	<u>(189,118)</u>	<u>-</u>	<u>-</u>	<u>(577,215)</u>	<u>58,055</u>	<u>1,766,216</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(3,979)	(189,118)	319,855	136,198	(577,215)	58,055	1,766,232
PRIOR PERIOD ADJUSTMENT (SEE NOTE 21)	-	-	300,000	-	-	-	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>3,979</u>	<u>189,118</u>	<u>179,576</u>	<u>13,219</u>	<u>577,215</u>	<u>631,945</u>	<u>(1,705,393)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,431</u>	<u>\$ 149,417</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 60,839</u>

CITY OF DIXON, ILLINOIS
NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
Year Ended April 30, 2013

Highways and Streets	Special Revenue						Debt Service		Total
	Culture and Recreation		Airport	Cemetery	Welfare	Public Safety			
	Motor Fuel Tax	Library	Band	Municipal Airport	Oakwood Cemetery	Civil Defense	Emergency Vehicle	Foreign Fire Insurance	
\$ -	\$ 298,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,086
-	52,015	-	-	-	-	-	-	-	52,015
449,048	-	-	-	-	-	-	-	-	449,048
-	27,277	-	-	-	-	590,021	28,785	-	617,298
17	74	-	66,466	-	-	182	44	113	67,764
-	1,107	-	254	-	-	-	-	-	1,361
-	-	-	-	-	-	986	-	-	986
-	16,134	-	27,248	-	-	292,684	-	-	336,066
449,065	395,459	-	93,968	-	-	883,873	28,829	113	2,307,409
-	220,778	-	63,429	-	-	55,918	-	-	340,125
468,979	8,540	-	18,199	-	-	657	-	-	496,375
-	94,245	-	38,698	-	-	45,873	17,773	-	196,589
-	1,496	-	5,230	-	-	3,949	-	-	10,675
-	41,040	-	8,401	-	-	-	-	-	49,441
-	-	-	-	-	-	711,716	-	-	711,716
-	-	-	3,119	-	-	7,095	-	-	10,214
-	-	-	-	-	-	237,689	-	-	237,689
-	-	-	1,053	-	-	-	-	-	1,053
5,000	-	-	-	-	-	-	-	-	5,030
-	-	-	-	-	-	78,718	-	-	78,718
-	-	-	-	-	-	15,098	-	-	15,098
473,979	366,099	-	138,129	-	-	1,156,713	17,773	-	2,152,723
(24,914)	29,360	-	(44,161)	-	-	(272,840)	11,056	113	154,686
(385,000)	(135,000)	(216,636)	305,000	303,848	(59,265)	-	-	88,000	954,903
-	-	-	-	-	-	419,032	-	-	419,032
(385,000)	(135,000)	(216,636)	305,000	303,848	(59,265)	419,032	-	88,000	1,373,935
(409,914)	(105,640)	(216,636)	260,839	303,848	(59,265)	146,192	11,056	88,113	1,528,621
-	-	-	-	-	-	-	-	-	300,000
607,920	315,558	216,636	(235,757)	(303,848)	59,265	1,274,881	57,629	18	1,881,961
\$ 198,006	\$ 209,918	\$ -	\$ 25,082	\$ -	\$ -	\$ 1,421,073	\$ 68,685	\$ 88,131	\$ 3,710,582

CITY OF DIXON, ILLINOIS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
April 30, 2013

	<u>Cemetery Endowment</u>	<u>Local Organizations</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 14,496	\$ 48,749	\$ 63,245
Investments	100,000	-	100,000
Receivables:			
Accounts	12,984	-	12,984
Due from other funds	383,549	-	383,549
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 511,029	\$ 48,749	\$ 559,778
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
NET POSITION			
Reserved for perpetual endowment	511,029	-	511,029
Unreserved	-	48,749	48,749
Net position	511,029	48,749	559,778
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 511,029	\$ 48,749	\$ 559,778
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF DIXON, ILLINOIS
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
Year Ended April 30, 2013

	<u>Cemetery Endowment</u>	<u>Local Organizations</u>	<u>Total</u>
ADDITIONS			
Interest income	\$ 21	\$ 19	\$ 40
Revenue from use of money and property	4,826	42,083	46,909
Total revenues	<u>4,847</u>	<u>42,102</u>	<u>46,949</u>
DEDUCTIONS			
Miscellaneous	-	2,497	2,497
Total expenditures	<u>-</u>	<u>2,497</u>	<u>2,497</u>
Change in Net Position Before Transfers	<u>4,847</u>	<u>39,605</u>	<u>44,452</u>
TRANSFERS			
Operating transfers in	<u>383,549</u>	<u>-</u>	<u>383,549</u>
Change in Net Position	<u>388,396</u>	<u>39,605</u>	<u>428,001</u>
NET POSITION HELD IN TRUST BEGINNING OF YEAR	<u>122,633</u>	<u>9,144</u>	<u>131,777</u>
NET POSITION HELD IN TRUST END OF YEAR	<u>\$ 511,029</u>	<u>\$ 48,749</u>	<u>\$ 559,778</u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET POSITION
April 30, 2013

	Pension Trust Funds		
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,029,391	\$ 544,033	\$ 1,573,424
Investments	12,243,888	7,570,459	19,814,347
Prepaid investment fees	18,424	10,337	28,761
Investment income receivable	34,364	24,454	58,818
TOTAL ASSETS	<u>13,326,067</u>	<u>8,149,283</u>	<u>21,475,350</u>
LIABILITIES			
Vouchers payable	<u>14,250</u>	<u>55,576</u>	<u>69,826</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 13,311,817</u></u>	<u><u>\$ 8,093,707</u></u>	<u><u>\$ 21,405,524</u></u>

CITY OF DIXON, ILLINOIS
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
Year Ended April 30, 2013

	Pension Trust Funds		
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 443,397	\$ 354,399	\$ 797,796
Plan members	187,704	108,376	296,080
Total contributions	<u>631,101</u>	<u>462,775</u>	<u>1,093,876</u>
Investment income	1,083,526	736,396	1,819,922
Miscellaneous income	994	-	994
Total additions	<u>1,715,621</u>	<u>1,199,171</u>	<u>2,914,792</u>
DEDUCTIONS			
Benefit payments	957,784	753,849	1,711,633
Management fees	83,863	48,280	132,143
Administrative and audit fee	15,693	13,923	29,616
Other	4,623	4,697	9,320
Total deductions	<u>1,061,963</u>	<u>820,749</u>	<u>1,882,712</u>
Changes in Plan Net Position Before Transfers	<u>653,658</u>	<u>378,422</u>	<u>1,032,080</u>
TRANSFERS			
Operating transfers in	-	22,909	22,909
Changes in Plan Net Position	<u>653,658</u>	<u>401,331</u>	<u>1,054,989</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	<u>12,658,159</u>	<u>7,692,376</u>	<u>20,350,535</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	<u>\$ 13,311,817</u>	<u>\$ 8,093,707</u>	<u>\$ 21,405,524</u>

CITY OF DIXON, ILLINOIS
AGENCY FUNDS
COMBINING BALANCE SHEET
 April 30, 2013

	<u>Police Vehicle</u>	<u>Confiscated Property</u>	<u>DUI</u>	<u>Library Working Cash</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 3,721	\$ 70,587	\$ -	\$ 135,000	\$ 209,308
TOTAL ASSETS	<u>\$ 3,721</u>	<u>\$ 70,587</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 209,308</u>
LIABILITIES					
Vouchers payable	\$ -	\$ 13,305	\$ -	\$ -	\$ 13,305
Cash overdraft	-	-	818	-	818
Available for distribution	3,721	57,282	(818)	135,000	195,185
TOTAL LIABILITIES	<u>\$ 3,721</u>	<u>\$ 70,587</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 209,308</u>

CITY OF DIXON, ILLINOIS
AGENCY FUNDS
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 Year Ended April 30, 2013

	<u>Police Vehicle</u>	<u>Confiscated Property</u>	<u>DUI</u>	<u>Library Working Cash</u>	<u>Total</u>
CASH AND INVESTMENTS					
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts	3,721	74,367	3,964	135,000	217,052
Disbursements	-	(3,780)	(4,782)	-	(8,562)
CASH AND INVESTMENTS					
BALANCE, END OF YEAR	<u>\$ 3,721</u>	<u>\$ 70,587</u>	<u>\$ (818)</u>	<u>\$ 135,000</u>	<u>\$ 208,490</u>

CITY OF DIXON, ILLINOIS
SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS
 Tax Years 2011, 2010, and 2009

Fund	2011			2010			2009					
	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	\$ 175,742,204	.3033	\$ 533,026	\$ 533,187	\$ 179,434,542	.2598	\$ 466,171	\$ 465,770	\$ 177,793,317	.2613	\$ 464,574	\$ 448,857
Police Protection	175,742,204	.1541	270,819	270,901	179,434,542	.1474	264,487	264,259	177,793,317	.1482	263,490	254,487
Fire Protection	92,436,898	.1037	95,857	95,848	95,101,239	.0991	94,245	94,196	95,256,735	.1006	95,828	91,454
Audit	175,742,204	.0299	52,547	52,564	179,434,542	.0286	51,318	51,274	177,793,317	.0288	51,204	49,478
Road and Bridge	175,742,204	-	-	68,157	179,434,542	-	-	69,231	177,793,317	-	-	71,244
Public Benefit	175,742,204	.0488	85,762	85,788	179,434,542	.0478	85,770	85,696	177,793,317	.0480	85,341	82,464
Band	175,742,204	.0111	19,507	19,513	179,434,542	.0382	68,544	68,485	177,793,317	.0384	68,273	65,972
Library	175,742,204	.1498	263,262	263,341	179,434,542	.1433	257,130	256,908	177,793,317	.1441	256,200	247,571
Cemetery	175,742,204	.0244	42,881	42,895	179,434,542	.0239	42,885	42,848	177,793,317	.0241	42,848	41,320
Fire Pension	92,436,898	.3834	354,403	354,367	95,101,239	.3667	348,736	348,553	95,256,735	.3723	354,641	338,437
Police Pension	175,742,204	.2522	443,222	443,357	179,434,542	.2412	432,796	432,424	177,793,317	.2424	430,971	416,399
IMRF	175,742,204	.2726	479,073	479,220	179,434,542	.2607	467,786	467,385	177,793,317	.2620	465,818	450,096
Civil Defense	175,742,204	.0098	17,223	17,229	179,434,542	.0093	16,687	16,675	177,793,317	.0093	16,535	15,961
Claim and Judgment Tax	175,742,204	.1975	347,091	347,196	179,434,542	.1889	338,962	338,660	177,793,317	.1899	337,630	326,132
Library Maintenance	175,742,204	.0202	35,500	35,511	179,434,542	.0193	34,631	34,600	177,793,317	.0193	34,314	33,163
Social Security	175,742,204	.2248	395,068	395,188	179,434,542	.2179	390,988	390,651	177,793,317	.2190	389,367	376,143
TIF District 1	2,723,633	-	321,137	319,112	2,766,543	-	324,007	323,546	2,766,856	-	311,505	311,505
TIF District 3	4,073,874	-	160,459	160,467	4,134,128	-	137,328	137,107	4,160,649	-	111,655	111,441
			<u>\$ 3,916,837</u>	<u>\$ 3,983,841</u>			<u>\$ 3,822,461</u>	<u>\$ 3,888,268</u>			<u>\$ 3,780,194</u>	<u>\$ 3,732,124</u>

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

The Honorable Mayor and
Members of the City Council
City of Dixon
Dixon, Illinois

We have audited, in accordance with the 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, the financial statements of the City of Dixon, Illinois as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise City of Dixon, Illinois' basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dixon, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dixon, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dixon, Illinois' internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the City's lack of formal risk assessment process and method of adequately responding to risks to be a material weakness. However, steps have been put in place subsequent to April 30, 2013 to improve this process moving forward, including the hiring of a City Administrator.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the inadequate control over the cash disbursement and general ledger functions of processing and recording the financial transactions of the City due to inadequate segregation of duties to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dixon, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Dixon, Illinois' Response to Findings

City of Dixon, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Dixon, Illinois' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Dixon, Illinois
December 11, 2013

**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, 2013, and have issued our report thereon dated December 11, 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
December 11, 2013