

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

**BASIC FINANCIAL STATEMENTS**  
April 30, 2009

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Commissioners  
City of Dixon, Illinois

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Dixon, Illinois as of and for the year ended April 30, 2009, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dixon, Illinois' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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, 2009, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 5, 2010, on my consideration of the City of Dixon, Illinois' internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should not be considered in assessing the results of my audit.

The Schedule of Funding Progress on page 54 and appropriation comparison information on pages 55 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it. The City of Dixon, Illinois has not presented the management's discussion and analysis as required by accounting principles generally accepted in the United States of America.

My 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 and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Dixon, Illinois. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Samuel S. Lane, CPA P.C.*

February 5, 2010

**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**

Honorable Mayor and Commissioners  
City of Dixon, Illinois

I have audited the 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, 2009, which collectively comprise the City of Dixon, Illinois' basic financial statements and have issued my report thereon dated February 5, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the City of Dixon, Illinois' internal control over financial reporting as a basis of designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dixon, Illinois' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Dixon, Illinois' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dixon, Illinois' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Dixon, Illinois' financial statements that is more than inconsequential will not be prevented or detected by the City of Dixon, Illinois' internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Dixon, Illinois' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as described above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dixon, Illinois's financial statements are free of material misstatement, I 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 my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, auditing committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Samuel S. Lard, CPA P.C.*

February 5, 2010



**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF NET ASSETS**  
April 30, 2009

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,134,862	\$ 1,368,890	\$ 3,503,752
Investments	5,174,742	201,339	5,376,081
Restricted cash	-	209,721	209,721
Restricted investments	-	227,670	227,670
General property taxes receivable	3,694,618	-	3,694,618
Due from State of Illinois	967,106	-	967,106
Motor fuel tax receivable	31,833	-	31,833
Accounts receivable	175,472	707,239	882,711
Other receivable	191,156	720	191,876
Notes receivable	33,202	-	33,202
Due from (to) external parties	485,000	(485,000)	-
Inventory	20,316	120,209	140,525
Prepaid insurance	166,472	55,854	222,326
Land and improvements	2,530,861	149,073	2,679,934
Construction in progress	2,930,278	5,724,982	8,655,260
Other capital assets, net of depreciation	38,387,731	29,322,419	67,710,150
	<u>56,923,649</u>	<u>37,603,116</u>	<u>94,526,765</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Voucher payable	899,478	433,113	1,332,591
Accrued payroll and taxes	404,528	35,560	440,088
Accrued interest	186,099	124,299	310,398
Deferred license income	37,896	-	37,896
Deferred property tax revenue	3,694,618	-	3,694,618
Consumer deposits	-	376,799	376,799
Long-term liabilities:			
Due within one year	1,072,911	1,277,126	2,350,037
Due in more than one year	11,873,764	20,165,694	32,039,458
Total liabilities	<u>18,169,294</u>	<u>22,412,591</u>	<u>40,581,885</u>
<b>NET ASSETS (DEFICITS)</b>			
Invested in capital assets, net of related debt	30,902,195	13,753,654	44,655,849
Restricted for:			
Special revenue	9,085,323	-	9,085,323
Debt service	18	-	18
Capital projects	1,675,847	-	1,675,847
Enterprise funds	-	437,391	437,391
Unrestricted	<u>(2,909,028)</u>	<u>999,480</u>	<u>(1,909,548)</u>
<b>TOTAL NET ASSETS (DEFICITS)</b>	<u>\$ 38,754,355</u>	<u>\$ 15,190,525</u>	<u>\$ 53,944,880</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
STATEMENT OF ACTIVITIES  
Year Ended April 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities							
General government	\$ 3,227,688	\$ 266,924	\$ -	\$ 2,432,128	\$ (528,636)	\$ -	\$ (528,636)
Public safety	5,860,348	505,747	-	-	(5,354,601)	-	(5,354,601)
Public works	145,320	-	-	-	(145,320)	-	(145,320)
Highways and streets	2,221,990	-	-	-	(2,221,990)	-	(2,221,990)
Traffic development	102,061	-	-	-	(102,061)	-	(102,061)
Welfare	7,274	-	-	-	(7,274)	-	(7,274)
Culture and recreation	458,738	22,026	31,285	-	(405,427)	-	(405,427)
Airport	120,233	-	-	-	(120,233)	-	(120,233)
Cemetery	429,561	66,906	-	-	(362,655)	-	(362,655)
Interest on long-term debt	583,886	-	-	-	(583,886)	-	(583,886)
Total governmental activities	<u>13,157,099</u>	<u>861,603</u>	<u>31,285</u>	<u>2,432,128</u>	<u>(9,832,083)</u>	<u>-</u>	<u>(9,832,083)</u>
Business-type activities:							
Landfill	22,930	1,886,897	-	-	-	1,863,967	1,863,967
Sewer	2,999,983	1,692,863	-	-	-	(1,107,120)	(1,107,120)
Water Department	1,817,246	1,498,414	-	-	-	(318,832)	(318,832)
Total business-type activities	<u>4,840,159</u>	<u>5,278,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>438,015</u>	<u>438,015</u>
<b>Total primary government</b>	<b>\$ 17,997,258</b>	<b>\$ 6,139,777</b>	<b>\$ 31,285</b>	<b>\$ 2,432,128</b>	<b>(9,832,083)</b>	<b>438,015</b>	<b>(9,394,068)</b>
<b>General Revenues:</b>							
Property taxes					3,507,414	-	3,507,414
Sales tax					3,455,201	-	3,455,201
Personal property replacement tax					740,146	-	740,146
Income tax and surcharge					1,465,932	-	1,465,932
Foreign fire insurance tax					16,808	-	16,808
Motel tax					63,958	-	63,958
Utility tax					731,913	-	731,913
Telecom tax					96,026	-	96,026
Motor fuel tax allotments					423,445	-	423,445
Interest					342,953	27,723	370,676
Other					319,689	175,087	494,776
Transfers - internal activity					1,935,000	(1,935,000)	-
Total general revenues and transfers					<u>13,098,485</u>	<u>(1,732,190)</u>	<u>11,366,295</u>
Change in net assets					3,266,402	(1,294,175)	1,972,227
<b>NET ASSETS, BEGINNING OF YEAR</b>					<u>35,487,953</u>	<u>16,484,700</u>	<u>51,972,653</u>
<b>NET ASSETS, END OF YEAR</b>					<u>\$ 38,754,355</u>	<u>\$ 15,190,525</u>	<u>\$ 53,944,880</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
April 30, 2009

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 489,277	\$ 38,274	\$ 34,467	\$ 60,601	\$ 1,512,243	\$ 2,134,862
Investments	32,320	999,537	113,055	2,405,566	1,624,264	5,174,742
Receivables:					1,276,642	3,694,618
General property taxes	1,974,371	443,605	-	-	-	331,910
State income tax	331,910	-	-	-	-	530,678
Sales tax	-	-	530,678	-	-	31,833
Motor fuel tax allotments	-	-	-	-	31,833	104,518
Utility tax	104,518	-	-	-	167,872	175,472
Accounts	7,600	-	-	-	-	9,141
Circuit Clerk	9,141	-	-	-	-	182,015
Other	182,015	-	-	-	-	33,202
Notes receivable	-	-	-	-	33,202	20,316
Inventory	20,316	-	-	-	-	166,472
Prepaid insurance	153,080	-	-	-	13,392	4,719,495
Due from other funds	192,000	2,163,550	-	-	2,363,945	
<b>TOTAL ASSETS</b>	<b>\$ 3,496,548</b>	<b>\$ 3,644,966</b>	<b>\$ 678,200</b>	<b>\$ 2,466,167</b>	<b>\$ 7,023,393</b>	<b>\$ 17,309,274</b>
<b>LIABILITIES</b>						
Voucher payable	\$ 311,321	\$ -	\$ 11,719	\$ 540,320	\$ 36,118	\$ 899,478
Accrued liabilities:					15,192	397,475
Payroll	382,283	-	-	-	-	7,053
Accrued payroll taxes and other withholdings	7,053	-	-	-	-	37,896
Deferred license income	37,896	-	-	-	-	3,694,618
Deferred property tax revenue	1,974,371	443,605	-	-	1,276,642	4,234,495
Due to other funds	3,519,945	-	50,000	250,000	414,550	9,271,015
Total liabilities	6,232,869	443,605	61,719	790,320	1,742,502	
<b>FUND (DEFICIT) BALANCES</b>						
Restricted	-	-	-	-	-	-
Unrestricted					13,392	186,788
Reserved for inventory and prepaids	173,396	-	-	-	-	(2,909,717)
Unreserved	(2,909,717)	-	-	-	-	9,085,323
General	-	3,201,361	616,481	-	5,267,481	1,675,847
Special Revenue	-	-	-	1,675,847	-	18
Capital Projects	-	-	-	-	18	8,038,259
Debt Service	-	-	-	-	-	
Total fund (deficit) balances	(2,736,321)	3,201,361	616,481	1,675,847	5,280,891	
<b>TOTAL LIABILITIES AND FUND (DEFICIT) BALANCES</b>	<b>\$ 3,496,548</b>	<b>\$ 3,644,966</b>	<b>\$ 678,200</b>	<b>\$ 2,466,167</b>	<b>\$ 7,023,393</b>	<b>\$ 17,309,274</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIXON, ILLINOIS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
Year Ended April 30, 2009**

Total governmental fund balances	\$ 8,038,259
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$20,286,259	43,848,870
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(12,346,000)
Contract payable	(71,333)
Other post-employment benefits	(129,098)
Net pension obligation	(400,244)
Accrued interest was recognized for governmental activities, but is not due and payable in the current period and therefore, is not reported as a liability in the governmental funds	<u>(186,099)</u>
<b>Total net assets - governmental activities</b>	<b><u>\$ 38,754,355</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended April 30, 2009**

	General	Illinois Municipal Retirement	Municipal Sales Tax	Capital Development	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General property taxes	\$ 1,880,891	\$ 420,963	\$ -	\$ -	\$ 1,205,560	\$ 3,507,414
Foreign fire insurance tax	-	-	-	-	16,808	16,808
Intergovernmental revenues	3,042,388	-	3,455,201	2,432,166	510,279	9,440,034
Licenses, permits, and other fees	266,924	-	-	-	-	266,924
Fines and penalties	148,360	-	-	-	-	148,360
Charges for services	-	-	-	-	446,319	446,319
Revenue from use of money and property	8,544	44,574	4,516	56,073	229,246	342,953
Other	247,305	-	-	60,000	17,384	324,689
<b>Total revenues</b>	<b>5,594,412</b>	<b>465,537</b>	<b>3,459,717</b>	<b>2,548,239</b>	<b>2,425,596</b>	<b>14,493,501</b>
<b>EXPENDITURES</b>						
General government	2,040,823	-	47,252	-	47,521	2,135,596
Public safety						
Police protection and community relations	2,572,899	-	-	-	-	2,572,899
Fire fighting and prevention and emergency vehicle	1,269,928	-	-	-	453,938	1,723,866
Public works	145,320	-	-	-	-	145,320
Highways and streets	867,021	-	-	-	94,542	961,563
Traffic development	102,061	-	-	-	-	102,061
Welfare-Civil Defense	-	-	-	-	7,274	7,274
Culture and recreation	-	-	-	-	462,440	462,440
Airport operations	-	-	-	-	113,477	113,477
Cemetery operations	-	-	-	-	401,470	401,470
Capital outlay	-	-	-	8,566,266	79,388	8,645,654
Debt Service						
Principal	-	-	-	691,000	-	691,000
Interest	-	-	-	523,556	-	523,556
Payments to pensions	687,745	165,557	-	-	-	853,302
Payments to Social Security System	-	-	-	-	189,009	189,009
<b>Total expenditures</b>	<b>7,685,797</b>	<b>165,557</b>	<b>47,252</b>	<b>9,780,822</b>	<b>1,849,059</b>	<b>19,528,487</b>
Excess (deficiency) of revenues over expenditures	(2,091,385)	299,980	3,412,465	(7,232,583)	576,537	(5,034,986)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	2,066,000	-	-	5,075,000	200,000	7,341,000
Operating transfers out	(1,050,000)	-	(3,710,000)	-	(646,000)	(5,406,000)
<b>Total other financing sources (uses)</b>	<b>1,016,000</b>	<b>-</b>	<b>(3,710,000)</b>	<b>5,075,000</b>	<b>(446,000)</b>	<b>1,935,000</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,075,385)	299,980	(297,535)	(2,157,583)	130,537	(3,099,986)
<b>FUND (DEFICIT) BALANCE, BEGINNING OF YEAR</b>	<b>(1,660,936)</b>	<b>2,901,381</b>	<b>914,016</b>	<b>3,833,430</b>	<b>5,150,354</b>	<b>11,138,245</b>
<b>FUND (DEFICIT) BALANCE, END OF YEAR</b>	<b>\$ (2,736,321)</b>	<b>\$ 3,201,361</b>	<b>\$ 616,481</b>	<b>\$ 1,675,847</b>	<b>\$ 5,280,891</b>	<b>\$ 8,038,259</b>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended April 30, 2009

Net change in fund balances - total governmental funds	\$ (3,099,986)
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	5,938,930
Issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which debt repayments exceeded debt proceeds.	487,788
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	<u>(60,330)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 3,266,402</u></b>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
April 30, 2009

	Business-Type Activities			Total
	Landfill Fund	Sewerage Fund	Water Department Fund	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 537,680	\$ 310,799	\$ 520,411	\$ 1,368,890
Restricted cash	-	-	209,721	209,721
Investments:				
Unrestricted	-	-	201,339	201,339
Restricted	-	-	227,670	227,670
Receivables:				
Accounts	-	-	707,239	707,239
Interest	-	-	720	720
Due from other funds:				
Sewerage Fund	1,585,744	-	-	1,585,744
Water Department	-	437,835	-	437,835
Other governmental funds	250,000	975,000	-	1,225,000
Inventory	-	-	120,209	120,209
Prepaid insurance	-	17,807	38,047	55,854
	<u>2,373,424</u>	<u>1,741,441</u>	<u>2,025,356</u>	<u>6,140,221</u>
Total current assets				
<b>PROPERTY AND EQUIPMENT</b>				
<b>Assets not depreciated</b>				
Land	-	-	149,073	149,073
Construction in progress	-	164,410	5,560,572	5,724,982
Total assets not depreciated	<u>-</u>	<u>164,410</u>	<u>5,709,645</u>	<u>5,874,055</u>
<b>Assets being depreciated</b>				
Sewerage system	-	14,029,316	-	14,029,316
Water system	-	3,985,743	9,468,333	13,454,076
Building and improvements	-	325,365	-	325,365
Wastewater treatment plant	-	17,503,572	-	17,503,572
Machinery and equipment	58,928	535,130	428,514	1,022,572
Furniture and fixtures	-	8,953	111,373	120,326
Transportation equipment	-	111,836	461,475	573,311
	<u>58,928</u>	<u>36,499,915</u>	<u>10,469,695</u>	<u>47,028,538</u>
Less accumulated depreciation	<u>(50,365)</u>	<u>(12,592,121)</u>	<u>(5,063,633)</u>	<u>(17,706,119)</u>
	<u>8,563</u>	<u>23,907,794</u>	<u>5,406,062</u>	<u>29,322,419</u>
Net property and equipment being depreciated	<u>8,563</u>	<u>23,907,794</u>	<u>5,406,062</u>	<u>29,322,419</u>
Net property and equipment	<u>8,563</u>	<u>24,072,204</u>	<u>11,115,707</u>	<u>35,196,474</u>
	<u>8,563</u>	<u>24,072,204</u>	<u>11,115,707</u>	<u>35,196,474</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,381,987</u>	<u>\$ 25,813,645</u>	<u>\$ 13,141,063</u>	<u>\$ 41,336,695</u>

	<b>Business-Type Activities</b>			
	<b>Landfill Fund</b>	<b>Sewerage Fund</b>	<b>Water</b>	<b>Total</b>
			<b>Department Fund</b>	
<b>LIABILITIES</b>				
Current liabilities:				
Vouchers payable	\$ -	\$ 92,245	\$ 340,868	\$ 433,113
Accrued liabilities:				
Payroll	-	9,908	20,591	30,499
Interest	-	115,799	8,500	124,299
Vacation Pay	-	-	5,061	5,061
Due to other funds:				
Social Security Fund	600,000	-	-	600,000
IMRF Fund	1,110,000	-	-	1,110,000
Landfill Fund	-	1,585,744	-	1,585,744
Sewerage Fund	-	-	437,835	437,835
Consumer deposits	-	-	376,799	376,799
Notes payable - current portion	-	922,828	-	922,828
EPA loan payable - current portion	-	-	328,298	328,298
Bonds payable - current portion	-	-	26,000	26,000
Total current liabilities	<u>1,710,000</u>	<u>2,726,524</u>	<u>1,543,952</u>	<u>5,980,476</u>
Long-term liabilities:				
Notes payable	-	12,634,281	-	12,634,281
EPA loan payable	-	-	7,445,413	7,445,413
Bonds payable	-	-	86,000	86,000
Total long-term liabilities	<u>-</u>	<u>12,634,281</u>	<u>7,531,413</u>	<u>20,165,694</u>
Total liabilities	<u>1,710,000</u>	<u>15,360,805</u>	<u>9,075,365</u>	<u>26,146,170</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,563	10,515,095	3,229,996	13,753,654
Restricted	-	-	437,391	437,391
Unrestricted	<u>663,424</u>	<u>(62,255)</u>	<u>398,311</u>	<u>999,480</u>
Total fund equity	<u>671,987</u>	<u>10,452,840</u>	<u>4,065,698</u>	<u>15,190,525</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 2,381,987</u>	<u>\$ 25,813,645</u>	<u>\$ 13,141,063</u>	<u>\$ 41,336,695</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended April 30, 2009**

	<b>Business-Type Activities</b>			<b>Total</b>
	<b>Landfill Fund</b>	<b>Sewerage Fund</b>	<b>Water</b>	
			<b>Department Fund</b>	
<b>OPERATING REVENUES</b>				
User fees	\$ -	\$ 1,885,472	\$ 1,394,224	\$ 3,279,696
Host fees	1,886,897	-	-	1,886,897
Labor and merchandise	-	-	70,715	70,715
Miscellaneous	-	7,391	33,475	40,866
Total operating revenues	<u>1,886,897</u>	<u>1,892,863</u>	<u>1,498,414</u>	<u>5,278,174</u>
<b>OPERATING EXPENSES</b>				
Salaries	2,700	282,884	660,426	946,010
Maintenance of site and buildings	-	200,745	228,947	429,692
Other maintenance	-	8,691	423	9,114
Supplies and services	-	36,301	132,227	168,528
Electricity	-	287,318	216,675	503,993
Fuel, gas and oil	-	28,516	37,350	65,866
Professional service and fees	-	15,637	31,791	47,428
Insurance	-	54,657	116,650	171,307
Miscellaneous	8,226	25,944	74,212	108,382
Dues and subscriptions	-	1,211	-	1,211
Travel and education expense	217	494	-	711
Training	-	1,107	3,267	4,374
Depreciation	11,787	1,701,832	310,173	2,023,792
Total operating expenses	<u>22,930</u>	<u>2,645,337</u>	<u>1,812,141</u>	<u>4,480,408</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,863,967</u>	<u>(752,474)</u>	<u>(313,727)</u>	<u>797,766</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	5,476	7,778	14,469	27,723
Income from reimbursement agreement	-	175,087	-	175,087
Interest expense	-	(354,646)	(5,105)	(359,751)
Total nonoperating revenues (expenses)	<u>5,476</u>	<u>(171,781)</u>	<u>9,364</u>	<u>(156,941)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,869,443	(924,255)	(304,363)	640,825
<b>TRANSFERS OUT</b>	<u>(1,935,000)</u>	<u>-</u>	<u>-</u>	<u>(1,935,000)</u>
<b>CHANGE IN NET ASSETS</b>	(65,557)	(924,255)	(304,363)	(1,294,175)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>737,544</u>	<u>11,377,095</u>	<u>4,370,061</u>	<u>16,484,700</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 671,987</u>	<u>\$ 10,452,840</u>	<u>\$ 4,065,698</u>	<u>\$ 15,190,525</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended April 30, 2009

	Business-Type Activities			Totals
	Landfill Fund	Sewerage Fund	Water Department Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,886,897	\$ 1,892,863	\$ 1,513,091	\$ 5,292,851
Payments to employees	(2,700)	(290,322)	(654,380)	(947,402)
Payments to suppliers	(8,995)	(796,170)	(726,173)	(1,531,338)
Other payments	(8,443)	-	-	(8,443)
Net cash provided by operating activities	<u>1,866,759</u>	<u>806,371</u>	<u>132,538</u>	<u>2,805,668</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from reimbursement agreement	-	175,087	-	175,087
Operating transfers from (to) other funds	(1,935,000)	-	-	(1,935,000)
Net cash provided by (used) in non-capital financing activities	<u>(1,935,000)</u>	<u>175,087</u>	<u>-</u>	<u>(1,759,913)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Proceeds from EPA loan	-	-	4,216,657	4,216,657
Advances from (to) other funds	-	-	(34,855)	(34,855)
Principal paid on revenue bond	-	-	(25,000)	(25,000)
Principal paid on notes payable	-	(899,665)	(126,340)	(1,026,005)
Payment of interest on debt	-	(354,646)	(5,105)	(359,751)
Acquisition of capital assets	-	(389,473)	(4,815,985)	(5,205,458)
Net cash used in capital financing activities	<u>-</u>	<u>(1,643,784)</u>	<u>(790,628)</u>	<u>(2,434,412)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	-	-	-	-
Purchases of investments	-	-	(8,806)	(8,806)
Interest income	5,476	7,778	14,469	27,723
Net cash provided by investing activities	<u>5,476</u>	<u>7,778</u>	<u>5,663</u>	<u>18,917</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(62,765)</u>	<u>(654,548)</u>	<u>(652,427)</u>	<u>(1,369,740)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>600,445</u>	<u>965,347</u>	<u>1,382,559</u>	<u>2,948,351</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 537,680</u>	<u>\$ 310,799</u>	<u>\$ 730,132</u>	<u>\$ 1,578,611</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,863,967	\$ (752,474)	\$ (313,727)	\$ 797,766
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,787	1,701,832	310,173	2,023,792
Effects of changes in operating assets and liabilities				
Accounts receivable	-	-	(1,483)	(1,483)
Prepaid insurance	-	(3,769)	(17,250)	(21,019)
Inventory	-	-	22,545	22,545
Accounts payable	(8,995)	(131,780)	110,074	(30,701)
Consumer deposits	-	-	16,160	16,160
Accrued liabilities	-	(7,438)	6,046	(1,392)
Net cash provided by operating activities	<u>\$ 1,866,759</u>	<u>\$ 806,371</u>	<u>\$ 132,538</u>	<u>\$ 2,805,668</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DIXON, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
April 30, 2009

	Pension Trust Funds	Private- Purpose Trust	Agency Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,479,417	\$ 24,291	\$ 6,754	\$ 1,510,462
Investments	15,804,483	2,222,239	-	18,026,722
Receivables:				
Accounts, net of allowance for estimated uncollectibles	-	13,690	-	13,690
<b>TOTAL ASSETS</b>	<u>17,283,900</u>	<u>2,260,220</u>	<u>6,754</u>	<u>19,550,874</u>
<b>LIABILITIES</b>				
Vouchers payable	109,321	-	-	109,321
Performance deposits	-	-	6,754	6,754
<b>TOTAL LIABILITIES</b>	<u>109,321</u>	<u>-</u>	<u>6,754</u>	<u>116,075</u>
<b>NET ASSETS</b>				
Net assets held in trust for pension benefits	17,174,579	-	-	17,174,579
Net assets held in trust for other purposes	-	2,260,220	-	2,260,220
<b>TOTAL NET ASSETS</b>	<u>\$ 17,174,579</u>	<u>\$ 2,260,220</u>	<u>\$ -</u>	<u>\$ 19,434,799</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIXON, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended April 30, 2009**

	<u>Pension Trust</u>	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 687,745	\$ -
Plan members	248,338	-
Other	-	108,459
Total contributions	<u>936,083</u>	<u>108,459</u>
 Other income	 <u>2,819</u>	 <u>1,180</u>
 Total additions	 <u>938,902</u>	 <u>109,639</u>
<b>DEDUCTIONS</b>		
Benefit payments	1,495,187	-
Management fees	82,466	-
Withdrawals	-	190,606
Administrative and audit fee	15,000	20,609
Investment loss	2,078,648	408,911
Other	6,514	-
Total deductions	<u>3,677,815</u>	<u>620,126</u>
 <b>NET DECREASE</b>	 (2,738,913)	 (510,487)
 <b>NET ASSETS HELD IN TRUST, BEGINNING OF YEAR</b>	 <u>19,913,492</u>	 <u>2,770,707</u>
 <b>NET ASSETS HELD IN TRUST, END OF YEAR</b>	 <u>\$ 17,174,579</u>	 <u>\$ 2,260,220</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

The City of Dixon, Illinois (the City) is a municipal corporation governed by an elected Mayor and City Council. As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, as well as its component units, which are a legally separate organization for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or

Fiscal dependency on the primary government.

The accompanying financial statements present the City (the primary government), the City has no component units.

**Basic Financial Statements – Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major and aggregate nonmajor funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general government, public safety, highways and streets, traffic development, welfare, culture and recreation, airport, and cemetery services are classified as governmental activities. The City's landfill, sewer, and water services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (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.

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

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

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 following fund types are used by the City:

Governmental Fund Types

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

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

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts, general long-term debt, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust Funds.

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

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

Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

**Enterprise Funds** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989, to account for proprietary funds.

The City maintains three enterprise funds.

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

**Reporting Major, Nonmajor and Fiduciary Fund Statements**

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

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

**Reporting Major, Nonmajor and Fiduciary Fund Statements (Continued)**

The City reports the following major funds:

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

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

**Municipal Sales Tax Fund** - This fund is used to account for the revenues and expenditures associated with sales tax collected within the City. Financing is provided by sales tax paid within the City.

**Capital Development Fund** - This fund is used to account for the acquisition and construction of major capital facilities. Financing is provided by excess landfill surcharge fees from the Landfill Fund.

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

**Sewerage Fund** - This fund is used to account for the revenues and expenditures associated with sewer service. Financing is provided by sewer user charges.

**Water Department Fund** - This fund is used to account for the revenues and expenditures associated with water service. Financing is provided by water user charges.

The City reports the following non-major funds:

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

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

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

**Riverfront Project Fund** - This fund is used to account for the revenues and expenditures associated with the riverfront project. Financing is provided by property taxes.

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



CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

**Reporting Major, Nonmajor and Fiduciary Fund Statements (Continued)**

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

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

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

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

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

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

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

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

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

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

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

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

**Basis of Accounting**

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

Accrual

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

Modified Accrual

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

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

Budgets and Budgetary Accounting

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

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Basis of Accounting (Continued)**

**New Accounting Standards**

As further described in Note 11, effective May 1, 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires a systematic, accrual basis measurement and recognition of other postemployment benefit (OPEB) expense over a period that approximates employees' years of service. The Statement also requires disclosure of information about actuarial accrued liabilities associated with OPEB and progress being made in funding the plan.

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

**Cash Equivalents**

For purposes of the statement of cash flows, the City considers cash equivalents to be all cash on hand, money market accounts, similar type demand accounts and any certificates of deposit with an original maturity date of twelve months or less. Any maturity dates over twelve months are presented as investments.

**Investments**

State statutes authorize the government to invest in the following:

- (1) commercial banks
- (2) savings and loan institutions
- (3) obligations of the U. S. Treasury and U. S. Agencies
- (4) obligations of States and their political subdivisions
- (5) credit union shares
- (6) repurchase agreements
- (7) commercial paper rated within the three highest classifications by at least two standard rating services
- (8) Illinois Public Treasurer's Investment Pool

In addition, the Police and Firefighters' Pension Trust Funds may invest in other investments, including general and separate accounts of life insurance companies, mutual funds, bank managed funds, and equities.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have established markets are reported at estimated fair value.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Accounts Receivable - Water Department**

Accounts receivable includes amounts billed and not collected at April 30 and an estimate of unbilled accounts receivable for water used by consumers. An allowance for doubtful accounts has been provided to uncollectible accounts receivable in the amount of \$2,500.

**Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans, if any, are also classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between individual governmental activities and individual business-type activities are eliminated in the Statement of Net Assets.

**Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type insignificant inventories are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond April 30, 2009, are recorded as prepaid items.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Interest Capitalization**

Interest costs for fixed asset construction within enterprise funds are capitalized. However, all other interest costs are expensed. Interest costs incurred during fiscal year 2009 were \$943,637 of which \$65,357 has been capitalized.

**Property Taxes**

Property taxes generated from the 2007 property tax levy are used to finance the operating budget of the fiscal year ending April 30, 2009 on the budgetary cash basis. Recognition of the revenue is deferred until the year it is intended to finance. The City's property tax is levied each year at the time the budget for the ensuring year is passed and is extended against the assessed valuation of the City on January 1 of that year. Property taxes attach as an enforceable lien on property as of January 1 and are generally payable in two installments in June and September. The City receives significant distributions of tax receipts within one month of these due dates.

**Long-Term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and net pension obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of 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.

**Fund Equity**

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Fund Statements**

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

**Interfund Transactions**

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

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

**Compensated Absences**

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

The Water Department accrues unpaid vacation time when earned by the employee. Each employee is allowed to carryover five days to the subsequent fiscal year. As of April 30, 2009, \$5,061 of accrued vacation is included in accrued employee compensation.

**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 \$28,854,408 and the bank balances totaled \$29,035,897. Cash on hand was \$1,943.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

At year end, the investment maturities are as follows:

<u>Investment Type</u>	<u>Fair value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10 or more</u>
Certificates of Deposit	\$ 4,972,982	\$ 3,850,358	\$ 1,122,624	\$ -	\$ -
U.S. Treasuries and Agencies	10,526,194	798,961	2,682,470	1,040,716	6,004,047
Illinois Treasurer's Investment Pool	1,117,583	1,117,583	-	-	-
Mutual Funds	<u>5,278,290</u>	<u>5,278,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$21,895,049</u></b>	<b><u>\$11,045,192</u></b>	<b><u>\$3,805,094</u></b>	<b><u>\$1,040,716</u></b>	<b><u>\$6,004,047</u></b>

**Investments in the Illinois Funds**

The State Treasurer maintains the Illinois Treasurer's Investment Pool (Pool) at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The relationship between the City and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At April 30, 2009, the City had \$1,117,583 in the Pool, which approximates fair value.

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

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits funds that are not directly matched with anticipated cash flow requirements to maturities of four years or less. Reserve funds may be invested in securities exceeding six years. For the City's Police and Fire Pension Funds, the investment policy allows them to invest in securities that will mature no less than 5 years from the original purchase date.

**Credit Risk**

The City's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements, seek reasonable income, preserve capital, maintain liquidity, and in general, avoid speculative instruments. The City's investments in the Illinois Treasurer's Investment Pool maintain a rating of AAA by Standard and Poor's.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City. As of April 30, 2009, \$-0- of the City's deposits were exposed to custodial credit risk.

**Concentration of Credit Risk**

More than 5.00% of the City's investments are in Certificates of Deposit maintained by Amcore Bank and the First National Bank of Amboy. These investments represent 19.12% and 5.06% of the City's total investments, respectively.

**NOTE 3 - NOTES RECEIVABLE**

On January 21, 2004, the City entered into a promissory note for building renovations with Jason M. and Trista L. Pitman of Dixon for \$16,285. Interest is at 2.5% and the entire balance was due February 1, 2009. The note was secured by a junior mortgage on the property. The note was paid in full during the year.

On September 2, 2003, the City entered into a promissory note for building renovations with Ralph Edgar of Grand Detour for \$75,000. Interest is at 2.5% and the entire balance was due September 1, 2008. The note was secured by a mortgage on the property. The note was paid in full during the year.

On May 2, 2005, the City entered into a promissory note for building renovations with Patricia Hummel of Dixon for \$25,000. Interest is at 2.5% and the entire balance is due April 30, 2010. The note is secured by a mortgage on the property. The balance at April 30, 2009 is \$4,734.

On August 21, 2007, the City entered into a promissory note for building renovations with John McLane of Dixon for \$25,000. Interest is at 2.5% and the entire balance of the note is due October 1, 2011. The note is secured by a junior mortgage on the property. The balance at April 30, 2009 is \$15,122.

On January 6, 2009, the City entered into a promissory note for building renovations with Juana Ayala and Kora Rivera of Dixon for \$13,558. Interest is at 2.5% and the entire balance of the note is due March 6, 2014. The note is secured by a junior mortgage on the property. The balance at April 30, 2009 is \$13,346.



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

**NOTE 3 - NOTES RECEIVABLE (CONTINUED)**

The notes receivable are due as follows:

<u>Year Ending April 30</u>	
2010	\$ 12,433
2011	7,892
2012	8,090
2013	2,784
2014	<u>2,003</u>
<b>Total</b>	<b>\$ <u>33,202</u></b>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2009, was as follows:

	<u>Balance at May 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,176,460	\$ 354,401	\$ -	\$ 2,530,861
Construction in progress	<u>99,037</u>	<u>2,870,682</u>	<u>39,441</u>	<u>2,930,278</u>
Total capital assets not being depreciated	<u>2,275,497</u>	<u>3,225,083</u>	<u>39,441</u>	<u>5,461,139</u>
Capital assets being depreciated:				
Buildings	12,055,598	90,769	-	12,146,367
Equipment	5,004,755	837,442	217,014	5,625,183
Infrastructure	<u>36,757,940</u>	<u>4,144,500</u>	<u>-</u>	<u>40,902,440</u>
Total capital assets being depreciated	<u>53,818,293</u>	<u>5,072,711</u>	<u>217,014</u>	<u>58,673,990</u>
Less accumulated depreciation:				
Buildings	3,416,634	307,732	-	3,724,366
Equipment	3,290,426	448,522	207,167	3,531,781
Infrastructure	<u>11,476,790</u>	<u>1,553,322</u>	<u>-</u>	<u>13,030,112</u>
Total accumulated depreciation	<u>18,183,850</u>	<u>2,309,576</u>	<u>207,167</u>	<u>20,286,259</u>
<b>Governmental activities capital assets, net</b>	<b>\$ <u>37,909,940</u></b>	<b>\$ <u>5,988,218</u></b>	<b>\$ <u>49,288</u></b>	<b>\$ <u>43,848,870</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

	<u>Balance at May 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at April 30, 2009</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ 149,073	\$ -	\$ 149,073
Construction in progress	<u>2,574,424</u>	<u>4,762,354</u>	<u>1,611,796</u>	<u>5,724,982</u>
Total capital assets not being depreciated	<u>2,574,424</u>	<u>4,911,427</u>	<u>1,611,796</u>	<u>5,874,055</u>
Capital assets being depreciated:				
Sewerage system	13,861,425	167,891	-	14,029,316
Water system	11,773,312	1,680,764	-	13,454,076
Building and improvements	325,365	-	-	325,365
Machinery and equipment	986,554	36,019	-	1,022,573
Furniture and fixtures	120,325	-	-	120,325
Transportation equipment	564,995	21,153	12,837	573,311
Waste Water Treatment Plant	<u>17,503,572</u>	<u>-</u>	<u>-</u>	<u>17,503,572</u>
Total capital assets being depreciated	<u>45,135,548</u>	<u>1,905,827</u>	<u>12,837</u>	<u>47,028,538</u>
Less accumulated depreciation:				
Sewerage system	5,511,919	650,792	-	6,162,711
Water system	4,441,358	399,758	-	4,841,116
Building and improvements	143,827	1,377	-	145,204
Machinery and equipment	802,035	45,031	-	847,066
Furniture and fixtures	113,426	6,081	-	119,507
Transportation equipment	364,532	45,573	12,837	397,268
Waste Water Treatment Plant	<u>4,318,067</u>	<u>875,180</u>	<u>-</u>	<u>5,193,247</u>
Total accumulated depreciation	<u>15,695,164</u>	<u>2,023,792</u>	<u>12,837</u>	<u>17,706,119</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$32,014,808</b></u>	<u><b>\$ 4,793,462</b></u>	<u><b>\$1,611,796</b></u>	<u><b>\$35,196,474</b></u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

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

Governmental activities:	
General government	\$ 330,641
Public safety	443,161
Highways and streets	1,448,301
Culture and recreation	1,298
Airport	58,084
Cemetery	<u>28,091</u>
<b>Total depreciation expense</b>	<b><u>\$ 2,309,576</u></b>
Business-type activities:	
Landfill	\$ 11,787
Sewer	1,701,832
Water department	<u>310,173</u>
<b>Total depreciation expense</b>	<b><u>\$ 2,023,792</u></b>

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

On May 14, 1999, the City entered into an agreement with Ken Nelson Auto Plaza in Dixon called the "Retailers Occupation Tax Rebate Agreement". Under this agreement, Ken Nelson Auto Plaza undertook a large construction project in order to expand their current business, which will remain within City limits and will generate more sales tax revenue. In exchange, the City agrees to reimburse Ken Nelson Auto Plaza the greater of one-half of the ROT receipts, or, \$8,500 per month or the actual ROT receipts during that month, whichever is less. After sixty months, the City will pay Ken Nelson one-half of the ROT receipts per month. The agreement expires in May 2024. The amount of ROT rebate expenses during fiscal year ending April 30, 2009 was \$47,252.

**NOTE 6 - LEGAL DEBT MARGIN**

The following schedule illustrates the legal debt margin of the City as of April 30, 2009:

Assessed valuation – 2008	<u>\$ 181,653,271</u>
Statutory debt limitation (8.625% of assessed valuation)	\$ 15,667,595
Total debt:	
General Obligation Debt Certificates	\$ 12,346,000
EPA loans payable	7,773,711
Notes payable	13,557,109
Water Revenue Bonds	112,000
Contract payable	71,333
Deduct bonds exempt from debt limitation computation:	
General Obligation Debt Certificates	(12,346,000)
EPA loans payable	(7,773,711)
Notes payable	(13,557,109)
Water Revenue Bonds	<u>(112,000)</u>
<b>Legal debt margin</b>	<b><u>\$ 15,596,262</u></b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

**NOTE 7 - LONG-TERM DEBT**

Transactions for the year ended April 30, 2009 are summarized as follows:

**Governmental Activities**

	<u>Balance</u> <u>May 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>April 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 13,037,000	\$ -	\$ 691,000	\$ 12,346,000	\$ 647,000
Contract payable	47,000	45,000	20,667	71,333	25,667
Net pension obligation	350,463	49,781	-	400,244	400,244
Other post-employment benefits	-	129,098	-	129,098	-
<b>Total governmental activities</b>	<b><u>\$ 13,434,463</u></b>	<b><u>\$ 223,879</u></b>	<b><u>\$ 711,667</u></b>	<b><u>\$ 12,946,675</u></b>	<b><u>\$1,072,911</u></b>

**Business-type Activities**

EPA loans payable	\$ 3,683,394	\$4,216,657	\$ 126,340	\$ 7,773,711	\$ 328,298
Notes payable	14,456,774	-	899,665	13,557,109	922,828
Bonds payable	137,000	-	25,000	112,000	26,000
<b>Total business-type activities</b>	<b><u>\$ 18,277,168</u></b>	<b><u>\$4,216,657</u></b>	<b><u>\$1,051,005</u></b>	<b><u>\$ 21,442,820</u></b>	<b><u>\$1,277,126</u></b>

**Governmental Activities**

On September 1, 2004, the City of Dixon issued General Obligation Debt Certificates, Series 2004 of \$7,500,000 (par value) with interest rate of 5.00%.

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

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Governmental Activities (Continued)**

Governmental activities bonds payable at April 30, 2009, are comprised of the following individual issues:

General Obligation Debt Certificates:

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

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 424,000	\$ 309,963
2011	447,000	288,541
2012	470,000	265,957
2013	496,000	242,211
2014	522,000	217,151
2015-2019	3,062,000	660,598
2020	714,000	36,074
	<u>\$ 6,135,000</u>	<u>\$ 2,020,495</u>

\$6,500,000 – 2008 General Obligation Bonds 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>
2010	\$ 223,000	\$ 253,678
2011	232,000	244,569
2012	242,000	235,094
2013	252,000	225,210
2014	262,000	214,917
2015-2019	1,477,000	905,209
2020-2024	1,801,000	578,136
2025-2028	1,722,000	179,302
	<u>\$ 6,211,000</u>	<u>\$ 2,836,115</u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Governmental Activities (Continued)**

Contract Payable

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

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 15,667	\$ -	\$ 15,667
2011	15,666	-	15,666
	<u>\$ 31,333</u>	<u>\$ -</u>	<u>\$ 31,333</u>

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

<u>Year Ending April 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,000	\$ -	\$ 10,000
2011	10,000	-	10,000
2012	10,000	-	10,000
2013	10,000	-	10,000
	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>

Net Pension Obligation

At April 30, 2009, the City had the following net pension obligation:

Firefighters' Pension	<u>\$ 400,244</u>
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Other Post-Employment Benefits

See note 11

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Business-Type Activities**

Business-type activities notes payable outstanding at April 30, 2009 consisted of the following:

<u>Project</u>	<u>Interest rate</u>	<u>Amount</u>
South side sewer trunk	3.015%	\$ 201,857
River Street sanitary sewer replacement	2.815	195,782
Waste Water Treatment Plant expansion	2.535	<u>13,159,470</u>
		<u>\$ 13,557,109</u>

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

<u>Year ending</u> <u>April 30</u>	<u>South side</u> <u>Sewer Trunk</u>		<u>River Street</u> <u>Sewer Replacement</u>		<u>Waste Water</u> <u>Treatment Plant Expansion</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 28,558	\$ 5,872	\$ 27,854	\$ 5,317	\$ 866,416	\$ 328,136
2011	29,425	5,005	28,644	4,527	888,519	306,033
2012	30,319	4,111	29,456	3,715	911,186	283,366
2013	31,240	3,190	30,291	2,880	934,431	260,121
2014	32,189	2,241	31,150	2,021	958,269	236,284
2015-2019	50,126	1,519	48,387	1,368	5,170,748	802,010
2020-2022	-	-	-	-	3,429,901	153,764
<b>Total</b>	<u>\$ 201,857</u>	<u>\$ 21,938</u>	<u>\$ 195,782</u>	<u>\$ 19,828</u>	<u>\$13,159,470</u>	<u>\$ 2,369,714</u>

Business-type activities bonds payable outstanding at April 30, 2009 consisted of the following:

The City of Dixon issued Water Revenue Bonds dated December 1, 2002, for the Water Department, due serially from December 1, 2003 to December 1, 2012. These bonds require interest to be paid on June 1 and December 1, at a fixed interest rate of 4.10%. Water Revenue Bonds are being paid with revenue from user fees. Water Revenue Bonds outstanding are recorded at the total amount due; interest payable on these bonds includes interest due on the next payment date, June 1, 2009. The following schedule discloses principal and interest requirements to maturity on all bonds.

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 26,000	\$ 4,592	\$ 30,592
2011	27,000	3,526	30,526
2012	29,000	2,419	31,419
2013	<u>30,000</u>	<u>1,230</u>	<u>31,230</u>
	<u>\$ 112,000</u>	<u>\$ 11,767</u>	<u>\$ 123,767</u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Business-Type Activities**

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 2.5% interest rate with a term of 20 years with principal and interest payments due in April and October of each year. The City of Dixon has issued an ordinance stating costs are to be paid from the loan proceeds and repayment of the loan by the City of Dixon is to be repaid from revenues of the system and sales tax revenues. The ordinance also states that the loan does not constitute indebtedness of the City of Dixon. The 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>
2010	\$ 129,518	\$ 69,298	\$ 198,816
2011	132,777	66,039	198,816
2012	136,116	62,700	198,816
2013	139,541	59,275	198,816
2014	143,051	55,765	198,816
2015-2019	771,079	223,001	994,080
2020-2024	873,071	121,009	994,080
2025-2027	<u>478,930</u>	<u>18,109</u>	<u>497,039</u>
	<u>\$ 2,804,083</u>	<u>\$ 675,196</u>	<u>\$ 3,479,279</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. As of the year ended April 30, 2009, the Water Department has received \$4,900,659 in loan proceeds and has accrued \$68,969 of interest. Subsequent to year end, the City received additional loan proceeds of \$302,319. The loan bears a 2.5% interest rate with a term of 20 years with principal and interest payments due in March and September of each year commencing September 2009. The following schedule discloses principal and interest requirements to maturity on the loan.



CITY OF DIXON, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 April 30, 2009

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

**Business-Type Activities (Continued)**

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 198,780	\$ 121,901	\$ 320,681
2011	211,663	121,346	333,009
2012	224,969	120,368	345,337
2013	230,629	114,708	345,337
2014	236,430	108,907	345,337
2015-2019	1,274,416	452,269	1,726,685
2020-2024	1,442,984	283,701	1,726,685
2025-2029	1,149,757	73,050	1,222,807
	<u>\$ 4,969,628</u>	<u>\$ 1,396,250</u>	<u>\$ 6,365,878</u>

Restricted Cash and Investments

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

	<u>Time deposits in banks</u>
Bond account (Net of \$-0- available for operations)	\$ 30,592
Depreciation account (Net of \$18,558 available for operations)	30,000
Consumer deposit account (Net of \$63,495 available for operations)	<u>376,799</u>
<b>Total</b>	<u>\$ 437,391</u>

**CITY OF DIXON, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 April 30, 2009**

**NOTE 8 - LEASE AGREEMENT**

On December 19, 2006, the City of Dixon, as lessee, approved a lease agreement with Lee County, Illinois, for police dispatching, call taking and telecommunications services in the Law Enforcement Building. The lease term commenced December 1, 2006 and is for five years. Provided that neither party gives notice at the end of the five year term, the contract will self-renew for an annual term. However, after the initial five year term expires, either party may terminate the agreement upon giving six months prior written notice to the other party of its intent to terminate. Currently, the lease calls for monthly payments from the City in the amount of \$9,177.

**NOTE 9 - LEGAL COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

All departments of the City submit requests for appropriation to the City so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Prior to May 1, the budget is legally enacted through passage of an ordinance.

Any changes in the budget must be within the expenditure classifications of personal services, capital improvements, purchases of equipment, commodities and services, and supplies and materials or the budgeted expenditure classifications must be changed by an affirmative vote of a majority of the City Council.

Expenditures may not legally exceed appropriations at the fund level.

**NOTE 10 - PENSION PLANS**

The City has three pension plans covering eligible employees - Police Pension Plan, Firefighters' Pension Plan, and Illinois Municipal Retirement Fund. Each plan's assets may be only used for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Membership of each plan consisted of the following at April 30, 2008:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	26	22
Current employees	<u>28</u>	<u>16</u>
<b>Total</b>	<u><u>54</u></u>	<u><u>38</u></u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Police Pension Plan**

Plan description

Police sworn personnel are covered by the Police Pension Plan which is a single-employer defined benefit pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Section 5, Article 3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

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

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

**Firefighters' Pension Plan**

Plan Description

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

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009**

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

**Firefighters' Pension Plan (Continued)**

Plan Description (continued)

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

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

Contributions

Covered employees are required to contribute 8.455% of their salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The City is required to contribute the remaining amounts (not less than 17.500%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2020, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

**Police and Firefighters' Pension**

The amount shown as the "actuarial accrued liability" is a substitute for the standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

	<b>Police and Firefighters' Pension</b>
Actuarial valuation date	April 30, 2008
Significant actuarial assumptions:	
a) Rate of return on investment of present and future assets	7.00% compounded annually
b) Projected salary increases - attributable to inflation	5.50% compounded annually
c) Additional projected salary increases - attributable to seniority	Information not available
d) Post-retirement benefit increases	3.00% simple interest annually

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Actuarial valuation date	April 30, 2008	April 30, 2008	
Actuarial accrued liability:			
Retirees and beneficiaries currently receiving benefits terminated			
employees not yet receiving benefits	\$ 9,949,641	\$ 7,467,625	\$ 17,417,266
Current employees:			
Accumulated employee contributions including allocated investment earnings	<u>4,730,024</u>	<u>4,448,828</u>	<u>9,178,852</u>
Total actuarial accrued liability	14,679,665	11,916,453	26,596,118
Actuarial value of assets	<u>11,901,713</u>	<u>8,572,757</u>	<u>20,474,470</u>
<b>Unfunded actuarial accrued liability</b>	<b><u>\$ 2,777,952</u></b>	<b><u>\$ 3,343,696</u></b>	<b><u>\$ 6,121,648</u></b>

(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 Systems' funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The contribution rate for normal cost is determined using the entry age normal actuarial funding method. The System used a level dollar amount method to amortize the unfunded liability over a 40 year period.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation as described above.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

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

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Totals</u>
Actuarial valuation date	April 30, 2008	April 30, 2008	
Actuarially determined contribution requirement employer as a dollar amount:			
Normal cost	\$ 201,355	\$ 189,099	\$ 390,454
Amortization of unfunded actuarial accrued liability	<u>132,071</u>	<u>158,968</u>	<u>291,039</u>
	<u>\$ 333,426</u>	<u>\$ 348,067</u>	<u>\$ 681,493</u>
As a percent of current covered payroll:			
Normal cost	14.18%	22.00%	36.18%
Amortization of unfunded actuarial accrued liability	<u>9.30</u>	<u>18.50</u>	<u>27.80</u>
	<u>23.48%</u>	<u>40.50%</u>	<u>63.98%</u>
Contribution made as a dollar amount:			
Employer	\$ 389,459	\$ 298,286	\$ 687,745
Employee	<u>157,552</u>	<u>90,786</u>	<u>248,338</u>
	<u>\$ 547,011</u>	<u>\$ 389,072</u>	<u>\$ 936,083</u>
As a percent of current covered payroll:			
Employer	27.43%	34.72%	62.15%
Employee	<u>11.10</u>	<u>10.57</u>	<u>21.67</u>
	<u>38.53%</u>	<u>45.29%</u>	<u>83.82%</u>

Trend information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information may be found on page 40 of this statement.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation of assets available:		
As a percent of the actuarial accrued liability	<u>81.08%</u>	<u>71.97%</u>
Unfunded actuarial accrued liability:		
As a percent of annual covered payroll (expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes)	<u>195.65%</u>	<u>389.19%</u>

CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009

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

**Police and Firefighter's Pension Plan Statements**

**STATEMENTS OF PLAN NET ASSETS**

	<b>Police Pension</b>	<b>Firefighters' Pension</b>
<b>ASSETS</b>		
Cash	\$ 902,958	\$ 576,459
Investments, at fair value		
Mutual funds	9,587,392	6,217,091
<b>TOTAL ASSETS</b>	<b>10,490,350</b>	<b>6,793,550</b>
<b>LIABILITIES</b>		
Vouchers payable	60,792	48,529
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 10,429,558</b>	<b>\$ 6,745,021</b>

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**

	<b>Police Pension</b>	<b>Firefighters' Pension</b>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 389,459	\$ 298,286
Plan members	157,552	90,786
Total contributions	547,011	389,072
Other income	1,682	1,137
Total additions	<b>548,693</b>	<b>390,209</b>
<b>DEDUCTIONS</b>		
Benefit payments	842,717	652,470
Management fees	55,614	26,852
Administrative and audit fee	7,500	7,500
Investment loss	1,146,098	932,550
Other	4,313	2,201
Total deductions	<b>2,056,242</b>	<b>1,621,573</b>
<b>NET DECREASE</b>	<b>(1,507,549)</b>	<b>(1,231,364)</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<b>11,937,107</b>	<b>7,976,385</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<b>\$ 10,429,558</b>	<b>\$ 6,745,021</b>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Illinois Municipal Retirement Fund**

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

*Funding Policy.* As set by statute, the City's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2008 was 6.98% of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For 2008, the City's annual pension cost of \$159,627 for the Regular plan was equal to the City's required and actual contributions.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Value</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2008	\$ 159,627	100%	\$ -
December 31, 2007	167,095	100%	-
December 31, 2006	155,801	100%	-

The required contribution for 2008 was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3.00% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.00% corridor between the actuarial and market value of assets. The City's Regular plan's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.



**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Illinois Municipal Retirement Fund (Continued)**

*Funded Status and Funding Progress.* As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 83.27% funded. The actuarial accrued liability for benefits was \$7,742,308 and the actuarial value of assets was \$6,446,681, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,295,627. The covered payroll (annual payroll of active employees covered by the plan) was \$2,286,925 and the ratio of the UAAL to the covered payroll was 57.00%.

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

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

The City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective May 1, 2008. This statement requires the costs of postemployment benefits other than pension benefits to be recognized over a period that approximates an employee's years of service. Implementation of this statement resulted in recording a liability of \$129,098 as of April 30, 2009. Additional disclosures required by this statement are included below:

**Plan Description**

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

**Benefits Provided**

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

**Membership**

At April 30, 2009, membership consisted of:

Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>92</u>
<b>Total</b>	<u><u>98</u></u>
Participating employers	<u><u>1</u></u>

**Funding Policy**

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

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

**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 2009 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, 2009	\$ 177,181	\$ -	27.1%	\$ 129,098

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

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

The net OPEB obligation as of April 30, 2009, was calculated as follows:

Annual required contribution	\$ 177,181
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	177,181
Contributions made	<hr/> 48,083
	<hr/>
Increase in net OPEB obligation	129,098
Net OPEB obligation, beginning of year	<hr/> -
	<hr/>
<b>Net OPEB obligation, end of year</b>	<b><u>\$ 129,098</u></b>

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 1,569,928
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,569,928
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 5,380,371
UAAL as a percentage of covered payroll	29.18%

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.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

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

Actuarial Methods and Assumptions (continued)

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

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

**NOTE 12 - DEFERRED COMPENSATION PLAN**

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

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

**NOTE 13 - INTERFUND TRANSFERS/BALANCES**

Interfund transfers during the year ended April 30, 2009, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Municipal Sales Tax Fund	\$ 700,000	\$ -
Capital Development Fund	-	1,050,000
Landfill Fund	720,000	-
Nonmajor Governmental	646,000	-
Total General Fund	<u>2,066,000</u>	<u>1,050,000</u>
Municipal Sales Tax Fund:		
General Fund	-	700,000
Capital Development Fund	-	2,810,000
Nonmajor Governmental	-	200,000
Total Municipal Sales Tax Fund	<u>-</u>	<u>3,710,000</u>

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

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

	<b>Transfers In</b>	<b>Transfers Out</b>
Capital Development Fund:		
General Fund	1,050,000	-
Municipal Sales Tax Fund	2,810,000	-
Landfill Fund	<u>1,215,000</u>	<u>-</u>
Total Capital Development Fund	<u>5,075,000</u>	<u>-</u>
Landfill Fund:		
General Fund	-	720,000
Capital Development Fund	<u>-</u>	<u>1,215,000</u>
Total Landfill Fund	<u>-</u>	<u>1,935,000</u>
Nonmajor Governmental		
Municipal Sales Tax Fund	200,000	-
General Fund	<u>-</u>	<u>646,000</u>
Total Nonmajor Governmental	<u>200,000</u>	<u>646,000</u>
<b>Total operating transfers</b>	<b><u>\$ 7,341,000</u></b>	<b><u>\$ 7,341,000</u></b>

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

Interfund balances at April 30, 2009, consisted of the following:

	<u>General Fund</u>	<u>Municipal Sales Tax</u>	<u>Capital Development Fund</u>	<u>Landfill Fund</u>	<u>Sewerage Fund</u>	<u>Water Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Due from:</b>								
General Fund Illinois	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,000	\$ 192,000
Municipal Retirement Fund	891,000	-	-	1,110,000	-	-	162,550	2,163,550
Landfill Fund	-	-	250,000	-	1,585,744	-	-	1,835,744
Sewerage Fund	925,000	50,000	-	-	-	437,835	-	1,412,835
Other Governmental Funds	<u>1,703,945</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>2,363,945</u>
<b>Total</b>	<b><u>\$3,519,945</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 250,000</u></b>	<b><u>\$1,710,000</u></b>	<b><u>\$1,585,744</u></b>	<b><u>\$ 437,835</u></b>	<b><u>\$ 414,550</u></b>	<b><u>\$7,968,074</u></b>

**CITY OF DIXON, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
April 30, 2009**

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

Interfund loans existing at April 30, 2009 and their purpose were as follows:

The General Fund owed a non-major governmental fund, Sewerage Fund and the Illinois Municipal Retirement Fund \$1,703,945, \$925,000 and \$891,000, respectively for money loaned to cover the cash flow of the General Fund.

The Water Department owed the Sewer Fund \$437,835 for revenues and fees collected on behalf of the Sewer Fund, but not yet remitted at April 30, 2009.

The Sewer Fund owed the Landfill Fund \$1,585,744 for various capital expenditures.

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

The Capital Development Fund owed the Landfill Fund \$250,000 for various capital expenditures.

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

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

Excess of expenditures over appropriations in individual funds. The following fund had an excess of expenditures over appropriations for the year ended April 30, 2009:

	<b>Budget</b>	<b>Actual</b>
Foreign Fire Insurance Tax Fund	\$ -	\$ 8,701

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

General Fund	\$ (2,736,321)
Municipal Airport Fund	\$ (72,186)
Oakwood Cemetery Fund	\$ (318,422)

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

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

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

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

**NOTE 16 - RISK MANAGEMENT**

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

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

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

**NOTE 17 - CONSTRUCTION COMMITMENTS**

As of April 30, 2009, the City had remaining obligations under construction contracts as follows:

	<u>Project amount authorized</u>	<u>Expended to date</u>	<u>Commitment</u>
Radium Project Phase I	\$ 5,152,637	\$ 5,152,277	\$ 360
Radium Project Phase II	3,817,000	197,250	3,619,750
Riverfront Project	4,783,386	2,620,462	2,162,924
Riverfront Pavilions	299,789	203,713	96,076
Riverfront Tents	60,414	-	60,414
Riverfront Furniture	42,943	-	42,943
Riverfront Landscaping	75,364	-	75,364

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

The Water Department entered into an agreement with the Lee County Industrial Development Association (LCIDA) during July 1998. The agreements reflects payments to be received from LCIDA under Paragraph 5(b) of the Annexation Agreement for the development of water lines and water service to 53.39 acres south of the City of Dixon. During the fiscal year ended April 30, 2003, LCIDA sold the remaining acres and owes the Water Department \$59,613. The balance of this agreement is still unpaid at April 30, 2009.

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

The City of Dixon has filed objections related to taxes that the Dixon Community Fire Protection District (District) is receiving from certain property in Lee County. During the year ended April 30, 2007, the District and the City entered into an agreement whereby the District will pay a portion of the 2006 tax levy, which was received in fiscal year 2008, by the City. Additionally, the District and City have jointly contracted a consultant to determine the most efficient and effective means of providing fire and ambulatory protection to the residents of Dixon and the surrounding area for the future. As of the date of this report, no agreement has been made regarding future tax revenues.

**CITY OF DIXON, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**April 30, 2009**

**NOTE 20 - SUBSEQUENT EVENT**

On July 15, 2009, the City entered into a loan agreement with the Illinois Environmental Protection Agency for 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 projected budget for the construction is \$4,134,910 and the projected completion date is July 2010. The total loan of \$4,134,201 has been approved at a zero percent simple interest rate. \$2,067,101 of eligible costs are being funded under the American Recovery and Reinvestment Act (ARRA) of 2009. One-half (1/2) of the ARRA funds, \$1,033,550 will be required to be repaid. \$2,067,100 of eligible costs are being funded from the Public Water Supply Loan Program (PWSLP). The total amount expended from the PWSLP will be required to be repaid. Payments are to be made semi-annually with the first payment due January 1, 2011.

This information is an integral part of the accompanying financial statements.



**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF DIXON, ILLINOIS  
SCHEDULE OF FUNDING PROGRESS  
PENSION TRUST FUNDS, ILLINOIS MUNICIPAL  
RETIREMENT FUND AND OTHER POST-EMPLOYMENT BENEFITS  
April 30, 2009**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll {(b-a)/c}</b>
<b>Police Pension Fund</b>						
4/30/06	11,235,914	13,115,395	1,879,481	85.67%	1,239,676	151.61%
4/30/07	11,933,318	14,084,184	2,150,866	84.73%	1,290,523	166.67%
4/30/08	11,901,713	14,679,665	2,777,952	81.08%	1,419,857	195.65%
<b>Firemen Pension Fund</b>						
4/30/06	7,608,075	10,536,829	2,928,754	72.20%	779,179	375.88%
4/30/07	7,458,023	11,399,630	3,941,607	65.42%	819,518	480.97%
4/30/08	8,572,757	11,916,453	3,343,696	71.94%	859,152	389.19%

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

<b>IMRF</b>						
12/31/06	7,239,824	6,786,304	(453,520)	106.68%	2,047,314	0.00%
12/31/07	7,592,390	7,343,466	(248,924)	103.39%	2,267,236	0.00%
12/31/08	6,446,681	7,742,308	1,295,627	83.27%	2,286,925	56.65%
<b>OTHER POST-EMPLOYMENT BENEFITS</b>						
4/30/09	-	1,569,928	1,569,928	0.00%	5,380,371	29.18%

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, 2009

	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 1,731,860	\$ 1,731,860	\$ 1,880,891	\$ 149,031
Intergovernmental revenue:				
Personal property replacement tax	-	-	700,222	700,222
Income tax and surcharge	1,200,000	1,200,000	1,384,495	184,495
Utility tax	675,000	675,000	765,740	90,740
Telecom tax	-	-	96,123	96,123
Motel tax	68,000	68,000	63,958	(4,042)
	1,943,000	1,943,000	3,010,538	1,067,538
Licenses, permits, and other fees	257,883	257,883	264,895	7,012
Fines and penalties	231,000	231,000	148,360	(82,640)
Revenue from use of money and property	-	-	8,544	8,544
Other	690,257	690,257	264,669	(425,588)
	\$ 4,854,000	\$ 4,854,000	5,577,897	\$ 723,897
(Deduct) beginning accrued revenues				
add beginning deferred revenues			(580,772)	
Add ending accrued revenues				
(deduct) deferred revenues			597,287	
			5,594,412	
<b>EXPENDITURES</b>				
<b>DEPARTMENT OF PUBLIC AFFAIRS</b>				
Salaries	\$ 84,600	\$ 54,600	19,200	\$ 35,400
Supplies and services	275,000	275,000	193,767	81,233
Professional services and fees	290,000	290,000	115,637	174,363
Insurance	5,000	5,000	-	5,000
Public relations	15,000	40,000	34,497	5,503
Main Street	15,000	15,000	15,000	-
Travel expense	5,000	5,000	2,300	2,700
Dues and subscriptions	5,000	5,000	1,160	3,840
Leadership Council	2,000	2,000	-	2,000
Tourism Council	90,000	90,000	80,068	9,932
Plan commission	10,000	10,000	166	9,834
Electrical commission	1,000	1,000	-	1,000
Human Rights Board	1,000	1,000	-	1,000
TIF District	25,000	25,000	-	25,000
Historic Preservation	5,000	5,000	-	5,000

(continued)

CITY OF DIXON, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2009

EXPENDITURES (Continued)	Appropriation		Actual	Variance Positive (Negative)
	Original	Final		
DEPARTMENT OF PUBLIC AFFAIRS (continued)				
Enterprise Zone	27,000	27,000	33,750	(6,750)
Katherine Shaw Bethea Hospital	500	500	500	-
Fire and police commission	15,000	20,000	16,242	3,758
Zoning Board of Appeals	5,000	5,000	-	5,000
Miscellaneous	25,000	25,000	1,358	23,642
Condemnation Board	20,000	20,000	-	20,000
Riverfront	500,000	500,000	227,066	272,934
	<u>1,421,100</u>	<u>1,421,100</u>	<u>740,711</u>	<u>680,389</u>
DEPARTMENT OF ACCOUNTS AND FINANCE				
Salaries	201,700	201,700	162,977	38,723
Maintenance	20,000	20,000	4,432	15,568
Supplies and services	67,000	77,000	26,809	50,191
Professional services and fees	237,000	237,000	125,711	111,289
Notices and publications	5,000	5,000	2,597	2,403
Insurance	710,000	710,000	294,814	415,186
New property and equipment	100,000	90,000	-	90,000
Miscellaneous	25,000	25,000	3,989	21,011
Travel expense	5,000	5,000	2,018	2,982
Dues and subscriptions	5,000	5,000	1,666	3,334
	<u>1,375,700</u>	<u>1,375,700</u>	<u>625,013</u>	<u>750,687</u>
DEPARTMENT OF POLICE PROTECTION				
Salaries	2,187,700	2,187,700	1,831,474	356,226
Maintenance	225,000	225,000	85,704	139,296
Supplies and services	382,500	382,500	128,808	253,692
Professional services and fees	20,000	20,000	-	20,000
Insurance	355,000	355,000	198,256	156,744
New property and equipment	545,000	545,000	134,391	410,609
Police training	30,000	30,000	18,220	11,780
Miscellaneous	30,000	30,000	1,210	28,790
Travel expense	25,000	25,000	10,813	14,187
Dues and subscriptions	5,000	5,000	2,540	2,460
Medicare expense	75,000	75,000	23,625	51,375
Feeding prisoners	5,000	5,000	80	4,920
Investigations	25,000	25,000	7,227	17,773
K-9 training	5,000	5,000	-	5,000
K-9 handler	10,000	10,000	2,000	8,000
K-9 miscellaneous	5,000	5,000	2,128	2,872
No sickness policy	50,000	50,000	2,267	47,733
Federal Grant Matching Funds-Tobacco Grant	30,000	30,000	-	30,000
Education bonus	15,000	15,000	5,000	10,000
Continuing education reimbursement	25,000	25,000	6,123	18,877
Lee County rent	250,000	250,000	110,121	139,879
	<u>4,300,200</u>	<u>4,300,200</u>	<u>2,569,987</u>	<u>1,730,213</u>

(continued)

CITY OF DIXON, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2009

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
<b>DEPARTMENT OF FIRE PROTECTION</b>				
Salaries	1,232,700	1,232,700	1,037,107	195,593
Maintenance	70,000	70,000	12,320	57,680
Supplies and services	115,000	115,000	18,042	96,958
Insurance	175,000	175,000	145,351	29,649
New property and equipment	615,000	615,000	22,267	592,733
Fire training	50,000	50,000	27,913	22,087
Miscellaneous	100,000	100,000	421	99,579
Dues and subscriptions	5,000	5,000	1,080	3,920
Travel expenses	5,000	5,000	887	4,113
No sickness	4,000	4,000	1,600	2,400
Medicare expense	60,000	60,000	14,241	45,759
	<u>2,431,700</u>	<u>2,431,700</u>	<u>1,281,229</u>	<u>1,150,471</u>
<b>DEPARTMENT OF STREETS AND IMPROVEMENTS</b>				
Salaries	585,400	585,400	420,580	164,820
Maintenance	765,000	765,000	270,169	494,831
Supplies and services	259,000	259,000	98,366	160,634
Insurance	186,500	186,500	57,374	129,126
New property and equipment	310,000	310,000	53,557	256,443
Safety and training	1,000	1,000	-	1,000
Travel expense	5,000	5,000	517	4,483
Dues and subscriptions	1,500	1,500	1,122	378
Miscellaneous	2,500	2,500	-	2,500
Meal allowance	5,000	5,000	500	4,500
	<u>2,120,900</u>	<u>2,120,900</u>	<u>902,185</u>	<u>1,218,715</u>
<b>DEPARTMENT OF BUILDING AND ZONING</b>				
Salaries	180,000	180,000	143,829	36,171
Maintenance	14,500	14,500	2,722	11,778
Supplies and services	57,000	57,000	3,609	53,391
Insurance	30,000	30,000	17,098	12,902
New property and equipment	70,000	70,000	2,000	68,000
Training	10,000	10,000	563	9,437
Miscellaneous	5,000	5,000	-	5,000
Travel expense	5,000	5,000	2,000	3,000
Dues and subscriptions	1,000	1,000	232	768
	<u>372,500</u>	<u>372,500</u>	<u>172,053</u>	<u>200,447</u>

(continued)

CITY OF DIXON, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2009

	Appropriation		Actual	Variance
	Original	Final		Positive (Negative)
<b>EXPENDITURES (Continued)</b>				
<b>DEPARTMENT OF PUBLIC PROPERTY</b>				
Salaries	87,700	87,700	38,109	49,591
Maintenance	500,000	500,000	132,060	367,940
Supplies and services	37,500	42,500	3,862	38,638
New property and equipment	635,000	630,000	177,984	452,016
Engineering	100,000	100,000	4,019	95,981
Bond Insurance	2,500	2,500	100	2,400
Holiday decorations	10,000	10,000	75	9,925
Flood control	50,000	50,000	-	50,000
Real estate taxes	10,000	10,000	-	10,000
Miscellaneous	10,000	10,000	64	9,936
	<u>1,442,700</u>	<u>1,442,700</u>	<u>356,273</u>	<u>1,086,427</u>
<b>DEPARTMENT OF TRAFFIC MAINTENANCE</b>				
Salaries	72,500	72,500	55,832	16,668
Maintenance	135,000	135,000	27,670	107,330
Supplies and service	20,000	20,000	7,311	12,689
Insurance	10,000	10,000	5,663	4,337
New property and equipment	175,000	175,000	15,426	159,574
Training expense	5,000	5,000	-	5,000
Miscellaneous	5,000	5,000	488	4,512
	<u>422,500</u>	<u>422,500</u>	<u>112,390</u>	<u>310,110</u>
<b>DEPARTMENT OF PUBLIC WORKS</b>				
Salaries	180,000	180,000	109,899	70,101
Maintenance	20,000	20,000	2,600	17,400
Supplies and service	45,000	45,000	5,882	39,118
Professional services and fees	90,000	90,000	10,880	79,120
Insurance	11,000	11,000	5,771	5,229
New property and equipment	15,000	15,000	1,806	13,194
Dues and subscriptions	5,000	5,000	1,811	3,189
Public Relations	5,000	5,000	1,790	3,210
Travel expense	5,000	5,000	2,253	2,747
License renewals	5,000	5,000	58	4,942
Conferences	10,000	10,000	5,431	4,569
Miscellaneous	15,000	15,000	-	15,000
	<u>406,000</u>	<u>406,000</u>	<u>148,181</u>	<u>257,819</u>

(continued)

CITY OF DIXON, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2009

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES (Continued)</b>				
<b>PAYMENTS TO PENSIONS</b>				
Firefighters' Pension Fund	400,000	400,000	298,286	101,714
Police Pension Fund	500,000	500,000	389,459	110,541
	<u>900,000</u>	<u>900,000</u>	<u>687,745</u>	<u>212,255</u>
 Total cash disbursements	 <u>\$ 15,193,300</u>	 <u>\$ 15,193,300</u>	 7,595,767	 <u>\$ 7,597,533</u>
 (Deduct) beginning accrued expenditures, add beginning prepaid expenditures			 (457,547)	
Add ending accrued expenditures, (deduct) ending prepaid expenditures			 <u>547,577</u>	
 Total expenditures			 <u>7,685,797</u>	
 Deficiency of revenues over expenditures			 <u>(2,091,385)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ 3,665,000	\$ 3,665,000	2,066,000	\$ (1,599,000)
Operating transfers out	<u>(6,150,000)</u>	<u>(6,150,000)</u>	<u>(1,050,000)</u>	<u>5,100,000</u>
	<u>\$ (2,485,000)</u>	<u>\$ (2,485,000)</u>	<u>1,016,000</u>	<u>\$ 3,501,000</u>
 Deficiency of revenues and other financing sources over expenditures and other financing uses			 (1,075,385)	
 FUND DEFICIT, BEGINNING OF YEAR			 <u>(1,660,936)</u>	
 FUND DEFICIT, END OF YEAR			 <u>\$ (2,736,321)</u>	

CITY OF DIXON, ILLINOIS  
 ILLINOIS MUNICIPAL RETIREMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
 Year Ended April 30, 2009

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 404,180	\$ 404,180	\$ 420,963	\$ 16,783
Revenue from use of money and property	<u>35,000</u>	<u>35,000</u>	<u>44,574</u>	<u>9,574</u>
Total cash receipts	<u>\$ 439,180</u>	<u>\$ 439,180</u>	465,537	<u>\$ 26,357</u>
(Deduct) beginning accrued revenues			-	
Add ending accrued revenues			-	
Total revenues			<u>465,537</u>	
<b>EXPENDITURES</b>				
Payments to pensions	\$ 450,000	\$ 450,000	163,557	\$ 286,443
Administration service	<u>5,000</u>	<u>5,000</u>	<u>2,000</u>	<u>3,000</u>
Total cash disbursements	<u>\$ 455,000</u>	<u>\$ 455,000</u>	165,557	<u>\$ 289,443</u>
(Deduct) beginning accrued expenditures			-	
Add ending accrued expenditures			-	
Total expenditures			<u>165,557</u>	
Excess of revenues over expenditures			299,980	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>2,901,381</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 3,201,361</u>	



CITY OF DIXON, ILLINOIS  
MUNICIPAL SALES TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - APPROPRIATION (NON-GAAP BASIS) AND ACTUAL  
Year Ended April 30, 2009

	<u>Appropriation</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Sales tax	\$ 2,650,000	\$ 2,650,000	\$ 2,725,151	\$ 75,151
Non-home rule sales tax	-	-	743,061	743,061
Revenue from use of money and property	<u>15,000</u>	<u>15,000</u>	<u>4,516</u>	<u>(10,484)</u>
Total cash receipts	<u>\$ 2,665,000</u>	<u>\$ 2,665,000</u>	3,472,728	<u>\$ 807,728</u>
(Deduct) beginning accrued revenues			(543,689)	
Add ending accrued revenues			<u>530,678</u>	
Total revenues			<u>3,459,717</u>	
<b>EXPENDITURES</b>				
Payments to Ken Nelson Auto Plaza	<u>\$ 250,000</u>	<u>\$ 250,000</u>	68,813	<u>\$ 181,187</u>
Total cash disbursements	<u>\$ 250,000</u>	<u>\$ 250,000</u>	68,813	<u>\$ 181,187</u>
(Deduct) beginning accrued expenditures			(33,279)	
Add ending accrued expenditures			<u>11,718</u>	
Total expenditures			<u>47,252</u>	
Excess of revenues over expenditures			3,412,465	
<b>OTHER FINANCING USES</b>				
Operating transfers out	<u>\$ (17,200,000)</u>	<u>\$ (17,200,000)</u>	(3,710,000)	<u>\$ 13,490,000</u>
Deficiency of revenues over expenditures and other financing uses			(297,535)	
FUND BALANCE, BEGINNING OF YEAR			<u>914,016</u>	
FUND BALANCE, END OF YEAR			<u>\$ 616,481</u>	

**CITY OF DIXON, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**April 30, 2009**

**NOTE 1 - BASIS OF ACCOUNTING**

Annual budgets are adopted for all governmental funds using the cash basis of accounting, which is a different basis of accounting other than generally accepted in the United States of America, but is allowed under Illinois Compiled Statutes for Cities.

**NOTE 2 - EXCESS OF DISBURSEMENTS OVER APPROPRIATIONS**

No major funds had an excess of disbursements over appropriations.

**NOTE 3 - NOTE TO SCHEDULE OF FUNDING PROGRESS**

The required contribution was determined as part of the actuarial valuation method using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 11.60% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increase of 3.00% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20.00% corridor.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

CITY OF DIXON, ILLINOIS  
NON-MAJOR FUNDS  
COMBINING BALANCE SHEET  
April 30, 2009

	Special Revenue												Debt Service				
	General Government				Highways		Culture and Recreation			Welfare		Public Safety		Total			
	Garbage	Public Benefit	Downtown Redevelopment Project	Riverfront Project	Social Security	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Veteran's Memorial Commission	Oakwood Cemetery	Civil Defense		Emergency Vehicle	Foreign Fire Insurance	Debt Service
ASSETS																	
Cash and cash equivalents	3,943	79,010	23,596	104,179	264,264	3,102	169,351	7,451	158,474	191,394	66,019	3,670	52,411	387,951	14,203	18	1,512,245
Investments					577,582	67,096	813,513		166,073								1,624,264
Receivables		81,347	314,915	111,386	370,893		31,833		276,682	64,943		40,758	15,728				1,276,642
General property taxes																	31,815
Motor fuel tax allocations																	
Accounts, less allowance																	
for estimated uncollectibles																	
Notes receivable			33,202				312		19,285		19,784			128,491			167,872
Prepaid insurance					1,380,000		8,037		482		4,873						33,202
Due from other funds						631,945								352,000			13,942
<b>TOTAL ASSETS</b>	<b>3,943</b>	<b>180,357</b>	<b>371,712</b>	<b>215,565</b>	<b>2,592,729</b>	<b>702,143</b>	<b>1,014,897</b>	<b>15,800</b>	<b>621,514</b>	<b>256,819</b>	<b>66,019</b>	<b>69,083</b>	<b>68,139</b>	<b>848,442</b>	<b>14,203</b>	<b>18</b>	<b>7,023,393</b>
LIABILITIES																	
Vouchers payable					800				13,014			10,563		1,112			36,118
Accrued liabilities																	
Payroll									8,096			5,644					15,192
Deferred property tax revenue		81,347	314,915	111,386	370,893		1,452		276,682	64,943		40,758	15,728				1,276,642
Due to other funds							84,000			330,550							414,550
Total liabilities	81,347		314,915	112,196	370,893		87,986		297,792	64,943		387,515	15,728	1,112			1,742,932
FUND BALANCES																	
Reserved for prepaid insurance							8,037			482		4,873					13,392
Reserved for debt service	3,943	79,010	56,797	103,379	2,221,846	702,143	1,006,802	(80,223)	333,722	191,394	68,019	(323,295)	52,411	847,330	14,203	18	5,267,481
Unreserved																	
Total fund balances (deficits)	3,943	79,010	56,797	103,379	2,221,846	702,143	1,006,802	(72,166)	323,722	191,876	68,019	(318,422)	52,411	847,330	14,203	18	5,260,991
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>3,943</b>	<b>180,357</b>	<b>371,712</b>	<b>215,565</b>	<b>2,592,729</b>	<b>702,143</b>	<b>1,014,897</b>	<b>15,800</b>	<b>621,514</b>	<b>256,819</b>	<b>66,019</b>	<b>69,083</b>	<b>68,139</b>	<b>848,442</b>	<b>14,203</b>	<b>18</b>	<b>7,023,393</b>

CITY OF DIXON, ILLINOIS  
NONMAJOR FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended April 30, 2009

	Special Revenue														Debt Service		
	General Government				Highways and Streets		Airport		Culture and Recreation		Cemetery		Welfare			Public Safety	
	Public Benefit	Downtown Redevelopment Project	Riverfront Project	Social Security	Working Cash	Motor Fuel Tax	Municipal Airport	Library	Band	Veteran's Memorial Commission	Oakwood Cemetery	Civil Defense	Emergency Vehicle	Foreign Fire Insurance		Debt Service	Total
REVENUES																	
General property taxes				\$ 352,008				\$ 262,039	\$ 61,561		\$ 38,736	\$ 14,950				\$ 1,205,560	
Personal property replacement tax							55,949									55,949	
Motor fuel tax allotments							423,445									423,445	
Foreign fire insurance tax								22,028					357,397	16,808		374,205	
User fees											66,806					66,806	
Cemetery lot sales and services																	
Revenue from use of money and property	864	4,706	1,095	37,022	1,023	9,551	55,904	4,259	2,892	92,483	12,082	670	6,579	68		229,246	
Miscellaneous						2,891	11	10,317		4,375						17,384	
State of Illinois Grant								31,285								31,285	
Total revenues	78,016	305,670	68,645	395,030	1,023	435,677	55,915	366,075	64,453	92,483	122,099	15,620	363,966	16,874		2,425,596	
EXPENDITURES																	
Salaries							57,065	239,522	37,856		178,674	3,120	68,909			615,156	
Maintenance							20,804	21,854		12,904	137,232	2,750	245,386			535,472	
Supplies, services and professional services							19,881	73,450	944	3,097	53,362		6,507	8,701		213,463	
Fuel, gas, and oil							14,643	37,961	2,954		29,878					2,954	
Insurance							78,388		725							79,388	
New property and equipment								23,100		8,463	2,324	1,404	84,435			129,726	
Miscellaneous																1,064	
Dues and subscriptions																187,009	
Payments to Social Security System								2,000								2,000	
Administrative fee																	
Total expenditures		46,721	800	187,009	2,000	94,542	182,865	398,451	39,525	24,464	401,470	7,274	445,237	8,701		1,849,059	
Excess (deficiency) of revenues over expenditures	78,016	258,949	97,845	208,021	1,023	341,135	(136,950)	(12,376)	24,928	68,019	(279,371)	8,346	(81,271)	8,173		576,537	
OTHER FINANCING SOURCES (USES)																	
Operating transfers in							100,000				100,000					200,000	
Operating transfers out																(646,000)	
Total other financing sources (uses)							100,000				100,000					(446,000)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	78,016	(387,051)	97,845	200,021	1,023	341,135	(36,950)	(12,376)	24,928	68,019	(179,371)	8,346	(81,271)	8,173		130,537	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	984	443,848	5,534	2,021,825	701,120	665,967	(35,235)	336,098	166,948		(136,051)	44,065	928,601	6,030	18	5,150,354	
FUND BALANCE (DEFICIT), END OF YEAR	79,010	56,797	103,379	2,221,846	702,143	1,006,802	(72,185)	323,722	191,876	68,019	(318,422)	52,411	847,330	14,203	18	5,280,891	

CITY OF DIXON, ILLINOIS  
 FIDUCIARY FUNDS  
 COMBINING BALANCE SHEET  
 April 30, 2009

	Private Purpose Trust					Agency Fund
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Memorial Arch Preservation	Total	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,556	\$ -	\$ 13,065	\$ 670	\$ 24,291	\$ 6,754
Investments	464,660	1,735,424	22,155	-	2,222,239	-
Receivables:						
Accounts, net of allowance for estimated uncollectibles	13,690	-	-	-	13,690	-
<b>TOTAL ASSETS</b>	<b>\$ 488,906</b>	<b>\$ 1,735,424</b>	<b>\$ 35,220</b>	<b>\$ 670</b>	<b>\$ 2,260,220</b>	<b>\$ 6,754</b>
<b>LIABILITIES</b>						
Performance deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,754
Total liabilities	-	-	-	-	-	6,754
<b>FUND BALANCES/NET ASSETS</b>						
Reserved for perpetual endowment	488,906	-	-	-	488,906	-
Reserved for deferred compensation Unreserved	-	1,735,424	-	-	1,735,424	-
Total fund balances/net assets	488,906	1,735,424	35,220	670	2,260,220	-
<b>TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS</b>	<b>\$ 488,906</b>	<b>\$ 1,735,424</b>	<b>\$ 35,220</b>	<b>\$ 670</b>	<b>\$ 2,260,220</b>	<b>\$ 6,754</b>

CITY OF DIXON, ILLINOIS  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Year Ended April 30, 2009

	Private Purpose Trusts					
	Cemetery Endowment	Deferred Compensation	Petunia Endowment	Dixon Memorial Arch Preservation	Total	
<b>ADDITIONS</b>						
Contributions	\$ 7,929	\$ 98,230	\$ 2,300	\$ -	\$ 108,459	
Revenue from use of money and property	-	-	1,180	-	1,180	
Total revenues	<u>7,929</u>	<u>98,230</u>	<u>3,480</u>	<u>-</u>	<u>109,639</u>	
<b>DEDUCTIONS</b>						
Withdrawals	-	190,606	-	-	190,606	
Administrative	-	9,915	10,694	-	20,609	
Investment loss	-	408,911	-	-	408,911	
Total expenditures	<u>-</u>	<u>609,432</u>	<u>10,694</u>	<u>-</u>	<u>620,126</u>	
Net (decrease) increase	<u>7,929</u>	<u>(511,202)</u>	<u>(7,214)</u>	<u>-</u>	<u>(510,487)</u>	
<b>NET ASSETS</b>						
BEGINNING OF YEAR	<u>480,977</u>	<u>2,246,626</u>	<u>42,434</u>	<u>670</u>	<u>2,770,707</u>	
<b>NET ASSETS</b>						
END OF YEAR	<u>\$ 488,906</u>	<u>\$ 1,735,424</u>	<u>\$ 35,220</u>	<u>\$ 670</u>	<u>\$ 2,260,220</u>	

**CITY OF DIXON, ILLINOIS**  
**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**April 30, 2009**

	Pension Trust Funds		
	Firefighters' Pension	Police Pension	Total
<b>ASSETS</b>			
Cash	\$ 576,459	\$ 902,958	\$ 1,479,417
Investments, at fair value			
Mutual funds	6,217,091	9,587,392	15,804,483
<b>TOTAL ASSETS</b>	6,793,550	10,490,350	17,283,900
<b>LIABILITIES</b>			
Vouchers payable	48,529	60,792	109,321
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	\$ 6,745,021	\$ 10,429,558	\$ 17,174,579



**CITY OF DIXON, ILLINOIS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
Year Ended April 30, 2009**

	<b>Pension Trust Funds</b>		
	<b>Firefighters' Pension</b>	<b>Police Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 298,286	\$ 389,459	\$ 687,745
Plan members	90,786	157,552	248,338
Total contributions	<u>389,072</u>	<u>547,011</u>	<u>936,083</u>
Other income	<u>1,137</u>	<u>1,682</u>	<u>2,819</u>
Total additions	<u>390,209</u>	<u>548,693</u>	<u>938,902</u>
<b>DEDUCTIONS</b>			
Benefit payments	652,470	842,717	1,495,187
Management fees	26,852	55,614	82,466
Administrative and audit fee	7,500	7,500	15,000
Investment loss	932,550	1,146,098	2,078,648
Other	2,201	4,313	6,514
Total deductions	<u>1,621,573</u>	<u>2,056,242</u>	<u>3,677,815</u>
<b>NET DECREASE</b>	(1,231,364)	(1,507,549)	(2,738,913)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<u>7,976,385</u>	<u>11,937,107</u>	<u>19,913,492</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<u>\$ 6,745,021</u>	<u>\$ 10,429,558</u>	<u>\$ 17,174,579</u>

CITY OF DIXON, ILLINOIS  
SCHEDULE OF ASSESSED VALUATIONS, RATES, EXTENSIONS AND COLLECTIONS  
Tax Years 2007, 2006 and 2005

Fund	2007			2006			2005		
	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions	Assessed valuation	Tax rate	Tax extensions
Corporate	\$ 161,316,631	.2463	\$ 397,323	\$ 148,029,423	.2556	\$ 378,363	\$ 140,783,327	.2560	\$ 360,405
Police Protection	161,316,631	.1482	239,071	148,029,423	.1496	221,452	140,783,327	.1498	210,893
Fire Protection	91,236,225	.1221	111,399	85,957,489	1500	128,936	82,511,852	1500	123,768
Audit	161,316,631	.0286	46,459	148,029,423	.0299	44,261	140,783,327	.0299	42,094
Road and Bridge	161,316,631	-	-	148,029,423	-	-	140,783,327	-	-
Public Benefit	161,316,631	.0480	77,432	148,029,423	.0498	73,719	140,783,327	.0499	70,251
Band	161,316,631	.0383	61,784	148,029,423	.0398	58,916	140,783,327	.0399	56,173
Library	161,316,631	.1441	232,457	148,029,423	.1496	221,452	140,783,327	.1498	210,893
Cemetery	161,316,631	.0241	38,877	148,029,423	.0250	37,007	140,783,327	.0250	35,128
Fire Pension	91,236,225	.3282	299,437	85,957,489	.3151	270,852	82,511,852	.3160	260,737
Police Pension	161,316,631	.2423	390,870	148,029,423	.2653	392,722	140,783,327	.2657	374,061
IMRF	161,316,631	.2619	422,488	148,029,423	.2718	402,344	140,783,327	.2722	383,212
Civil Defense	161,316,631	.0093	15,002	148,029,423	.0097	14,359	140,783,327	.0097	13,656
Claim and Judgment Te	161,316,631	.2047	330,215	148,029,423	.2028	300,204	140,783,327	.2031	285,931
Library Maintenance	161,316,631	.0183	31,134	148,029,423	.0200	29,608	140,783,327	.0200	28,157
Social Security	161,316,631	.2190	353,283	148,029,423	.2273	336,471	140,783,327	.2276	320,423
TIF District 1	2,756,569	-	300,964	2,871,014	-	292,255	2,875,063	-	17,659
TIF District 3	3,993,892	-	97,695	4,279,675	-	60,602	2,875,063	-	269,539
			\$ 3,445,890	\$ 3,507,413		\$ 3,253,521	\$ 3,322,848		\$ 3,045,389
									\$ 3,128,498

Note: Collections may exceed extensions on the tax rates because mobile home tax, which is not based upon assessed valuations as above computed, was collected and is included in the "collections" amounts.

**CITY OF DIXON, ILLINOIS  
INSURANCE COVERAGE AND STATISTICS  
April 30, 2009**

<u>Amount of Coverage</u>	<u>Risk Covered</u>	<u>Insurer</u>	<u>Expiration Date</u>
Replacement cost (up to \$8 million)	Blanket coverage - buildings and equipment	Illinois Risk Management Association	12/31/09
\$50,000 per occurrence	Crime	Illinois Risk Management Association	12/31/09
Statutory	Worker's compensation	Illinois Risk Management Association	12/31/09
\$3 million per accident	Employer's liability	Illinois Risk Management Association	12/31/09
\$30 million	Auto liability including trucks and tractors	Illinois Risk Management Association	12/31/09
\$5 million	Flood and earthquake	Illinois Risk Management Association	12/31/09
\$8 million	Comprehensive general liability	Illinois Risk Management Association	12/31/09
\$50,000	Valuable papers and records	Illinois Risk Management Association	12/31/09
Replacement cost (up to \$17,000,000)	Boiler and machinery	Cincinnati Insurance Company	04/30/11
\$15,000	Blanket bond	Western Surety Company	08/25/10

The following statistics as of April 30, 2009, were furnished by the Water Department:

Number of metered customers	5,885
Number of unmetered customers for fire protection only	70
Number of hydrants	889
Gallons of water through master meters	761,228,000
Gallons of water billed through meters	649,353,000
Percent billed through meters	85%

# **SAMUEL S. CARD, CPA P.C.**

CERTIFIED PUBLIC ACCOUNTANT

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Commissioners  
City of Dixon, Illinois

### **Compliance**

I have audited the compliance of the City of Dixon, Illinois with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2009. The City of Dixon, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City of Dixon, Illinois' management. My responsibility is to express an opinion on the City of Dixon, Illinois' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dixon, Illinois' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Dixon, Illinois' compliance with those requirements.

In my opinion, the City of Dixon, Illinois complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended April 30, 2009.

### **Internal Control over Compliance**

The management of the City of Dixon, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Dixon, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Dixon, Illinois' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as described above.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Samuel S. Lund, CPA P.C.

February 5, 2010

**CITY OF DIXON, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended April 30, 2009**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</b>	<b>Federal CFDA Number</b>	<b>Pass through Entity Identifying Number</b>	<b>Federal Expenditures</b>
United States Environmental Protection Agency			
Office of Ground Water and Drinking Water	66.468		678,226
United States Department of Transportation			
Federal Highway Administration	20.205		2,448,503
United States Department of Homeland Security			
Robert T. Stafford Disaster Relief and Emergency Assistance Act	97.036		1,049
United States Environmental Protection Agency			
Office of Solid Waste and Emergency Response	66.818		2,386

**NOTES**

**Basis of Presentation**

The schedule of expenditures of federal awards includes the federal grant activity of the City of Dixon, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial statements of the City of Dixon, Illinois are also presented on the accrual basis of accounting.

**CITY OF DIXON, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**April 30, 2009**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Dixon, Illinois.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Dixon, Illinois, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Dixon, Illinois expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the City of Dixon, Illinois.
7. The programs tested as a major program included: Capitalization Grants for Drinking Water State Revolving Funds CFDA 66.468, and Highway Planning and Construction Program CFDA 20.205.
8. The threshold used for distinguishing between Type A and B programs was \$500,000.
9. City of Dixon, Illinois did qualify as a low-risk auditee.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**CITY OF DIXON, ILLINOIS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
April 30, 2009**

There were no prior audit findings relative to the major federal award programs for the City of Dixon, Illinois during the year ended April 30, 2009.